彩虹集團電子股份有限公司

IRICO GROUP ELECTRONICS COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0438)

Annual Report 2012

* For identification purposes only

Contents

Financial Highlights

1. Results

	2012 **(RMB'000)**	2011 *(RMB'000)*	Increase/ (decrease) *(RMB'000)*	Percentage *(%)*
Turnover	**2,645,213**	3,270,348	(625,135)	(19.12)
Cost of sales	**(2,744,232)**	(3,164,459)	420,227	(13.28)
Gross (loss)/profit	**(99,019)**	105,889	(204,908)	(193.51)
Gross (loss)/profit margin *(%)*	**(3.74%)**	3.24%	(6.98%)	N/A
Operating loss	**(2,959,088)**	(532,671)	(2,426,417)	455.52
Operating loss margin	**(111.87%)**	(16.29%)	(95.58%)	N/A
Loss for the year attributable to owners of the Company	**(1,662,002)**	(253,038)	(1,408,964)	556.82
Loss margin *(%)*	**(62.83%)**	(7.74%)	(55.09%)	N/A
Loss per share for the year attributable to owners of the Company *(expressed in RMB per share)*	**(0.7445)**	(0.1134)	(0.6311)	556.53
Dividend per share *(RMB)*	**—**	—	—	—

Financial Highlights (Continued)

2. Financial position

	2012 **(RMB'000)**	2011 (RMB'000)
Property, plant and equipment	**7,467,134**	8,202,921
Net current (liabilities) assets	**(964,911)**	642,254
Cash and bank balances	**1,278,852**	2,080,334
Total liabilities	**10,654,119**	8,267,210
Short-term bank and other borrowings	**2,723,490**	1,568,601
Total equity	**1,642,015**	5,052,178

3. Operating indices

	2012	2011
Returns on equity *(on annualised basis)*	**(74.45%)**	(11.34%)
Inventory turnover *(days)*	**41**	46
Trade receivable turnover *(days)*	**91**	61
Trade payable turnover *(days)*	**113**	95
Current ratio	**0.81**	1.18
Debt to equity ratio	**3.46**	2.66

Chairman's Statement

Dear Shareholders,

I am pleased to present the results of IRICO Group Electronics Company Limited ("IRICO" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012 (the "reporting period").

With the guidance and care from related authorities such as the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC") as well as great support and help from all walks of life, the Group, in face of complicated economic conditions both at home and abroad in 2012, proactively addressed the challenges from increasing competition in the solar photovoltaic glass and luminous materials sectors, vigorously accelerated the industrialization of the liquid crystal display ("LCD") glass substrate industry, and pushed forward the comprehensive strategic transformation of the Company.

Business Review

During the reporting period, the Group continued to actively develop its new businesses such as solar photovoltaic glass, luminous materials and LCD glass substrates, while ceasing the entire traditional CPT business.

In 2012, there was an oversupply in the solar photovoltaic glass market as a whole. Confronted with such difficulties, the Group took proactive measures to focus on the enhancement of technological achievement and management, and saw the well functioning of the production lines of the Xianyang Phase II and Phase IV Projects which already commenced operation. Meanwhile, in response to changes in market demands, the Group pressed ahead with the industrialization process of coated products, and through unremitting efforts, realized small-lot sales, hence laying the foundation for sustained business operation.

As for luminous materials business, under the impact of a weak global economy and the industry, the sales volume of the Group's triphosphor fluorescent lamp powder and cold cathode fluorescent lamp phosphor ("CCFL phosphor") for LCD backlight business declined to a certain degree as compared with last year. Yet such new products as electronic silver paste and lithium battery powder developed well, the sales volume of which increased substantially as compared with last year.

During the reporting period, the principal work in respect of the construction and trial operation of the Group's LCD glass substrate business was basically completed. Meanwhile, breakthroughs were achieved in both product certification and sales in connection with down-stream users of LCD substrate glass, with product quality well recognized by users and relevant sales volume further boosted.

Future Prospects

Looking into 2013, the Group will vigorously press ahead for further growth of various new businesses, in a bid to boost both the production and sales volume of solar photovoltaic glass rapidly, start mass production and sales of value-added glasses such as coated glass, push for continued fast growth of new products of the luminous materials business, and further improve the manufacturing process for LCD glass substrate with a rapid increase in sales volume. Moreover, the Group will adhere to the operational guideline of "achieving steady and fast growth by adjustment and optimization" and strengthen its independent innovation in order to enhance our business operation results.

At the end of 2012, as approved by the State-owned Assets Supervision and Administration Commission (the "SASAC"), IRICO Group Corporation ("IRICO Group"), the controlling shareholder of the Company, was consolidated into China Electronic Corporation* (中國電子信息產業集團有限公司"CEC") by allocation at nil consideration, which was a significant decision made by the SASAC for boosting the reform and reorganisation of central enterprises and also an important measure to accelerate the comprehensive industrial transformation of IRICO Group. CEC is a leading enterprise among central enterprises engaged in electronic information and one of the earliest pilot enterprises in which the SASAC set up the board of directors. It has a standard and efficient decision-making system and has ranked among Fortune Global 500 for two consecutive years since 2011. Upon the consolidation of IRICO Group into CEC, both parties will aggressively advance reorganization and integration and optimize resources allocation to complement each other's advantages and promote mutual healthy development. IRICO Group will leverage CEC's comprehensive advantages in market, capital and resources integration, give full play to its strengths in LCD and other existing industries. Meanwhile, by integrating with CEC's internal resources, IRICO Group will further optimize its assets and liabilities structure and business structure and further enhance its market competitiveness so as to continuously drive its transformation and development. Against the backdrop of reorganization, integration and synergetic development of industry, the Group will achieve sustainable development on a larger platform and see new opportunities in future

Chairman's Statement (Continued)

Future Prospects *(Continued)*

In addition, the Company will further strengthen communications with our shareholders and vast number of investors, and actively take advice and suggestions from investors as to the future development of the Group. With a complete accomplishment of our strategic transformation, we believe that the Group will embrace brighter prospect and will be able to bring sound returns for our vast number of shareholders.

Acknowledgement

I would like to extend my gratitude on behalf of the board of directors (the "Board") of the Company and its members (the "Director(s)") to our shareholders (the "Shareholder(s)"), business partners and friends of all walks of life for their care and support to the Company, and to express my heartfelt gratitude to all of our management team members and all of our employees for their dedicated hard work.

IRICO Group Electronics Company Limited
Tao Kui
Vice Chairman

Xianyang, the People's Republic of China
28 March 2013

Management Discussion and Analysis

1. Industry Analysis

(1) Solar Photovoltaic Glass

During the reporting period, on one hand, the ongoing decline of the price of photovoltaic modules worldwide led to rising relative competitiveness of photovoltaic power generation. On the other hand, the sluggish economic condition and cutback on government subsidies in Europe, which accounted for approximately 60% of the demands of the global photovoltaic market, resulted in slackened demands in this region. The consequence was a merely 5% increase to 29GW in the world's photovoltaic installed capacity throughout 2012. Yet at the same time, the supply of photovoltaic modules worldwide in 2012 evidently exceeded the demand, which led to universal low operating rates of related manufacturers, many of which suffered losses. However, in the domestic photovoltaic market propped up by favorable state policies, the installed capacity in the photovoltaic modules market amounted to 4.72GW, representing a year-on-year increase of 72%, ranking the second worldwide for the year. On the other hand, as a result of the "anti-subsidy, anti-dumping" effect brought on by Europe and the United States against made-in-China photovoltaic products, the domestic photovoltaic industry was under great pressure during the reporting period. Due to weak demands from down-stream users, and oversupply of products caused by intensive investment by manufacturers in the past few years, the price of photovoltaic glass dropped and market competition remained grim during the reporting period.

Looking into 2013, given that on-grid photovoltaic power tariffs in some countries and regions have already fallen to a low level, and developed economies in Europe and the United States are likely to see a recovery, the world's photovoltaic industry is expected to grow amid recovery, and the installed capacity of photovoltaic modules worldwide in 2013 is projected to reach 32-35GW, representing an increase of 10%-20% year on year. Product prices will also pick up with the deepening of the destocking, which, in turn, will help lift the performance of the entire photovoltaic industrial chain. As for the Chinese photovoltaic industry, spurred by strong stimulus policy, the domestic demand market will continue the momentum of rapid growth, with full-year installed capacity expected to reach over 7GW, or a year-on-year rise of 50%, and rank the first worldwide. However, the negative impact of the "anti-subsidy, anti-dumping" sanction imposed by Europe and the United States on Chinese photovoltaic products will stay in 2013, therefore there will exist certain pressure of business operation on the entire domestic photovoltaic industry, including photovoltaic glass during this year, with further differentiation and reorganization in the sector, but regional flagships of the industry may outdo their peers in achieving recovery in their financial results.

Management Discussion and Analysis (Continued)

1. Industry Analysis *(Continued)*

(2) Luminous Materials and Others

In 2012, as a combined result of inventory release, low operating rates of downstream manufacturers, and rapid development of LED lighting, the overall market demand for energy saving lamp phosphor was weak. The production and sales volume in 2012 of major global suppliers of energy saving lamp phosphor decreased to some degree, and demands of this market for 2013 are expected to maintain such a downward trend. However, as a highly cost-efficient energy-saving lighting product in the mid- and long-term, energy saving lamps will still have definite market potentials, as governments across the world are imposing an ever stricter ban on the use of incandescent lamps.

As for electronic silver paste, with the rapid progress of the domestic electronic information industry, overseas manufacturers of electronic parts and components have moved their production bases to mainland China. The demand of the domestic market for electronic silver paste products is increasing rapidly, but domestic manufacturers of such paste started off quite late, with relatively outdated technologies and small market share, so there is great potential for the development of the electronic silver paste market in the PRC in future.

As for lithium battery powder, as lithium batteries have such merits as high energy density, long cycle life, low self discharge, zero memory effect and environment-friendliness, and the scope of their applications has been growing in our daily life, market demands keep on the rise. As a new application of the lithium battery material, new energy vehicles will drive rapid growth of the lithium battery material industry.

(3) LCD Glass Substrate

Driven by increasing demand for LCD televisions, tablet computers and smart phones, global demand for LCD panels maintained a growing momentum in 2012. Global demand for LCD glass substrate continued to grow and increased by 11% year-on-year to 360 million m^2. Domestically, as advanced-generation LCD panel production lines were into production in succession, demand for LCD glass substrate will maintain a high-speed growth. As China is largely dependent on import to meet the demand for LCD glass substrate, there will be ample business opportunities for domestic glass substrate manufacturers.

Looking into 2013, global demand for TFT-LCD glass substrate is expected to grow by 13% year-on-year to reach 405 million m^2. As domestic manufacturers put many advanced-generation panels into production, domestic demand for LCD glass substrate will maintain a robust growth. With the domestic LCD glass substrate manufacturers accumulating more experience and becoming stronger in terms of technology and brand, they will capture much more market shares.

Management Discussion and Analysis (Continued)

2. Business Review

(1) Operation Highlights

During the reporting period, the Group proceeded with its strategic transformation in full scale and achieved further development in each new business. Meanwhile the Group made great efforts in marketing, cost reduction, technical upgrade and other aspects and had some success. However, due to intensified competition in the solar photovoltaic glass market, product prices hovering at low levels, slower-than-expected progress in the industrialization of LCD glass substrate business, the cease of all CPT business as well as impairment and provisions made against certain assets, the Group recorded a significant loss attributable to owners of the Company for the year ended 31 December 2012.

In 2012, the Group recorded a sales of RMB2,645,213,000, representing a decrease of RMB625,135,000 as compared to last year. Operating losses were RMB2,959,088,000, representing an increase of RMB2,426,417,000 as compared to last year. Gross loss margin was 3.74%, representing a decrease of 6.98 percentage points as compared to the gross profit margin of the previous year (Gross profit margin for 2011: 3.24%). Losses attributable to equity owners of the Company amounted to RMB1,662,002,000 compared to losses of RMB253,038,000 for the same period of last year.

(2) Review of Principal Businesses

- Solar Photovoltaic Glass Business

  During the reporting period, the two production lines of the Xianyang Phase II Project were under normal operation; the Xianyang Phase IV Project saw a successful furnace ignition in June 2012 and began pilot production with its first fine product rolling off in July 2012, setting a new record for the Group's pilot production of solar photovoltaic glass; the Xianyang Phase I Project underwent cold repair for its furnace from March 2012; the Xianyang Phase III Project and the Hefei Project were proceeding smoothly, and the Group will, in light of the industrial and market conditions, adjust construction schedules and pilot production programs on a reasonable basis.

  The Group actively enhanced the comprehensive competitiveness of its solar photovoltaic glass business by integrating resources, cutting costs, improving efficiency and ramping up R&D efforts. The organizations of Xianyang Phase I, II, III and IV projects of the solar photovoltaic glass were integrated to improve the utilization of resources. The Group actively upgraded technology and management, improved production efficiency and reduced procurement costs, thereby further reducing product costs. The Group actively promoted the R&D and industrialization of coated glass and thin glass, with small-quantity sales fulfilled for coated glass and some progress in the pilot production of thin glass.

2. Business Review *(Continued)*

(2) Review of Principal Businesses *(Continued)*

- Luminous Materials Business

In respect of luminous materials business, the Group continued to improve product quality and after-sales services, promote energy saving and enhance cost control as well as to enhance its ability to develop new products, and seek new business growth drivers during the reporting period. As such, the comprehensive competitiveness of the Group's luminous materials business kept improving. In respect of energy saving lamp phosphor, the sales volume saw a moderate year-on-year decrease due to the low utilization of capacity of downstream enterprises and the accelerating marketization of LED lighting. In respect of CCFL phosphor, the sales volume also dropped due to further decrease in demand as a result of the substitution effects of LED backlight technology. On the other side, with proactive market expansion and good quality, products such as lithium battery powder and electronic silver paste witnessed considerable development, with sales volumes posting significant year-on-year increases. Such products have become the Group's major niche products.

- TFT-LCD Glass Substrate Business

During the reporting period, both the product accreditation and sales efforts for the Group's LCD glass substrate catering downstream users achieved a breakthrough. 0.5mm products have been accredited by major users in mainland China and Taiwan and the number of users of 0.7mm products reached eight attributable to good result in the accreditation. Through great efforts in tackling key technical problems and improving quality, the yield rates and product quality of production lines of the Group's three glass substrate bases at Xianyang of Shaanxi Province, Zhangjiagang of Jiangsu Province and Hefei of Anhui Province kept improving. Production line CX02 at Xianyang of Shaanxi Province passed acceptance inspection in June 2012 and was the first to be transferred to fixed assets.

- Display Device Business and Trading of Liquid Crystal Related Products

The Group ceased all its CPT business during the reporting period and achieved an overall business transformation.

In respect of the manufacture and sale of LCD televisions, through strengthening production management to reduce costs, in particular, improving procurement system to raise efficiency and establishing a new marketing team to enhance marketing capabilities, the Group posted further increase in production and sales volumes as compared to the same period last year and recorded a year-on-year increase of approximately 18.52% in revenue.

Management Discussion and Analysis (Continued)

3. FUTURE STRATEGY

In future, the Group will continue to adhere to the strategic direction of transformation and development and the operational guideline of "achieving steady and fast growth by adjustment and optimization", constantly consolidating and expanding the benefits of transformation. Firstly, the Group will accelerate the expansion of emerging businesses, quicken technical innovation and research and offer expedite solutions to key technical problems. Secondly, the Group will improve its product competitiveness through cost reduction and efficiency improvement. Finally, the Group will firmly follow the idea of market orientation, timely developing and producing products that cater to market demands and customers' individual needs.

Both the output and sales of the Group's solar photovoltaic glass business is expected to have significant increase with more apparent scale advantages, while the coated glass will be put into mass production and sale with increasing market competitiveness.

As to the luminous materials business, while ensuring the satisfactory performance of energy saving lamp phosphor, electronic silver paste and lithium battery powder business, the Group will actively expand into such fields as new luminous materials, electronic materials and energy materials.

The LCD glass substrate business will open a new chapter in development, with rapid growth in sales and more apparent and enhanced scale effects and competitive advantages.

Looking forward, the Group aims to develop certain industrial bases in the PRC through vigorously pressing ahead the new businesses including solar photovoltaic glass, luminous materials and LCD glass substrates, so as to build the Group into an enterprise with the most growth potentials in the optoelectronic sector of China's electronic information industry.

At the end of 2012, as approved by the SASAC, IRICO Group, the controlling shareholder of the Company, was consolidated into CEC by allocation at nil consideration, which was a significant decision made by the SASAC for boosting the reform and reorganisation of central enterprises and also an important measure to accelerate the comprehensive industrial transformation of IRICO Group. CEC is a leading enterprise among central enterprises engaged in electronic information and one of the earliest pilot enterprises in which the SASAC set up the board of directors. It has a standard and efficient decision-making system and has ranked among Fortune Global 500 for two consecutive years since 2011. Upon the consolidation of IRICO Group into CEC, both parties will aggressively advance reorganization and integration and optimize resources allocation to complement each other's advantages and promote mutual healthy development. IRICO Group will leverage CEC's comprehensive advantages in market, capital and resources integration, give full play to its strengths in LCD and other existing industries. Meanwhile, by integrating with CEC's internal resources, IRICO Group will further optimize its assets and liabilities structure and business structure and further enhance its market competitiveness so as to continuously drive its transformation and development. Against the backdrop of reorganization, integration and synergetic development of industry, the Group will achieve sustainable development on a larger platform and see new opportunities in future.

Management Discussion and Analysis (Continued)

4. Financial Review

(1) Results

Profit and loss data for 2008-2012 *(RMB'000)*

	2008	2009	2010	2011	**2012**
Turnover	3,541,920	2,097,251	2,717,770	3,270,348	**2,645,213**
Sales of CPTs and components	3,060,108	1,351,458	1,368,502	511,050	**318,701**
Sales of luminous materials	375,977	289,503	463,014	1,088,734	**520,064**
Sales of liquid crystal related products	105,835	456,290	747,605	1,310,085	**1,552,654**
Sales of solar photovoltaic glass	—	—	138,649	355,475	**171,827**
Sales of TFT-LCD glass substrate and display devices	—	—	—	5,004	**81,967**
Cost of sales	(2,913,300)	(2,188,395)	(2,311,974)	(3,164,459)	**(2,744,232)**
Gross profit (loss)	628,620	(91,144)	405,796	105,889	**(99,019)**
Operating expenses					
Administrative expenses	(368,698)	(422,267)	(244,762)	(325,703)	**(522,193)**
a) General administrative expenses	(342,119)	(395,501)	(224,722)	(306,785)	**(503,378)**
b) Research and development expenses	(26,579)	(26,766)	(20,040)	(18,918)	**(18,815)**
Selling and distribution costs	(176,558)	(95,047)	(107,415)	(86,412)	**(66,830)**
Other operating expenses	(11,501)	(17,743)	(18,592)	(6,776)	**(8,883)**
Operating profit (loss)	158,068	(1,515,475)	132,745	(532,671)	**(2,959,088)**
Finance costs	(59,046)	(39,690)	(64,530)	(79,736)	**(180,632)**
Profit (loss) attributable to owners of the Company	94,908	(1,113,014)	29,075	(253,038)	**(1,662,002)**

Management Discussion and Analysis (Continued)

4. Financial Review *(Continued)*

(1) Results *(Continued)*

Turnover by product *(RMB'000)*

Name	2012	2011	Increase / (decrease)	Change
CPTs and components	**318,701**	511,050	(192,349)	–37.64%
Luminous materials	**520,064**	1,088,734	(568,670)	–52.23%
Liquid crystal related products	**1,552,654**	1,310,085	242,569	18.52%
Solar photovoltaic glass	**171,827**	355,475	(183,648)	–51.66%
TFT-LCD glass substrate and display device	**81,967**	5,004	76,963	1538.03%
Total	**2,645,213**	3,270,348	(625,135)	–19.12%

(2) Change over last year and reasons

- Turnover and gross profit margin

In 2012, the Group recorded a sales of RMB2,645,213,000, representing a decrease of RMB625,135,000, or 19.12% from the same period of 2011. In particular, sales of the CPTs and components business amounted to RMB318,701,000, representing a decrease of RMB192,349,000 or 37.64% from the same period of 2011; sales of luminous materials amounted to RMB520,064,000, representing a decrease of RMB568,670,000 or 52.23% from the same period of 2011; sales of liquid crystal related products amounted to RMB1,552,654,000, representing an increase of RMB242,569,000 or 18.52% from the same period of 2011; and sales of solar photovoltaic glass amounted to RMB171,827,000, representing a decrease of RMB183,648,000 or 51.66% from the same period of 2011. The overall gross profit margin of the Group decreased from 3.24% in 2011 to a gross loss margin of 3.74% in 2012, which was mainly attributable to the following reasons: (i) selling price of photovoltaic glass stayed at low levels as a result of an overall oversupply in the market, which led to a gross loss; and (ii) the profitability of luminous material business declined due to stagnancy in global economy and the industry.

4. Financial Review *(Continued)*

(2) Change over last year and reasons *(Continued)*

- Administrative expenses

  The Group's administrative expenses for 2012 increased by RMB196,490,000, or 60.33%, to RMB522,193,000 from RMB325,703,000 in 2011. The increase in administrative expenses was mainly due to the following reasons: (i) the provision for resettlement expenses of the redundant staff increased as a result of the full shutdown of the CPT business in the reporting period; and (ii) shutdown losses increased as some production lines were closed down.

- Finance costs

  The Group's finance costs included in profit and loss for 2012 was RMB180,632,000 (net of interest expense capitalised amounting to RMB263,632,000), representing an increase of RMB100,896,000, or 126.54%, from RMB79,736,000 in 2011. The increase in finance costs was mainly attributable to increases in bank borrowings for development of new businesses.

(3) Current assets and financial resources

As at 31 December 2012, the Group's cash and bank balances amounted to RMB1,278,852,000, representing a decrease of 38.53% from RMB2,080,334,000 as at 31 December 2011. For the year ended 31 December 2012, the Group's capital expenditures totalled RMB2,063,333,000 (31 December 2011: RMB3,449,220,000). Net cash used in operating activities amounted to RMB166,754,000 (31 December 2011: net cash from operating activities RMB327,074,000), while net cash from financing activities and net cash used in investing activities were RMB978,591,000 (31 December 2011: RMB2,064,551,000) and RMB1,613,315,000 (31 December 2011: RMB3,009,882,000) respectively. As at 31 December 2012, the Group's total borrowings were RMB7,617,133,000, of which borrowings due within one year amounted to RMB2,723,490,000 and borrowings due beyond one year amounted to RMB4,893,643,000. As at 31 December 2011, the Group's total borrowings were RMB5,777,233,000, of which borrowings due within one year amounted to RMB1,568,601,000 and borrowings due beyond one year amounted to RMB4,208,632,000.

As at 31 December 2012, the Group's bank loans amounting to approximately RMB3,312,542,000 (31 December 2011: RMB2,772,157,000) were secured by certain property, plant and equipment and land use rights of the Group with an aggregate net carrying amount of approximately RMB1,113,822,000 (31 December 2011: RMB2,007,041,000). As at 31 December 2012, the bank loans guaranteed by the Company's parent company amounted to approximately RMB687,500,000 (31 December 2011: RMB919,000,000).

Management Discussion and Analysis (Continued)

4. Financial Review *(Continued)*

(3) Current assets and financial resources *(Continued)*

For the year ended 31 December 2012, the turnover days for trade and bills receivables of the Group was 91 days, representing an increase of 30 days as compared to 61 days for the year ended 31 December 2011, which was mainly attributable to the fact that payback periods in respect of luminous materials and photovoltaic glass and other main businesses under the impact of changes in market supply and demand. For the year ended 31 December 2012, the inventory turnover days of the Group was 41 days, representing a decrease of 5 days from 46 days for the year ended 31 December 2011, which was mainly attributable to the effective measures taken by the Group to strengthen inventory control, timely destock CRT inventories and reduce the inventories of new businesses.

(4) Capital structure

As at 31 December 2012, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2012, the Group's liabilities (including bank borrowings and finance lease commitments) totalled RMB7,716,653,000 (31 December 2011: RMB5,937,476,000) while cash and bank balances was RMB1,278,852,000 (31 December 2011: RMB2,080,334,000) and the gearing ratio (total liabilities/total assets) was 86.65% (31 December 2011: 62.07%).

(5) Dividend

The Company's dividend policy remains unchanged. In light of the negative undistributed profit for 2012, no dividend will be distributed.

(6) Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the 12 months ended 31 December 2012, the operating cost of the Group increased by RMB3,157,000 (31 December 2011: RMB10,875,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2012, capital expenditure commitments of the Group amounted to RMB1,170,253,000 (31 December 2011: RMB2,586,802,000), which were mainly financed by the Group's working capital.

(8) Contingent liabilities

As at 31 December 2012, the Group had no material contingent liability.

4. Financial Review *(Continued)*

(9) Pledged assets

As at 31 December 2012, the Group's bank loans amounted to approximately RMB3,312,542,000 (31 December 2011: RMB2,772,157,000) and other borrowings amounted to approximately RMB50,000,000 (2011: RMB50,000,000), which were secured by certain properties, plants and equipment and land use rights of the Group with a net carrying amount of approximately RMB1,113,822,000 (31 December 2011: RMB2,007,041,000).

(10) Impairment of property, plant and equipment

As for solar photovoltaic glass:

During the reporting period, as a result of the negative impact from the preliminary decision arising from the "anti-dumping and anti-subsidy" investigation by Europe and the United States against made-in-China photovoltaic products and the subsequent imposition of anti-dumping duties and anti-subsidy duties on such products, there was a general oversupply in the market and the market price of photovoltaic glass declined substantially as the upper-stream photovoltaic glass industry of photovoltaic solar cells was also hard hit. According to relevant requirements of the Accounting Standards for Business Enterprises, the Company carried out impairment assessments on the assets which may be impaired and appointed Beijing Tianjian Xingye Assets Valuation Co. Ltd.* (北京天健興業資產評估有限公司) to make valuation of the relevant photovoltaic glass assets.

The income approach was adopted for the above asset valuation, on the assumptions that the photovoltaic glass production lines which have been constructed and put into operation are to be continually used in production and operation, and their production and operation capability, business scale and operation mode as at the reference date are sustainable and the conditions of the photovoltaic market will gradually turn around in the future. The income-generating years were determined based on the estimated useful life and operational history of photovoltaic glass production lines and relevant development trend of the industry and also by reference to the actual situation, the market and other factors. The weighted average cost of capital was adopted for the discount rate, and the major influencing factors included risk-free return rate, market risk return rate, systematic risk coefficient of the equity, corporate specific risk adjustment coefficient and etc. According to the appraisal result presented by Beijing Tianjian Xingye Assets Valuation Co. Ltd.*, the Company provided RMB484,292,000 for impairment loss for property, plant and equipment for the above production lines.

Management Discussion and Analysis (Continued)

4. Financial Review *(Continued)*

(10) Impairment of property, plant and equipment *(Continued)*

As for LCD glass substrates:

Due to the large amount of preliminary investment in LCD glass substrates by IRICO Display Devices Co., Ltd. ("A Share Company"), a subsidiary of the Company, the expected targets have not been reached, some production lines have not reached the expected sustainable and steady useful conditions ever since commissioning, the payback period of investment has been longer than expected and some production lines have shown signs of impairment, despite the continuous enhancement of yield of fine products and production quality of the production lines that have been put into production at present and certain breakthroughs in respect of product accreditation and sales by downstream users. Pursuant to relevant provisions under the Accounting Standards for Business Enterprises, A Share Company carried out impairment tests on the assets which may be impaired and appointed Canwin Appraisal Co., Ltd.* (坤元資產評估有限公司) to make valuation of the glass substrate production line project and relevant assets.

The income approach was adopted for valuation of the glass substrate production lines, on the assumption that the business maintains the status quo and continues as a going concern according to the planned operating target, and that in the future operating period there will be no substantial changes in operation, administration and other period expenses; the market for the business remains relatively stable; the operating revenue, cost and expenses, and expenditures for renovation are incurred evenly in the year; the business is in a stable conditions and there is no volatile long-term change in the prices of raw materials, energy and power consumed by the enterprise; all products produced under this business could be sold at full price, the trade receivable could be recovered and amounts payable could be paid on normal basis. The period of profit was forecasted based on the feasibility report, historical operation conditions, durable years of equipment as well as production and renovation periods of key equipment of the project. The discount rate is determined by using the risk accumulation method while the risk-free return rate is determined based on the trading status of the treasury bonds with residual maturity of 5-10 years in the treasury bonds market. The comprehensive evaluation method was applied in determining the risk return rate, namely, the risk return rate is determined by the sum of product risk, operation risk, market risk, policy risk and others. According to the appraisal result presented by Canwin Appraisal Co., Ltd.*, an impairment loss of RMB1,205,032,000 was provided for property, plant and equipment of the glass substrate production lines.

4. Financial Review *(Continued)*

(10) Impairment of property, plant and equipment *(Continued)*

As for OLED:

Due to market-related factors and changes in investment expectations, there were signs of impairment in the under-construction production line of the OLED project of IRICO (Foshan) Flat Panel Display Co., Ltd.* ("IRICO Foshan Company"), a subsidiary of A Share Company during the period. The PMOLED production line was also impaired in the period, as a result of relatively large preliminary investment, a shift later into production of touch screen products, and no scale effect accrued. Meanwhile, the IRICO OLED engineering laboratory and the panel display (OLED) material certification application and experiment platform project is highly correlated to the technology for the aforesaid production line. According to relevant requirements of the Accounting Standards for Business Enterprises, the Company conducted impairment tests for assets showing signs of impairment and appointed Canwin Appraisal Co., Ltd.* to make valuation of the assets related to the PMOLED production line project, generation 3.5 pilot line project and AMOLED generation 4.5 production line project.

The income approach was adopted for valuation of the production lines, on the assumption that the PMOLED production line halts production and shifts later into production of touch screen products, that the AMOLED production line project is suspended; the business maintains the status quo as a whole in the future operating period without substantial changes in operation, administration and other period expenses; that the market for the business remains relatively stable, and that there is no volatile long-term change in the prices of raw materials, energy and power consumed by the enterprise. Based on the enterprise's feasibility report on the PMOLED production line project, historical operation, service life of equipment and operation of the production line after retrofit, the income-generating years are determined after taking account of the development prospect of the touch screen market and the discount rate is determined by using the risk accumulation method. According to the appraisal result issued by Canwin Appraisal Co.,Ltd.*, RMB645,863,000 of impairment loss was provided for property, plant and equipment of OLED and PMOLED production lines.

4. Financial Review *(Continued)*

(10) Impairment of property, plant and equipment *(Continued)*

As for PDP glass powder production line and CRT colour powder production line:

As a result of the rapid development of the LCD and OLED sectors, the lifespan of the PDP sector has shrunk sharply and changes are expected to take place in PDP glass powder market. According to relevant requirements of the Accounting Standards for Business Enterprises, the Company decided to provide RMB12,565,000 for impairment loss for the equipment of the PDP glass powder production line.

Due to the sustained contraction of the CPT industry, the shrinkage in the output and sales volume of the Company's CRT colour powder (彩粉) was worse than expected. According to relevant requirements of the Accounting Standards for Business Enterprises, the Company decided to make an impairment provision of RMB2,093,000 for the CRT colour powder production line.

The above provision for impairment losses of assets objectively reflects the Company's financial position. The provision led to certain changes in the Company's financial indicators, including a higher gearing ratio and a decrease in net assets per share. The Company's accounting treatment of relevant assets does not change the operation of the Company's existing businesses.

Through proactive promotion of business transformation over the years, the Company completely ceased the traditional CRT business in 2012. Although the Company faces some difficulties and challenges in respect of solar photovoltaic glass business and LCD glass substrate business, the Company's business transformation has achieved certain results and positive progress. The Company will continue to raise its competitiveness by cutting the production costs of solar photovoltaic glass, and get rid of the difficult situation by taking measures to speed up the technological upgrading and technical improvement in respect of LCD glass substrate, so as to open a new chapter in development.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Tao Kui	60	Vice Chairman
Zhang Junhua	54	President

Non-executive Directors

Guo Mengquan	56
Niu Xin'an	52
Fu Jiuquan*	43
Zhang Weichuan	58

Independent Non-executive Directors

Xu Xinzhong*	49
Feng Bing*	46
Wang Jialu	52
Lv Hua*	56
Zhong Pengrong*	60

* Member of the Audit Committee

Mr. Tao Kui (陶魁), aged 60, is an executive Director and the vice chairman of the Company (the "Vice Chairman"). Mr. Tao joined the Group in September 1978. Mr. Tao graduated from South East University (東南大學) (formerly known as Nanjing Institute of Technology) with a bachelor's degree in electrical vacuum devices and is qualified as a senior engineer. Mr. Tao served as a Director of IRICO Group from November 1995 to February 2001 and has been serving as the deputy general manager of IRICO Group since March 2001. Before that, he was the factory manager of both the Phosphor Powder Factory and the Glass Factory under Shaanxi Colour Picture Tube Plant (the "SCPT") and the deputy factory manager of CPT Plant.

Mr. Zhang Junhua (張君華), aged 54, is an executive Director and the president of the Company (the "President"). He is fully responsible for overall management of the Company's operations. Mr. Zhang joined the Group in December 1984. Mr. Zhang graduated from Shaanxi Mechanical College (陝西機械學院) with a bachelor's degree in machinery manufacturing and is a senior engineer. At present, he serves as the chairman of the board of directors of Xi'an New Century Club. He was appointed as the deputy general manager of IRICO Group on 9 December 2010. Before that, he served as the deputy head and the head of the motor-driving section of the No. 2 Colour Picture Tube Factory under CPT Plant, chairman of the board of directors of Xi'an Caihui Display Technology Co., Ltd., assistant to the general manager, the deputy general manager, the general manager, the vice chairman of the board of directors of IRICO Display Devices Co., Ltd., the general manager and the chairman of the board of directors of Xianyang IRICO Digital Display Technology Co., Ltd. and the vice president of the Company (the "Vice President").

Directors *(Continued)*

Mr. Guo Mengquan (郭盟權), aged 56, is a non-executive Director of the Company. Mr. Guo joined the Group in September 1983. Mr. Guo graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor's degree in control and manipulation of aviation fluid mechanics and from Shaanxi MBA College with an MBA. He is a senior engineer at a professor level. Mr. Guo has been serving as the deputy general manager of IRICO Group since March 2001. He once was the factory manager of the glass factory under IRICO Colour Picture Tube Plant, the vice chairman of IRICO Display Device Co., Ltd. and the President of the Company.

Mr. Niu Xin'an (牛新安), aged 52, is a non-executive Director of the Company. Mr. Niu joined the Group in August 1981. Mr. Niu graduated from Northwestern University (西北大學) with a bachelor's degree in administrative management and is a senior engineer. Mr. Niu has been serving as the party's Vice-secretary and the Secretary to the disciplinary committee of IRICO Group. In June 2002, he was elected as the chairman of the labor union of IRICO Group. Before that, Mr. Niu held such positions as the factory manager of No. 1 Colour Picture Tube Factory under CPT Plant and the deputy director of its product design institute, the manager of the display devices department and the factory manager of the No. 1 Colour Picture Tube Factory under CPT Plant, the factory manager of the Inner Mongolia Television Factory (內蒙古電視機廠), the deputy factory manager of CPT Plant, a shareholder supervisor and the chairman of the supervisory committee of the Company (the "Supervisory Committee").

Mr. Fu Jiuquan (符九全), aged 43, is a non-executive Director of the Company. Mr. Fu joined the Group in July 1990. Mr. Fu graduated from Guilin Electronic Industry College (桂林電子工業學院) with a bachelor's degree in finance and accounting. Mr. Fu has obtained a master qualification in Xi'an Jiaotong University. He is a senior accountant. Mr. Fu severed as the chief accountant of IRICO Group before March 2013 and was appointed as the chief accountant of China Silk Corporation in March 2013. Mr. Fu once served as the director of the finance division of CPT Plant, the manager of the assets finance department of IRICO Group, a shareholder supervisor and the chairman of the Supervisory Committee of the Company.

Mr. Zhang Weichuan (張渭川), aged 58, is a non-executive Director of the Company. Mr. Zhang joined the Group in August 1978. He graduated from Northwestern Telecommunication Engineering College (西北電訊工程學院) with a bachelor's degree in electrical vacuum devices. He is a senior engineer at a researcher level. He is currently the manager of the strategic planning department of IRICO Group, and had served as director of the quality assurance department and the deputy chief engineer of CPT Plant, the general manager of IRICO (Zhangjiagang) Flat Panel Display Company Limited (彩虹(張家港)平板顯示有限公司), the manager of the technology and quality department of IRICO Group, the manager of the planning and development department of the Company and a staff supervisor of the Company.

Directors *(Continued)*

Mr. Xu Xinzhong (徐信忠), aged 49, is an independent non-executive Director of the Company and currently the president of the Lingnan College of Sun Yat Sen University. Mr. Xu joined the Group in September 2004. Mr. Xu obtained his bachelor's degree in meteorology from Beijing University (北京大學), his MBA degree from Aston University in the United Kingdom and his doctoral degree in finance from Lancaster University in the United Kingdom. He worked as a lecturer and senior lecturer of the Faculty of Accounting and Finance at Manchester University in the United Kingdom and was a professor and a chair in Finance of the Faculty of Management at Lancaster University in the United Kingdom. Mr. Xu was a professor of Guanghua Management College of Beijing University and Dean of its Faculty of Finance from January 2002 to 2007, and the vice president and a professor in finance of Guanghua Management College of Beijing University from 2007 to April 2011. Mr. Xu was also awarded the Prize for the Best Manuscript (最佳論文獎) by British Accounting Review in 1997.

Mr. Feng Bing (馮兵), aged 46, is an independent non-executive Director of the Company and currently the chief strategy officer of Dare Technologies Global Co., Ltd (大亞科技集團有限公司首席戰略官). Mr. Feng joined the Group in September 2004. He obtained his bachelor's degree in computer software from Northwestern Polytechnical University, his master's degree in engineering from Calculation Technology Research Institute of Chinese Academy of Sciences(中國科學院計算技術研究所) and his master of science degree in finance from the School of Management at Syracuse University. He was a part-time tutor in optional practical training of the Faculty of Commerce at Syracuse University, a senior manager of Deloitte Touche Tohmatsu in the United States and an executive director and the deputy general manager of China Financial and Consulting Company (中華財務咨詢公司).

Mr. Wang Jialu (王家路), aged 52, is an independent non-executive Director of the Company and a partner of Commerce & Finance Law Office (通商律師事務所). Mr. Wang joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghua Management College of Beijing University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Beijing University and his LLM degree from the Law School of Marburg University of Germany. He is an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for master's degree course in the Law Faculty of Beijing University.

Mr. Lv Hua (呂樺), aged 56, is an independent non-executive Director of the Company. He holds a master's degree. He is a certified accountant and a certified tax consultant in China. Mr. Lv joined the Group in September 2007. He currently serves as the chairman (chief accountant) of the Xigema Certified Public Accountants Co., Ltd. in Xi'an as well as the vice chairman of Shaanxi Certified Public Accountants Association (陝西省註冊會計師協會), the vice chairman of Shaanxi Asset Appraisal Association, the executive member of Shaanxi Research Society of the Economic Systems Restructuring (陝西省體制改革研究會) and the vice chairman of General Chamber of Commerce of Xi'an City (西安市商業聯合會). He was consecutively awarded various titles such as "Excellent Youth Entrepreneur in Shaanxi Province" (陝西省杰出青年實業家), "New Long March Pioneer of Shaanxi Province" (陝西省新長征突擊手), "Top Ten News Figures of Finance and Financial System in Shaanxi Province" (陝西省財政、金融系統十大新聞人物) and "Top 10 Excellent Economic Figures of Shaanxi" (陝西十大杰出經濟人物).

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors *(Continued)*

Mr. Zhong Pengrong（鍾朋榮）, aged 60, is an independent non-executive Director of the Company. Mr. Zhong graduated from Zhongnan University of Finance and Economics (中南財經大學) with a master's degree in China's economic issues. He joined the Group in September 2007. Mr. Zhong is the chairman of Beijing Shiye Consultancy Centre as well as professors of various universities such as Northwest University, Central University of Finance and Economics and Zhongnan University of Economics and Law. He also works as an economic consultant for numerous sizable enterprises and regional governments, formulating strategic proposals and restructuring proposals for over a hundred enterprises alongside strategic development plans for more than sixty cities at regional and county level. Apart from working in the investigation and research office of the Central Office（中央辦公廳調研室）, he has also published hundreds of essays on economy on newspapers and magazines such as "People's Daily", "Economic Daily, PRC" and "Guang Ming Daily". He also published many books such as "100 National Measures"（百條治國大計）, "Macro-economics Theory"（宏觀經濟論）and "Research on Inflation in China"（中國通貨膨脹研究）.

Supervisors

Wang Qi	54	Shareholder Supervisor, Chairman of the Supervisory Committee
Fu Yusheng	54	Staff Supervisor
Tang Haobo	53	Staff Supervisor
Sun Haiying	69	Independent Supervisor
Wu Xiaoguang	55	Independent Supervisor

Supervisors:

Ms. Wang Qi（王琪）, aged 54, is a shareholder supervisor of the Company and the chairperson of the Supervisory Committee of the Company. Ms. Wang joined the Group in July 1979. Ms. Wang obtained her tertiary diploma from Hangzhou Institute of Electronics Engineering（杭州電子工業學院）majoring in accounting and is a senior accountant. Ms. Wang was once the head of the financial department in IRICO Glass Factory, the chief accountant of Xi'an IRICO Electronic Industrial Co., Ltd. and the manager of the assets finance department of IRICO Group.

Mr. Fu Yusheng（付玉生）, aged 54, is a staff supervisor of the Company. Mr. Fu joined the Group in January 1981. Mr. Fu graduated from Northwest University majoring in economic management, with a tertiary diploma. Mr. Fu is currently the assistant to the president of the Company. He once held positions including director of the screen workshop of IRICO Glass Factory, the vice manager of IRICO Accessory Factory and the vice manager and manager of IRICO Glass Factory.

Supervisors *(Continued)*

Supervisors: *(Continued)*

Mr. Tang Haobo (唐浩波), aged 53, is a staff supervisor of the Company. Mr. Tang joined the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry majoring in radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. He is currently the general manager of the operation management and legal affairs department and once held positions including vice head of the motor-driving section and head of the equipment design office of the No. 2 Colour Picture Tube Factory, deputy general manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), vice head of No. 1 Colour Picture Tube Factory, manager of IRICO Equipment Company Limited, vice head of IRICO Electron Gun Factory, and vice general manager of operation department of IRICO.

Mr. Sun Haiying (孫海鷹), aged 69, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiaotong University, a member of the standing committee of the Shaanxi province's People's Political Consultative Conference and the head of the Committee of Science and Technology of Shaanxi Province, an adjunct professor of the Institute for Enterprises of the Hong Kong Polytechnic University. He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Planning Strategy Study Group under the State Mid-and Long-term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃領導小組的規劃戰略研究專題組) in August 2004.

Ms. Wu Xiaoguang (吳曉光), aged 55, is an independent supervisor of the Company and joined the Group in September 2004. Ms. Wu received her bachelor's degree in economics from the Economic Management College of Northwest University. She was a graduate majoring in accounting in School of Management of Xi'an Jiaotong University, and was awarded a master's degree of business administration upon graduation by the Faculty of Business of The Hong Kong Polytechnic University. She is currently a deputy professor of the School of Management at Xi'an Jiaotong University and the head of the ACCA (Association of Chartered Certified Accountants) Project Centre. Ms. Wu is a part-time professor of the Chinese (Hainan) Reform and Development Research Institute (中國(海南)改革發展研究院), the chairman and general manager of Xi'an Wanguantong Financial Management Consulting Co., Ltd., and an expert consultant of Shaanxi Province Venture Capital Association. She holds positions as expert consultant in Beijing Jinrui Junan Taxation Co, China Tax Consulting Information Web, China Industry and Economic News Web and Beijing Zhongbao Weiye Information Consulting Firm.

Supervisors *(Continued)*

Other Senior Management:

Zhang Chunning	53	Vice President
Zou Changfu	54	Vice President
Ma Jianchao	54	Chief Financial Controller
Chu Xiaohang	43	Joint Company Secretary (appointed as the sole Company Secretary on 20 November 2012)
Lam Chun Lung	40	Qualified Accountant and Joint Company Secretary (resigned on 20 November 2012)

Mr. Zhang Chunning (張春寧), aged 53, is a Vice President of the Company. He is responsible for the sales and marketing of products, technology and quality and R&D of new products. Mr. Zhang joined the Group in November 1985. Mr. Zhang graduated from the Faculty of Chemistry of Northwest University with a bachelor's degree in science (chemistry) and from Xi'an Jiaotong University with a master's degree in management (business administration). He is now pursuing his doctorate degree in management (business administration) at Xi'an Jiaotong University. He was the deputy head and head of the Workshop of No. 2 Colour Picture Tube Factory under SCPT Plant, the head of IRICO Phosphor Factory under CPT Plant, the general manager of Shaanxi IRICO Phosphor Materials Co., Ltd. (陝西彩虹熒光材料有限公司), the assistant to the President and the joint company secretary of the Company (the "Joint Company Secretary").

Mr. Zou Changfu (鄒昌福), aged 54, is a Vice President of the Company. He is responsible for the production operation, safety, environmental protection, fire safety, security and material support. Mr. Zou joined the Group in August 1981. Mr. Zou obtained a bachelor's degree and is a senior engineer. He was the general manager of Shenzhen Hongyang Industry and Trade Company Limited from February 2001 to February 2003; and the general manager of IRICO Kunshan Holdings (彩虹昆山實業) and the chairman of the board of directors of IRICO Yingguang Electrics Limited Company(彩虹櫻光電子股份公司) from February 2003 to December 2005. He was the general manager of the purchase department of the Company from December 2005 to May 2010, and assistant to the President from December 2007 to 16 May 2010.

Mr. Ma Jianchao (馬建朝): aged 54, is the chief financial officer of the Company. He joined the Group in January 1986. Mr. Ma graduated from Chengdu Radio Engineering College (成都電訊工程學院) (currently known as University of Electronic Science and Technology of China(電子科技大學)) with a bachelor's degree in computer science, and subsequently obtained the qualification of industrial accounting from Hangzhou Institute of Electronics Engineering(杭州電子工業學院). He furthered his study in the master's program of accounting at the Xi'an Jiaotong University(西安交通大學). He is a senior accountant and senior engineer. He served as chief financial officer and deputy general manager of Royal Rainbow Hotel in Australia from September 1995 to November 1997. He served as chief financial officer of China National Electronics Imp. & Exp Caihong Company(中國電子進出口彩虹公司)from March 1999 to March 2005, during which he served as vice director of the audit department of IRICO Group from April 2001 to March 2002. He served as the general manager of the financial department of the Company from March 2005 to 16 May 2010.Mr. Ma has experience in finance, computer, foreign trade and hotel, especially over 20 years' experience in operation and financial management.

Supervisors *(Continued)*

Other Senior Management: *(Continued)*

Mr. Chu Xiaohang (褚曉航), aged 43, is the Company Secretary of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu obtained a master's degree and is a senior engineer, he graduated from Northwest University with a bachelor's degree in computer science and obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He worked at IRICO Glass Factory and served as a senior project management engineer in the strategic planning department of IRICO Group and head of the office of the board of directors of the Company. He acted as our Joint Company Secretary from November 2009 to November 2012. On 20 November 2012, he was appointed as the sole Company Secretary.

Mr. Lam Chun Lung (林晉龍), aged 40, Mr. Lam joined the Group in August 2006. Mr. Lam graduated from The Hong Kong University of Science and Technology with a bachelor's degree (first honour) in business administration (accounting) in May 1998, and from the City University of Hong Kong with a master's degree in business administration in July 2006. He had been the head of auditing in S C To & Co. (杜昭紹會計師事務所), and the accountant and finance manager of Colliers Jardine International. Mr. Lam is a member of both of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lam served as the Joint Company Secretary and the qualified accountant of the Company from August 2006 to November 2012 and resigned from the position of the Joint Company Secretary on 20 November 2012 and ceased to be the qualified accountant of the Company at the same time.

Changes of Directors, Supervisors and Senior Management

For details of changes of Directors, supervisors and senior management, please refer to the "Directors, Supervisors and Senior Management" section within the Report of the Directors.

Report of the Directors

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2012 to the Shareholders.

Principal operations

The Group is principally engaged in the production and sales of solar photovoltaic glass, luminous materials, LCD glass substrates as well as display devices and accessories.

Results and dividend

In 2012, the Group recorded a sales of RMB2,645,213,000; operating losses were RMB2,959,088,000; gross loss margin was 3.74%; losses attributable to owners of the Company amounted to RMB1,662,002,000 and the comprehensive losses attributable to owners of the Company amounted to RMB1,658,426,000.

The annual results of the Group for the year ended 31 December 2012 and its financial status as at the same date prepared in accordance with accounting principles generally accepted in Hong Kong are set out from page 63 to 181 of this annual report.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2012, the Board has decided not to distribute any final dividend for the year ended 31 December 2012.

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 182 of this annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of the changes of property, plant and equipment of the Group in the year of 2012 are set out in note 18 to the financial statements.

Share capital

Details of the Company's share capital in 2012 and as of 31 December 2012 are set out in note 37 to the financial statements.

Purchase, redemption and sale of shares of the Company

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

Reserves

Details of the movements of reserves of the Company and of the Group during 2012 are set out in note 38 to the financial statements.

Major customers and suppliers

The percentage of purchases from the major suppliers and sales to the major customers of the Group is set out as follows:

Purchase

— largest supplier, accounting for 9% of the total purchase amount

— five largest suppliers, accounting for 36% of the total purchase amount

Sales

— largest customer, accounting for 14% of the total sales amount

— five largest customers, accounting for 37% of the total sales amount

As the Company has identified an established supplier with strength sufficient to provide a relatively high proportion of raw materials. Hence, the five largest suppliers only accounted for 36% of our total purchase amount. To the best knowledge of the Directors, none of the Directors, their respective associates or any Shareholder holding more than 5% of the issued share capital of the Company, had any interest in the above-mentioned major suppliers and customers.

Report of the Directors (Continued)

Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company for the year of 2012 were as follows:

Name	Positions	Date of appointment/redesignation/ resignation during the reporting period
Tao Kui	Executive Director and Vice Chairman	
Zhang Junhua	Executive Director, President and Authorized Representative	
Guo Mengquan	Non-executive Director	
Niu Xin'an	Non-executive Director	
Fu Jiuquan	Non-executive Director	
Zhang Weichuan	Non-executive Director	
Xu Xinzhong	Independent Non-Executive Director	
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Lv Hua	Independent non-executive Director	
Zhong Pengrong	Independent non-executive Director	
Wang Qi	Supervisor and Chairman of the Supervisory Committee	
Tang Haobo	Supervisor	
Fu Yusheng	Supervisor	
Wu Xiaoguang	Supervisor	
Sun Haiying	Supervisor	
Zhang Chunning	Senior management and Vice President	
Zou Changfu	Senior management and Vice President	
Ma Jianchao	Senior Management and Chief Financial Officer	
Chu Xiaohang	Company Secretary and Authorized Representative	appointed as the sole Company Secretary of the Company on 20 November 2012
Lam Chun Lung		resigned as a Joint Company Secretary and Qualified Accountant of the Company on 20 November 2012

Brief biographical details of Directors, supervisors and senior management are set out on pages 21 to 27.

Each of the independent non-executive Directors has issued a confirmation in respect of the requirement set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") concerning his independence. The Company considers all of the independent non-executive Directors to be independent.

Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the five highest paid individuals of the Group are set out in note 14 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2012.

Share Appreciation Rights Plan

Pursuant to the Share Appreciation Rights Plan of the Company (details of which were set out in the Company's prospectus dated 8 December 2004), up to 31 December 2012, the following Directors, supervisors and senior management members of the Company held share appreciation rights granted by the Company as follows:

Name	Number of Share Appreciation Rights *(Shares)*	Note
Tao Kui	1,060,000	Director
Zhang Junhua	1,060,000	Director
Guo Mengquan	800,000	Director
Niu Xin'an	800,000	Director
Fu Jiuquan	850,000	Director
Zhang Weichuan	800,000	Director
Fu Yusheng	400,000	Supervisor
Tang Haobo	400,000	Supervisor
Zhang Chunning	600,000	Senior management
Zou Changfu	600,000	Senior management
Ma Jianchao	400,000	Senior management
Chu Xiaohang	330,000	Senior management

Directors' and Supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2012.

Directors' and Supervisors' service contracts

Each of the Directors and supervisors has entered into a service contract with the Company. None of the Directors or supervisors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Interests of Directors, Supervisors and Chief Executive in shares of the Company and its associated corporations

Save as the interests mentioned in the section headed "Share Appreciation Rights Plan" above, during the year ended 31 December 2012, none of the Directors, supervisors, or chief executive or their respective associates had any interests in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO; (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules.

During the year ended 31 December 2012, none of the Directors, chief executive, supervisors, senior management, their spouses or children under the age of 18 was given the right to acquire shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

Interests and short positions of substantial shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) ending at 31 December 2012 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

IRICO Group had interests in 1,601,468,000 domestic shares of the Company (representing 100% of the domestic share capital), whereas HKSCC Nominees Limited had interests in 629,116,189 H Shares of the Company (representing 99.71% of the H Share capital). Tao Kui, Guo Mengquan, Fu Jiuquan, Zhang Junhua and Zhang Weichuan, each being a Director of the Company, concurrently act as the assistant general manager, the assistant general manager, the chief accountant, the assistant general manager and the manager of the strategic planning department of IRICO Group, respectively.

Notes:

As at 31 December 2012, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 629,116,189 H Shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H Shares of the Company (representing approximately 7.85% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and the remaining 544,000 H shares of the Company were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 4.36% of the share capital of H shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,400 shares).

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during 2012.

Designated deposit and overdue time deposit

As at 31 December 2012, the Group had no designated deposits in any financial institutions in China. All of the Group's bank 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.

Employees, retirement benefits and other benefits

As at 31 December 2012, the Group had 7,201* employees with various talents, of whom 10.4% were management and administrative personnel, 11.6% were technological personnel, 1.1% were accounting and audit personnel, 1.4% were sales and marketing personnel, and 75.5% were production employees. The employment and remuneration policy including retirement schemes and other benefits of the Company remained the same as set out in the Company's prospectus dated 8 December 2004 (For details, please refer to the section headed "Remuneration Committee" under the Corporate Governance Report in this annual report and relevant notes to the Consolidated Financial Statements). With full enthusiasm in work, the Group's employees are committed to ensure the high quality and reliability of products and services.

*: Excluding service despatch worker.

Connected transactions

The connected transactions recorded during the year of 2012 are as follows:

1. Continuing connected transactions during the year of 2012

For the year ended 31 December 2012, there were various continuing connected transactions (the "Continuing Connected Transactions") between the Group and the following connected persons of the Group (collectively, the "Connected Persons" and each a "connected person" under the Listing Rules):

(a) IRICO Group, a substantial shareholder, the sole promoter of the Company and a connected person of the Company;

(b) Xianyang Cailian Packaging Material Company Limited（咸陽彩聯包裝材料有限公司）("Xianyang Cailian"), of which 30% equity interest is owned by IRICO Group. Xianyang Cailian was an associate of IRICO Group and therefore was a connected person of the Company;

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2012 *(Continued)*

(c) A Share Company, of which 12.06% equity interest was owned by IRICO Group after the completion of the issue of new shares by A Share Company in July 2010, was an associate of IRICO Group, and therefore a connected person of the Company after the completion of the aforesaid issue of new shares by A Share Company in July 2010.

For the year ended 31 December 2012, the approved annual caps for each of the Continuing Connected Transactions (the "Annual Caps") and the actual revenue or expenditure in respect of each of the Continuing Connected Transactions are set out below:

No.	Item	**Annual Caps for Connected Transaction of 2012** *RMB'000*	Amount incurred for Connected Transaction of 2012 *RMB'000*
(i)	IRICO Group Master Supply Agreement		
	Supply of fuel, luminous materials, solar photovoltaic glass and other materials and products to IRICO Group	**304,221**	39,244
(ii)	IRICO Group Master Purchase Agreement		
	Purchase of foam plastics, wood brackets and raw materials from IRICO Group	**66,500**	38,065
(iii)	Xianyang Cailian Master Purchase Agreement		
	Purchase of packaging materials and adhesive tapes from Xianyang Cailian	**288,578**	13,304
(iv)	Comprehensive Services Agreement		
	(A) Purchase of utilities and other services from IRICO Group	**628,933**	224,563
	(B) Engagement of social and ancillary services from IRICO Group	**4,089**	1,310
(v)	Premises Leasing Agreements		
	Rental payable to IRICO Group	**50,993**	39,590
(vi)	Land Use Rights Leasing Agreements		
	Land use rights leasing fees payable to IRICO Group	**7,419**	6,132
(vii)	Trademark Licensing Agreements		
	Trademark licensing fees payable to IRICO Group	**7,150**	729
(viii)	A Share Company Master Supply and Purchase Agreement		
	Supply of production parts such as glass bulbs (including glass panels and glass funnels), electron guns, deflection yokes, shadow masks and frames, phosphor, metal components, frit, rubber wedges and cathode sleeves to A Share Company	**826,000**	100,379

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2012 *(Continued)*

The consideration for each of the Continuing Connected Transactions listed above during the reporting period is set out in the relevant agreements between the relevant Connected Persons and the Company, details of which were set out in the Company's announcement dated 24 December 2009 and circular dated 14 January 2010, the announcement dated 31 October 2011 and the circular dated 30 November 2011 respectively.

The Board is of the view that the furtherance of Continuing Connected Transactions (subject to the terms of the relevant agreements) are essential to the normal operations of the Company and is for the benefits of the Company. When the Company was listed, a waiver had been granted by the Stock Exchange from strict compliance with the Listing Rules in respect of the Company's Continuing Connected Transactions, which expired on 31 December 2006. All the renewed Continuing Connected Transactions constitute non-exempt continuing connected transactions under the Listing Rules and are required to be in compliance with the reporting, announcement and independent shareholders' approval requirements.

The Continuing Connected Transactions should be subject to the terms and conditions of the relevant agreements and Annual Caps of each of such transactions. The Annual Caps of each of such transactions, have been approved by the independent shareholders at the Company's extraordinary general meeting held on 2 March 2010 and the revised annual caps under IRICO Group Master Supply Agreement, Xianyang Cailian Master Purchase Agreement, Comprehensive Services Agreement and Premises Leasing Agreements have been approved by the independent shareholders at the Company's extraordinary general meeting held on 16 January 2012. The Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in its announcements dated 14 December 2009 and 31 October 2011 and its circulars dated 14 January 2010 and 30 November 2011.

The independent non-executive Directors had reviewed these Continuing Connected Transactions and confirmed to the Board that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreed terms of such transactions which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2012 *(Continued)*

The auditor of the Company had provided a letter to the Directors of the Company, confirming that such Continuing Connected Transactions:

(1) had been approved by the Board;

(2) were in accordance with the pricing policies of the Company;

(3) had been entered into in accordance with the relevant agreements governing these transactions; and

(4) had not exceeded the Annual Caps.

2. Continuing connected transactions after the reporting date

As the agreements for each of the aforementioned Continuing Connected Transactions has expired on 31 December 2012, pursuant to Chapter 14A of the Listing Rules, the Company has convened an extraordinary general meeting on 1 March 2013 for the purpose of seeking and has obtained the independent shareholders' approval of the renewal of certain continuing connected transactions (subject to the terms of the agreements) for three financial years ending 31 December 2015 and the relevant proposed annual caps for each of the renewed continuing connected transactions. The formal agreements in relation to the renewed continuing connected transactions were signed on 14 November 2012 and were generally and unconditionally approved, confirmed and ratified by independent shareholders of the Company on 1 March 2013. The terms of the relevant agreements and proposed annual caps of the renewed continuing connected transactions were set out in the announcement dated 14 November 2012 and the circular dated 15 January 2013 of the Company.

In respect of these continuing connected transactions, the Company confirms that they complied with the relevant requirements set out in Chapter 14A of the Listing Rules.

Connected transactions *(Continued)*

3. One-off connected transactions

(1) (i) Very substantial disposal and connected transaction in relation to the issue of new A shares by IRICO Display Device Co., Ltd.; (ii) connected transaction in relation to the acquisition of further equity interest in IRICO (Foshan) Flat Panel Display Co., Ltd.*; (iii) discloseable transaction in relation to the capital injection into IRICO (Foshan) Flat Panel Display Co., Ltd.*; and (iv) very substantial acquisition in relation to the capital injection into IRICO (Foshan) Flat Panel Display Glass Co., Ltd.*; among which, the Company proposed to subscribe for the new A shares to be issued by A Share Company with an amount ranging from RMB100 million to RMB600 million.

For details, please refer to the announcement of the Company dated 6 April 2011.

As considered and approved by the third written resolution of the Second Session of the Board in 2011, the Company proposed to terminate the IRICO Electronics Subscription Agreement and the subscription for the shares to be issued by the A Share Company by way of non-public offering. Meanwhile, it had come to the attention of the Company that IRICO Group the controlling shareholder of the Company, decided to adjust the amount for subscription for shares of the A Share Company, by way of non-public offering, from "with an amount ranging from RMB100 million to RMB400 million" to "not less than RMB800 million". The matters referred to above are subject to consideration by the board of directors of the A Share Company.

For details, please refer to the announcement of the Company dated 26 August 2011.

As at the latest practicable date, there was no substantive progress for the above matters.

Plan of the Group for material investment and acquisition of capital assets

1. (i) Very substantial disposal and connected transaction in relation to the issue of new A shares by IRICO Display Device Co., Ltd.; (ii) connected transaction in relation to the acquisition of further equity interest in IRICO (Foshan) Flat Panel Display Co., Ltd.*; (iii) discloseable transaction in relation to the capital injection into IRICO (Foshan) Flat Panel Display Co., Ltd.*; and (iv) very substantial acquisition in relation to the capital injection into IRICO (Foshan) Flat Panel Display Glass Co., Ltd.*; among which, the Company proposed to subscribe for the new A shares to be issued by A Share Company with an amount ranging from RMB100 million to RMB600 million.

   For details, please refer to the announcement of the Company dated 6 April 2011.

   As considered and approved by the third written resolution of the Second Session of the Board in 2011, the Company proposed to terminate the IRICO Electronics Subscription Agreement and the subscription for the shares to be issued by the A Share Company by way of non-public offering. Meanwhile, it had come to the attention of the Company that IRICO Group the controlling shareholder of the Company, decided to adjust the amount for subscription for shares of the A Share Company, by way of non-public offering, from "with an amount ranging from RMB100 million to RMB400 million" to "not less than RMB800 million". The matters referred to above are subject to consideration by the board of directors of the A Share Company.

   For details, please refer to the announcement of the Company dated 26 August 2011.

   As at the latest practicable date, there was no substantive progress for the above matters.

2. Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited*

   As considered and approved by the fourth written resolution of the Second Session of the Board in 2011, the Company was approved to enter into the Share Purchase (Transfer) Agreement with parties including Yongneng Photoelectricity Holding Company Limited (永能光電控股有限公司) to acquire the 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited from such parties, at a consideration of RMB105,000,000.

   For details, please refer to the announcement of the Company dated 29 September 2011.

   As at the latest practicable date, the aforesaid matter is still subject further confirmation.,

Bank loans

As at 31 December 2012, details of bank loans of the Group are set out in note 34 to the financial statements.

Report of the Directors (Continued)

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") or relevant laws and regulations which could oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 23 to the financial statements.

External guarantee

The Group did not have any external guarantee during the year of 2012.

Material litigation

As at 31 December 2012, save the claims by Fanshawe College against the Company and IRICO Display Devices Co., Ltd. ("A Share Company"), claims by Curtis Saunders against the Company and A Share Company and claims by American Crago Company against A Share Company as disclosed in the 2010 annual report of the Company dated 11 April 2011, the Directors were not aware of any new litigation or claim of material importance pending or threatened by or against any member of the Group.

During the reporting period, there was no latest development in the pending litigations disclosed previously. The Directors of the Company consider that such cases will not have any material impact on the financial statements of the Group for the year ended 31 December 2012. For details of such cases, please refer to the 2010 annual report of the Company dated 11 April 2011.

Contingent liabilities

As at 31 December 2012, the Group had no significant contingent liabilities.

Code on Corporate Governance Practices

The Board has reviewed the documents regarding the Company's adoption of relevant corporate governance practices, and is of the opinion that the documents are in compliance with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of its Directors with the Code at any time in the year ended 31 December 2012. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

Report of the Directors (Continued)

Model Code

As to securities transactions by Directors, the Company has adopted the Model Code for securities transactions by Directors of the Company. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have fully complied with all the requirements set out in the Model Code.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the relevant minimum percentage applicable to listed securities was maintained throughout the reporting period.

Audit Committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2012, including accounting principles adopted by the Group.

Auditor

SHINEWING (HK) CPA Limited was reappointed as the auditor of the Company for the year of 2012 at the annual general meeting held on 5 June 2012.

The financial statements of the Company for 2012 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment subject to approval by shareholders at the annual general meeting.

By order of the Board
Tao Kui
Vice Chairman

Xianyang, the People's Republic of China
28 March 2013

Report of the Supervisory Committee

In 2012, all members of the supervisory committee of the Company (the "Supervisory Committee") complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2012. I hereby present the work report of 2012 as follows:

In the year of 2012, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2012, the Supervisory Committee held two meetings to review the following proposals: the 2011 work report of the Supervisory Committee, the audited financial report of 2011 and the audited interim financial report for the first half of 2012. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association of the Company.

In 2012, the supervisors of the Company attended Board meetings and general meetings of the Shareholders in 2012.

Pursuant to the Company Law and other applicable laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the performance of duties by senior management and the establishment, fulfillment and thorough execution of the Company's internal management systems.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company operated strictly in compliance with the PRC Company Law and Securities Law, the Articles of Association and other relevant regulations and rules of Hong Kong. The members of the Supervisory Committee performed their duties with integrity and diligence, and executed various resolutions and authorization passed in general meetings, to ensure that the operation of various businesses complies with the requirements of applicable laws and regulations. Through the establishment of a series of rules, the Company further improved the corporate legal structure and the internal management system and established and improved the internal control system. In the process of the examination of the financial status of the Company and the supervision of the performance of the duties of the Directors and senior management of the Company, the Supervisory Committee did not find any behaviour prejudicial to the interest of the Company and the Shareholders, nor any behaviour in contravention to laws and regulations, the Articles of Association and various rules and systems.

The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

By order of the Supervisory Committee
Wang Qi
Chairman of the Supervisory Committee

Xianyang, the People's Republic of China
28 March 2013

Corporate Governance Report

The Company strives to uphold the corporate governance standard in accordance with statutory requirements and regulations. Through the establishment of a competent Board, a comprehensive internal control system and a stable corporate structure, the Company strives to ensure completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and profit.

1. Corporate Governance Practices

Improvement of the internal control system was made by the Company by reviewing the Company's corporate governance practices against the Code to cater for the constant development and evolvement of corporate governance.

The Board has reviewed the Company's corporate governance practices. During the reporting period, the Company had applied and complied with the principles and provisions of the Code, and has adopted most of the recommended best practices. The code on corporate governance practices adopted by the Company includes but is not limited to the following documents: the Articles of Association, Working Rules for the Board, Terms of Reference and Organisation Rules for the Audit Committee, Terms of Reference and Organisation Rules for the Nomination Committee, Terms of Reference and Organisation Rules for the Strategy Committee and Terms of Reference and Organisation Rules for the Remuneration Committee. The Board also formulated the Management Methods for Information Disclosure, Management Mechanism for Investor Relations, Management Mechanism for Implementation of Resolutions of the Board, Management Mechanism for Connected Transactions and Mechanism for Nomination of Candidates for Directors by Shareholders as relevant working rules of the Company.

In accordance with the requirements under the latest revised Listing Rules of the Stock Exchange, and in order to better apply the principles as set out in the Code, a series of corporate governance policies were considered and approved at the thirteenth meeting of the Second Session of the Board of the Company convened on 28 March 2012, including the revised Terms of Reference and Working Rules for the Board, Terms of Reference and Organisation Rules for the Audit Committee, Terms of Reference and Organisation Rules for the Nomination Committee, Terms of Reference and Organisation Rules for the Strategy Committee and Terms of Reference and Organisation Rules for the Remuneration Committee. In addition, the Board also prepared and approved the Mechanism for Nomination of Candidates for Directors by Shareholders, and revised and approved the Management Mechanism for Connected Transactions.

The Company's code on corporate governance practices, in certain areas, exceeds the requirements of the Stock Exchange and the code provisions as set out in the Code, which mainly includes the following stricter areas:

- The Company has established the Strategy Committee.
- Apart from one non-executive Director, all other members of the Audit Committee are independent non-executive Directors.

2. The Board

Duties of the Board

The Board is responsible for leading and monitoring the Company's affairs. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs. The Board makes regular assessment on the management's business objectives and performance as well as exercises a variety of power in accordance with the Articles of Association, which mainly includes:

- overseeing the implementation of resolutions passed at general meetings;
- approving the Company's business plans and investment schemes;
- formulating the Company's annual financial budget schemes;
- formulating the Company's profit distribution plan;
- formulating the Company's basic management system;
- approving the Company's accounting policies and adjustment to the same; and
- approving various announcements including financial reports.

In respect of corporate governance, the Board performed the following duties in the reporting period:

- developing and reviewing the corporate governance policies and practices of the Company;
- reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors of the Company;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements of the Company; and
- reviewing the compliance of the Code by the Company and corresponding disclosure in the corporate governance report of the annual report.

2. The Board *(Continued)*

Composition

The Board currently comprises 11 Directors, including 2 executive Directors, 4 non-executive Directors and 5 independent non-executive Directors, whose biographies are set out from page 21 to 24 in this annual report.

Directors (including non-executive Directors) are elected in general meetings with a term of three years from the date of their elections until the date of election of the next Board.

All Directors shall, upon their initial appointment, report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflicting interest in any proposal under consideration, such Director shall report his/her interests and abstain from voting and may, when necessary, apply for absence. The Board requires Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each financial reporting period. Any material transactions relating to connected parties, which have been confirmed, will be disclosed in notes to the financial statements of an annual report.

The independent non-executive Directors of the Company possess extensive professional expertise and experience, and can fully perform their important function of supervision and balance to protect the interests of the Shareholders and the Company as a whole. There are five independent non-executive Directors, representing over one-third of the Board. In determining the independence of a non-executive Director, the Director is considered independent only after the Board has confirmed that there is no direct or indirect material relationship between the Director and the Company. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence as set out in Rule 3.13 of the Listing Rules.

The Company has complied with the requirement concerning the appointment of sufficient independent non-executive directors, that at least one of them should possess appropriate professional qualification or accounting or relevant financial expertise and that independent non-executive directors should represent one third or above of the Board as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

The Company has complied with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules and invited the Company's Hong Kong legal advisers to provide training in respect of the latest revisions to the Listing Rules to all Directors in March 2012. The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews annually the insurance arrangement.

2. The Board *(Continued)*

Duties of the Management

The management is responsible for supervising the management of production and business operations, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, formulating plans for the establishment of the Company's internal management structure, formulating the basic management system of the Company, formulating the basic rules of the Company, and exercising other powers conferred under the Articles of Association of the Company and by the Board. Meanwhile, the management reports to Directors on the Company's operations and businesses each month so as to enable the Directors to fully understand the operations and businesses of the Company.

The Chairman and the Chief Executive (the President)

The Chairman is responsible for operation and management of the Board while the President takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of functions and authorisations, the offices and roles of the Chairman and the President are assumed by two individuals separately and explicitly differentiated. Under the assistance of the Vice Chairman, the Chairman leads and oversees the operation of the Board to ensure the performance of the Board is in the best interests of the Company.

Under the assistance of the Vice President and the assistant to the President, the President, as the chief manager of the Company's day-to-day affairs, is responsible for managing the day-to-day affairs of the Company, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, assuming a direct responsibility for the operation performance of the Company and reporting to the Board on the overall operation of the Company.

The President, the Vice President and the assistant to the President make concerted efforts to collaborate with administrative departments of the Company to ensure the Board and the Board committees can access complete, reliable and proper information so that the Directors can make decisions with adequate data and to ensure proper implementation of the Board's resolutions. The President closely monitors the operation and financial results of the Company based on plans and budgets and makes suggestions to the Board in respect of material events.

2. The Board *(Continued)*

Company Secretary

The Company Secretary reports to the Board. All Directors are entitled to the Company Secretary's services. He notifies the Board the latest information on governance and regulation on a regular basis, assists the Chairman in preparation of the agenda of the Board meetings, and prepares and dispatches meeting documents on a timely and comprehensive basis so as to ensure the efficiency and compliance of the Board meetings. With the assistance of the Company's legal counsels, the Company Secretary is in charge of arranging the announcement of annual and interim reports and disclosure of information and data in accordance with the Listing Rules, other applicable laws and relevant rules of the Company. He makes regular enquiries to the Company's financial department for information on connected transactions to secure compliance with the Listing Rules in respect of such transactions. The selection, appointment or dismissal of the Company Secretary is in the charge of the Board.

The Company Secretary is also responsible for preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which can be provided and open to all Directors and are available to all Directors for their inspection at any reasonable time. All matters under consideration including any enquiry and objection by Directors shall be minuted in details. Within a reasonable timeframe after a meeting, a draft minutes shall be dispatched to all Directors for their comments.

The Company Secretary is in charge of arranging induction training and professional development for Directors.

In 2012, the Company Secretary participated in 28 class hours of training, including the "revision of the Listing Rules by the Stock Exchange", "training on relevant regulations in respect of corporate governance provided by the Company's Hong Kong legal counsels", "relevant trainings provided by The Hong Kong Institute of Chartered Secretaries", and trainings in respect of corporate governance, operation of the Board and personal skills provided by other training institutions.

Board meetings

The Chairman is responsible for convening and presiding over the Board meeting. Assisted by the Company Secretaries, the Chairman seeks to ensure all Directors' proper access to accurate, timely and sufficient data in connection with the proposals to be considered by the Board to enable their wise decisions. While a 14 days' notice of a regular Board meeting is given, the agenda of meeting and the meeting documents attached are circulated at least 3 days prior to the holding of a Board meeting or a meeting of any special committee.

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board also adopts sound corporate governance practices and procedures and takes appropriate steps to encourage the Directors' open and candid communications so as to ensure non-executive Directors may raise queries with and maintain effective communications with each executive Director.

2. The Board *(Continued)*

Board meetings *(Continued)*

It is expressly provided in the Terms of Reference and Working Rules for the Board that, in the event that a substantial Shareholder or Director of the Company has a conflict of interest in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interest in the matters to be considered shall abstain from voting.

The Company held four on-site meetings of the Board, one extraordinary general meeting and one annual general meeting in the reporting period. Details of attendance at Board meetings by each of the Directors are as follows:

Directors	Positions	Board Meetings (Attendances in person/supposed attendances)	Extraordinary General Meeting (Attendances in person/supposed attendances)	Annual General Meeting (Attendances in person/supposed attendances)
Tao Kui	Executive Director and Vice Chairman	4/4	1/1	1/1
Zhang Junhua	Executive Director and President	4/4	1/1	1/1
Guo Mengquan	Non-executive Director	3/4	1/1	1/1
Niu Xin'an	Non-executive Director	3/4	1/1	1/1
Fu Jiuquan	Non-executive Director	4/4	1/1	1/1
Zhang Weichuan	Non-executive Director	4/4	1/1	1/1
Xu Xinzhong	Independent non-executive Director	4/4	1/1	1/1
Feng Bing	Independent non-executive Director	4/4	1/1	1/1
Wang Jialu	Independent non-executive Director	4/4	1/1	1/1
Lv Hua	Independent non-executive Director	4/4	1/1	1/1
Zhong Pengrong	Independent non-executive Director	1/4	1/1	1/1

In accordance with the Articles of Association, Directors, when necessary, may propose to convene an extraordinary Board meeting. They may also, when they consider necessary, obtain the Company's information and independent expert opinion, where expenses incurred are borne by the Company.

2. The Board *(Continued)*

Board committees

Four special committees are established under the Board, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are determined in accordance with the principles set out in the Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to engage lawyers, accountants or other professionals for professional advice when necessary, the expenses of which are borne by the Company.

Nomination Committee

The Nomination Committee comprises six members, namely, Mr. Tao Kui (executive Director), Mr. Guo Mengquan (non-executive Director), Mr. Niu Xin'an (non-executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Xu Xinzhong (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Tao Kui. The main role of the Nomination Committee is to provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards in respect of selection and recommendation of director candidates include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

In the event of expiry of the term of office of the Board of the Company or by-election or job vacancy of directors, the Nomination Committee shall make recommendation on candidates therefor to the Board, which will take effect subject to the approval of general meetings (if required) after the consideration and approval of the Board. Shareholders representing 3% or more of the Company's shares with voting rights have the right to nominate candidates for directors and deliver their intent of such nomination in writing to the Board of the Company.

By reference to the requirements in provisions A.4 and A.5 of the Code, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board of Directors at least annually;
- to identify individuals suitably qualified to become Board members, and to nominate relevant people as Directors or provide advice thereabout to the Board;
- to assess the independence of the independent non-executive directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors.

2. The Board *(Continued)*

Nomination Committee *(Continued)*

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of directors, nomination procedures adopted for candidates for directors and the selection and recommendation rules. In 2012, the Nomination Committee convened one meeting to consider the proposal regarding the adjustment of members of the Remuneration Committee of the Board; the proposal regarding the adjustment of members of the Nomination Committee of the Board; and the proposal regarding the adjustment of members of the Strategy Committee of the Board. Details of attendance at the meeting by each of the members of the Nomination Committee are as follows:

Directors	**Meeting of the Nomination Committee** (Attendances in person/supposed attendances)
Tao Kui *(chairman)*	1/1
Guo Mengquan	1/1
Niu Xin'an	1/1
Feng Bing	1/1
Xu Xinzhong	1/1
Wang Jialu	1/1

Audit Committee

The Audit Committee comprises four independent non-executive Directors and one non-executive Director, namely Mr. Lv Hua (independent non-executive Director), Mr. Xu Xinzhong (independent non-executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Zhong Pengrong (independent non-executive Director) and Mr. Fu Jiuquan (non-executive Director), and is chaired by Mr. Lv Hua. Mr. Lv has proper qualifications and financial experiences. The main role of the Audit Committee is to audit the financial reports of the Company, review internal control and corporate governance and provide advices in respect thereof to the Board.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Accountants and the requirements of provision C.3 of the Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Audit Committee *(Continued)*

The major specific terms of reference of the Audit Committee are as follows:

- to be primarily responsible for making recommendation to the Board of Directors about the appointment, re-appointment and removal of external auditors, and assess the external auditors' work and supervise the independence, work procedures, quality and results of the external auditors;
- to review and supervise the Company's financial statements and the integrity of the annual reports and accounts, the semi-annual reports and the quarterly reports (if prepared for publication), and review major opinions related with the financial reporting on the statements and reports;
- to review the Company's financial reporting system and internal control system.

During the reporting period, the major work of the Audit Committee included:

1. Considering the proposal in relation to the provision for fixed assets impairment of the Company for 2011, and submitting such proposal to the Board for approval;
2. Considering the proposal in relation to the provision for impairment of inventory of the Company for 2011, and submitting such proposal to the Board for approval;
3. Considering the proposal in relation to the provision for bad debts of the Company for 2011, and submitting such proposal to the Board for approval;
4. Considering the proposal in relation to the provision for impairment of construction in progress of the Company for 2011, and submitting such proposal to the Board for approval;
5. Considering the audited financial statements of the Company for 2011, and submitting such financial statements to the Board for approval;
6. Considering the report in relation to the execution of continuing connected transactions of the Company for 2011, and submitting the report to the Board for approval;
7. Considering the report in relation to the audit fees of the Company for 2011, and submitting the report to the Board for approval;
8. Considering the report of financial budget of the Company for 2012, and submitting it to the Board for approval;

2. The Board *(Continued)*

Audit Committee *(Continued)*

9. Considering the proposal for reappointment of SHINEWING (HK) CPA Limited as the Company's domestic and overseas auditor for 2012, and submitting such proposal to the Board for approval;

10. Considering the Company's reviewed financial statements for the first half year of 2012 and the review report issued by SHINEWING (HK) CPA Limited, and submitting them to the Board for approval;

11. Reviewing the internal control system.

During the reporting period, the Audit Committee convened two meetings with an average attendance rate of 90%. The senior management and external auditor were invited to these meetings. Details of attendance of each member of the Audit Committee of the Company are as follows:

Directors	**Meetings of Audit Committee** (Attendances in person/supposed attendances)
Lv Hua *(chairman)*	2/2
Fu Jiuquan	2/2
Xu Xinzhong	2/2
Feng Bing	2/2
Zhong Pengrong	1/2

Remuneration Committee

The Remuneration Committee comprises Mr. Tao Kui (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Lv Hua (independent non-executive Director), and is chaired by Mr. Wang Jialu. The role of the Remuneration Committee is to assist the Company to improve the remuneration determination system for Directors and senior management and establish a formal and transparent procedure for remuneration determination.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

The Board has formulated the Terms of Reference and Organisation Rules for the Remuneration Committee with reference to the requirement of provision B.1 of the Code. The terms of reference of the Remuneration Committee are as follows:

- to make proposals to the Board of Directors about the remuneration policy and structure for all directors and senior management personnel of the Company and the establishment of a formal and transparent procedure for formulating remuneration policy;
- to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board of Directors;
- to take responsibility to determine the specific remuneration packages for all executive directors and senior management personnel, and make salary recommendations of non-executive directors to the Board of Directors.

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2012, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2011, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2012. Details of attendance of each member of the Remuneration Committee are as follows:

Directors	**Meetings of Remuneration Committee** (Attendances in person/supposed attendances)
Wang Jialu *(chairman)*	1/1
Tao Kui	1/1
Feng Bing	1/1
Lv Hua	1/1

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

Five Directors of the Company (including executive Directors and non-executive Directors) are the enterprise managers under the management of the State-owned Asset Supervision and Administration Commission of the State Council ("SASAC"), and hence are subject to Provisional Management Methods for Remunerations of Persons in Charge of Central Enterprises and Interim Measures for Assessment of the Operational Performance of Persons in Charge of Central Enterprises issued by SASAC in 2004. These five Directors' remunerations consist of basic salary, performance-based salary and medium and long-term incentive-based salary. The basic salary is the annual basic income of a functionary, which is comprehensively determined by reference to factors such as the business scale of the enterprise, their responsibilities, and the average salary of local enterprises, of the industry and of the enterprise itself. The performance-based salary is linked with the operating appraisal results and is based on the basic salary, which is determined by reference to the appraisal grade and scores for the annual operating results of the enterprise representative. 60% of the performance-based salary is paid in the relevant period whereas the payment of the remaining 40% will be deferred until the expiry of their term of office.

Based on their individual performance and the business performance of the Company, the Remuneration Committee approves the grant of share appreciation rights to the executive Directors pursuant to the share appreciation rights plan as approved by Shareholders.

Remuneration policy for executive Directors: The remuneration portfolio policy for executive Directors is designed to link executive Directors' remuneration with their performance so as to inspire their better performance and retainment. In accordance with the Articles of Association, Directors shall not determine or approve their own remunerations.

Remuneration policy for non-executive Directors: Remunerations of non-executive Directors are subject to the approval by Shareholders at general meetings and determined with reference to the complexity of the matters to be handled by them and their duties. Pursuant to the service contracts entered into between the Company and the non-executive Directors, the Company reimburses non-executive Directors for the out-of-pocket expenses incurred in performance of their duties (including attendance at the Company's meetings).

Remuneration policy for employees of the Group: Remunerations of employees of the Group are always "based on their work performance" so as to stimulate their work motives, reward outstanding performance and fully exert the incentive role of remunerations. To ensure fairness, justice and reasonableness, the Company assesses and distributes remunerations in strict accordance with the assessment management authority, assessment contents and standards for all categories of employees to encourage them to create more value to the enterprise by using their greatest potential. Meanwhile, the remuneration policy for employees of the Group is always in favor of the research and development personnel and marketing personnel in order to attract talents with competitive remunerations and enhance the Company's competitiveness in the market.

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

A Director's remuneration includes the amount paid by the Company and its subsidiaries for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2012 were as follows:

(Unit: RMB'000)

Name	Position	Remuneration and allowance	Directors' fee	Contribution to retirement benefits	Remarks
Tao Kui	Vice Chairman	—	—	—	not receiving remuneration from the Company
Zhang Junhua*	Director, President	88.4	—	—	not receiving remuneration from the Company
Guo Mengquan	Non-executive Director	—	—	—	not receiving remuneration from the Company
Niu Xin'an	Non-executive Director	—	—	—	not receiving remuneration from the Company
Fu Jiuquan	Non-executive Director	—	—	—	not receiving remuneration from the Company
Zhang Weichuan	Non-executive Director	—	—	—	not receiving remuneration from the Company
Xu Xinzhong	Independent Director	—	100	—	
Feng Bing	Independent Director	—	100	—	
Wang Jialu	Independent Director	—	100	—	
Lv Hua	Independent Director	—	100	—	
Zhong Pengrong	Independent Director	—	100	—	
Total		88.4	500	—	

*: The remuneration paid to Mr. Zhang Junhua (executive Director) in 2012 included only payment of the deferred portion of his performance-based salary from 2009 to 2011.

Pursuant to applicable laws and regulations of China, the Company currently participates in a series of pension schemes organized by provincial and municipal governments, pursuant to which all production plants of the Company must contribute to such pension schemes according to certain proportions of the salaries, bonus and various allowance of the employees. As the production plants are located in different regions, the proportion of contributions to the remuneration of employees are also different.

3. Statement of financial responsibility of the Board

The Board is responsible for the preparation of the Company's financial statements and takes the responsibility for the completeness and legitimacy of the financial data as well as the efficiency of the Company's internal control system and risk management process. The President is responsible for the daily management of the operation of the Company. The Board makes periodic reviews on the functions of and the rights authorised to the President.

The Directors acknowledge their responsibilities to prepare financial statements of the Company for each financial year, to report truly and fairly on the financial status of the Group, to comply with applicable accounting standards and adopt appropriate accounting policies in the preparation of the financial statements and to disclose the financial status of the Company accurately.

For auditor's reporting responsibilities, please refer to the auditor's report.

4. Securities transactions by Directors

The Board has adopted the Model Code as the code of conduct regarding securities transactions by Directors of the Company. The Model Code is also applicable to selected employees who may possess certain price sensitive information that has been not disclosed, including such employees in the Company's subsidiaries and parent company. Upon appointment, each Director of the Company would receive a copy of the Model Code. After that, the Model Code is delivered twice a year, namely, one month prior to the Board meeting to approve the Company's interim results and two months prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors that they may not deal in the Company's shares until the publication of the results announcement.

All Directors of the Company confirm that during the reporting period, all Directors and the selected employees who may possess certain inside information that has not been disclosed complied with the Model Code and none of the said persons had interests or short positions which are required to be notified to the Company and the Stock Exchange, or incurred any conduct in violation of any regulation.

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2012 have been reported to the Board through the Audit Committee.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the code provisions relating to internal controls as set out in the Code on Corporate Governance Practices in the year ended 31 December 2012.

Internal audit

The Company has set up an internal audit department, which oversees the internal controls, ensures the achievement of the corporate goals and conducts independent reviews.

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2012, all internal audit reports and opinions were submitted to the President and other executive Directors of the Company as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the audit department and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

Risk management

The Board properly implements operation risk management procedures across the whole Company and formulates policies and procedures which provide a framework for identification and management of risks.

The Board fulfils its oversight role over the Company and its subsidiaries in the following areas:

- establishment of the risk management system of the Company and identification of the risk portfolio of the Company;
- identification, assessment and management of the material risks faced by various units of the Company;
- review and assessment of the appropriateness of the Company's risk management process, system and internal control;
- review and monitoring the execution of the Company's risk management process, system and internal control including compliance with requirements of prudence and legality while conducting businesses.

The Board is fully in charge of overseeing the operations of the Company's business units. Personnel with proper experience and skills are appointed to the board of directors of the Company's subsidiaries and associated companies to attend their board meetings and to oversee the operations of those companies. Monitoring activities include review and approval of business strategies, budgets and plans as well as setting up key business performance indicators. The identification, evaluation and report on the likelihood and potential financial impact of material business risks are issues left to the management personnels of such companies.

External auditor and their remunerations

As approved in the annual general meeting held on 5 June 2012, the Board has continued to appoint SHINEWING (HK) CPA Limited as the auditor of the Company. The Audit Committee reviewed the letter from SHINEWING (HK) CPA Limited to confirm its independence and objectiveness, held meetings with the external auditor to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

For the year ended 31 December 2012, the remuneration of the external auditor amounted to RMB3,100,000, all of which was for audit service. No non-audit service fee was incurred for the year of 2012. The audit fee has been approved by the Audit Committee of the Company and the Board.

Corporate Governance Report (Continued)

Interests of Shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least a 45-day advance notice of such meetings. The Chairman shall attend the meetings and invite the chairman (if he is unable to attend, a member of such committee will be invited) of each special committee under the Board to attend the meeting as non-voting participants, and answer inquiries from the shareholders. All directors (especially independent directors and non-executive directors) shall attend the general meetings on regular basis, including annual general meeting and extraordinary general meeting.

All Shareholders have rights to request the convening of an extraordinary general meeting and put forward proposals for Shareholders' consideration in accordance with the Articles of Association. At the annual general meeting, each matter is put forward in the form of a separate proposal and voted by way of poll based on the number of shares. Voting results of the general meeting are released in the form of announcements and relevant details of the meeting are set out on the respective websites of the Stock Exchange and the Company.

On 16 January 2012, the 2012 extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 5 June 2012, the 2011 annual general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

Details of the above general meetings are set out in the announcements dated 16 January 2012 and 5 June 2012 as posted on the respective websites of the Stock Exchange and the Company.

The Company Secretary is responsible for day-to-day communications between the Board and substantial Shareholders. Investors and the public may also access the Company's website for detailed data of the Company's businesses. The Company's interim and annual results announcements can also be downloaded from the Company's website.

According to the information available to the Company and as far as the Directors are aware, approximately 28% of the Company's total issued share capital has been held by public Shareholders.

Interests of Shareholders and investor relations *(Continued)*

Rights of Shareholders

Convening Extraordinary General Meeting by Shareholders

In accordance with the provisions under the Articles of Association, when shareholders request to convene an extraordinary general meeting or any class meeting, the following procedures shall be followed:

(1) two or more shareholders who collectively hold more than 10% (including 10 percent) of the voting shares at the proposed meeting, can sign one or a few copies of written requests with the same format and content, with the agenda of the meeting clearly stated, to be submitted to the Board to convene an extraordinary general meeting or any class meetings. Board shall, after receipt of the aforementioned written request, convene an extraordinary' general meeting or class meeting as soon as possible. The above-mentioned number of shares held by shareholders shall be calculated based on the date of the written request.

(2) If the Board, within thirty days after receipt of the aforementioned written request, fails to issue a notice to convene meetings, the shareholders who have made the said request shall have the right to convene the meeting by themselves within four months after the Board receives the request, using the same procedure as the Board shall convene the meeting as possible.

Enquiry by Shareholders

Shareholders demanding inspection of the relevant information or copies of the materials shall provide to the Company written documents evidencing the class and number of shares of the Company they hold. Shareholders may contact the Company Secretary through the hotline at (8629)3333 3858 or by email at chdz@ch.com.cn. Upon verification of the Shareholder's identity, the Company shall provide such information or handle the enquiries in an appropriate way at the Shareholder's request.

Procedures for shareholders to put forward proposals and contact information

In accordance with the provisions under the Articles of Association, at annual general meetings of the Company, shareholders either solely or collectively holding more than three percent (including three percent) of the Company's total voting shares, shall have the right to put forward a new proposal in writing to the Company, and the Company should put the proposed matters that are within the purview of the shareholders' general meeting in the agenda of the meeting. Shareholders can contact the Company Secretary through the hotline ((8629) 3333 3858) or by email (chdz@ch.com.cn).

Interests of Shareholders and investor relations *(Continued)*

Amendments to the Articles of Association during the reporting period

On 16 January 2012, the Company convened a general meeting, at which the proposal for the amendments to the Articles of Association was approved, mainly adding the followings in the original business scope of the Company: "research and development, production and sale of photovoltaic glass, tempered glass, coated glass, conductive film glass and flat glass; development, research, production and sale of solar cell chips, solar modules and accessory products as well as new materials such as silicon materials and value-added glass and high-tech products".

Information disclosure and investor relations

The Company is committed to increase transparency and improve investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcement of its interim and annual results, the Board is committed to provide Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges reverse road shows for analysts and investors from time to time, to foster intercommunication and understanding between investors and the management of the Company. Field visits to inspect plants and business premises of the Company by analysts and investors are welcomed.

By order of the Board
Chu Xiaohang
Company Secretary

Xianyang, the People's Republic of China
28 March 2013

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
IRICO GROUP ELECTRONICS COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 181, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group and the Company had net current liabilities of approximately RMB964,911,000 and RMB1,548,095,000 respectively as at 31 December 2012 and the Group incurred loss of approximately RMB3,405,171,000 for the year ended 31 December 2012. These conditions as set out in Note 2 to the consolidated financial statements indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing

Practising certificate number: P05139

Hong Kong
28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Turnover	8	**2,645,213**	3,270,348
Cost of sales		**(2,744,232)**	(3,164,459)
Gross (loss) profit		**(99,019)**	105,889
Other operating income	10	**87,682**	196,875
Selling and distribution costs		**(66,830)**	(86,412)
Administrative expenses		**(522,193)**	(325,703)
Other operating expenses		**(8,883)**	(6,776)
Finance costs	11	**(180,632)**	(79,736)
Impairment loss recognised in respect of property, plant and equipment	18	**(2,349,845)**	(416,544)
Share of loss of associates	24	**(241,296)**	(43,038)
Loss before tax		**(3,381,016)**	(655,445)
Income tax expense	12	**(24,155)**	(27,523)
Loss for the year	13	**(3,405,171)**	(682,968)
Loss for the year attributable to:			
Owners of the Company		**(1,662,002)**	(253,038)
Non-controlling interests		**(1,743,169)**	(429,930)
		(3,405,171)	(682,968)
Other comprehensive income (expense)			
Exchange differences arising on translation		**110**	237
Share of exchange reserve of an associate		**3,466**	(3,667)
Other comprehensive income (expense) for the year		**3,576**	(3,430)
Total comprehensive expense for the year		**(3,401,595)**	(686,398)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,658,426)**	(256,468)
Non-controlling interests		**(1,743,169)**	(429,930)
		(3,401,595)	(686,398)
		RMB	*RMB*
Loss per share (basic and diluted)	17	**(0.7445)**	(0.1134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 *RMB'000*
Non-current assets			
Property, plant and equipment	18	**7,467,134**	8,202,921
Properties under development	19	**56,358**	—
Investment properties	20	**19,136**	55,272
Leasehold land and land use rights	21	**298,816**	324,664
Intangible assets	22	**1,085**	870
Interests in associates	24	**113,904**	278,394
Available-for-sale investment	25	**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**127,479**	196,001
Deposit paid for acquisition of an associate		**—**	73,500
		8,107,972	9,155,682
Current assets			
Inventories	26	**305,172**	402,839
Trade and bills receivables	27	**658,981**	545,034
Other receivables, deposits and prepayments	28	**1,279,068**	1,030,783
Held-to-maturity investments	29	**600,000**	—
Restricted bank balances	30	**66,089**	104,716
Bank balances and cash	31	**1,278,852**	2,080,334
		4,188,162	4,163,706
Current liabilities			
Trade and bills payables	32	**847,119**	819,765
Other payables and accruals	33	**1,348,482**	1,065,524
Tax payables		**9,498**	3,733
Bank and other borrowings — due within one year	34	**2,723,490**	1,568,601
Termination benefits	35	**158,394**	3,112
Obligations under finance leases	36	**66,090**	60,717
		5,153,073	3,521,452
Net current (liabilities) assets		**(964,911)**	642,254
Total assets less current liabilities		**7,143,061**	9,797,936

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Capital and reserves			
Share capital	37	**2,232,349**	2,232,349
Other reserves	38	**1,340,250**	1,329,286
Accumulated losses		**(3,365,921)**	(1,703,828)
Equity attributable to owners of the Company		**206,678**	1,857,807
Non-controlling interests		**1,435,337**	3,194,371
Total equity		**1,642,015**	5,052,178
Non-current liabilities			
Bank and other borrowings — due after one year	34	**4,893,643**	4,208,632
Deferred income	39	**559,831**	421,693
Termination benefits	35	**6,117**	7,567
Obligations under finance leases	36	**33,430**	99,526
Deferred tax liabilities	40	**8,025**	8,340
		5,501,046	4,745,758
		7,143,061	9,797,936

The consolidated financial statements on pages 63 to 181 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

Tao Kui	**Zhang Junhua**
Vice Chairman	*Director*

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	18	**476,704**	611,928
Intangible assets	22	**210**	239
Investments in subsidiaries	23	**1,662,450**	1,458,298
Investments in associates	24	**115,540**	360,000
Deposits paid for acquisition of property, plant and equipment		**43,753**	36,162
Deposit paid for acquisition of an associate		**—**	73,500
		2,298,657	2,540,127
Current assets			
Inventories	26	**41,851**	124,363
Trade and bills receivables	27	**184,120**	162,650
Other receivables, deposits and prepayments	28	**268,208**	230,926
Restricted bank balances	30	**20,742**	3,440
Bank balances and cash	31	**135,237**	222,755
		650,158	744,134
Current liabilities			
Trade and bills payables	32	**265,748**	554,949
Other payables and accruals	33	**1,029,001**	366,222
Bank and other borrowings — due within one year	34	**761,000**	530,000
Termination benefits	35	**76,414**	1,259
Obligations under finance leases	36	**66,090**	60,717
		2,198,253	1,513,147
Net current liabilities		**(1,548,095)**	(769,013)
Total assets less current liabilities		**750,562**	1,771,114

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 RMB'000
Capital and reserves			
Share capital	37	**2,232,349**	2,232,349
Other reserves	38	**797,511**	797,511
Accumulated losses		**(2,678,822)**	(1,819,963)
Total equity		**351,038**	1,209,897
Non-current liabilities			
Bank and other borrowings — due after one year	34	**350,000**	450,000
Deferred income	39	**11,127**	6,797
Termination benefits	35	**365**	292
Obligations under finance leases	36	**33,430**	99,526
Deferred tax liabilities	40	**4,602**	4,602
		399,524	561,217
		750,562	1,771,114

Tao Kui
Vice Chairman

Zhang Junhua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000* *(Note 38)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2011	2,232,349	1,332,716	(1,450,790)	2,114,275	3,623,424	5,737,699
Loss for the year	—	—	(253,038)	(253,038)	(429,930)	(682,968)
Other comprehensive expenses for the year	—	(3,430)	—	(3,430)	—	(3,430)
Total comprehensive expenses for the year	—	(3,430)	(253,038)	(256,468)	(429,930)	(686,398)
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	29,053	29,053
Release on disposal of a subsidiary *(Note 41)*	—	—	—	—	(3,450)	(3,450)
Dividend paid to non-controlling interests of subsidiaries	—	—	—	—	(24,726)	(24,726)
At 31 December 2011	2,232,349	1,329,286	(1,703,828)	1,857,807	3,194,371	5,052,178

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000* *(Note 38)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total Equity** *RMB'000*
At 1 January 2012	**2,232,349**	**1,329,286**	**(1,703,828)**	**1,857,807**	**3,194,371**	**5,052,178**
Loss for the year	**—**	**—**	**(1,662,002)**	**(1,662,002)**	**(1,743,169)**	**(3,405,171)**
Other comprehensive income for the year	**—**	**3,576**	**—**	**3,576**	**—**	**3,576**
Total comprehensive income (expense) for the year	**—**	**3,576**	**(1,662,002)**	**(1,658,426)**	**(1,743,169)**	**(3,401,595)**
Acquisition of additional equity interests in subsidiaries	**—**	**7,388**	**—**	**7,388**	**(6,149)**	**1,239**
Dividend paid to non-controlling interests of subsidiaries	**—**	**—**	**(91)**	**(91)**	**(9,716)**	**(9,807)**
At 31 December 2012	**2,232,349**	**1,340,250**	**(3,365,921)**	**206,678**	**1,435,337**	**1,642,015**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2012

	2012 *RMB'000*	2011 *RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(3,381,016)**	(655,445)
Adjustments for:		
Allowance for doubtful debts of trade and other receivables	**11,169**	9,336
Allowance for inventories	**85,308**	156,628
Amortisation of deferred income on government grants received	**(23,100)**	(8,743)
Amortisation of leasehold land and land use rights and intangible assets	**5,843**	5,238
Cash-settled share-based payments expense	**1,540**	656
Depreciation for property, plant and equipment and investment properties	**136,630**	94,907
Dividend income from available-for-sale investment	**(3,164)**	(2,175)
Finance costs	**180,632**	79,736
Gain on disposal of property, plant and equipment	**(18,337)**	(55,852)
Gain on disposal of a subsidiary	**—**	(12,871)
Gain on disposal of an associate	**—**	(3,235)
Impairment loss recognised in respect of property, plant and equipment	**2,349,845**	416,544
Interest income	**(20,316)**	(14,140)
Provision of warranty	**8,844**	9,515
Reversal of allowance for doubtful debts of trade and other receivables	**(2,451)**	(988)
Share of loss of associates	**241,296**	43,038
Reversal of allowance for inventories	**—**	(25,210)
Operating cash flows before movements in working capital	**(427,277)**	36,939
Decrease in inventories	**12,359**	70,431
Increase in trade and bills receivables, other receivables, deposits and prepayments	**(303,712)**	(613,068)
Increase in trade and bills payables, other payables and accruals	**253,772**	750,299
Increase in termination benefits	**153,832**	255
Increase in deferred income	**162,977**	107,206
Cash (used in) generated from operations	**(148,049)**	352,062
Income tax paid	**(18,705)**	(24,988)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(166,754)**	327,074

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED 31 DECEMBER 2012

	NOTE	**2012 RMB'000**	2011 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,055,457)**	(2,828,837)
Placement of investment held for maturity		**(600,000)**	—
Placement of restricted bank balances		**(335,826)**	(171,753)
Deposits paid for acquisition of property, plant and equipment		**(69,128)**	(196,001)
Purchases of investment properties		**(1,257)**	—
Purchases of intangible assets		**(1,165)**	—
Acquisition of additional interests in subsidiaries		**(500)**	—
Dividend income from an associate		**160**	320
Dividend income received from available-for-sale investment		**3,164**	2,175
Removal compensation received	19	**12,999**	—
Interest received		**20,632**	14,140
Proceeds from disposal of property, plant and equipment		**38,610**	266,356
Withdrawal of restricted bank balances		**374,453**	116,455
Purchases of leasehold land and land use rights		**—**	(179,129)
Deposit paid for acquisition of an associate		**—**	(73,500)
Proceeds from disposal of a subsidiary		**—**	35,032
Proceeds from disposal of an associate		**—**	4,860
NET CASH USED IN INVESTING ACTIVITIES		**(1,613,315)**	(3,009,882)
FINANCING ACTIVITIES			
Bank borrowings raised		**3,676,977**	3,812,915
Dividends paid to non-controlling interests of subsidiaries		**(9,807)**	(24,726)
Repayments of obligations under finance leases		**(60,723)**	(35,836)
Loan to a non-controlling interests shareholder		**(68,000)**	—
Interest expense paid		**(410,722)**	(256,209)
Repayments of bank and other borrowings		**(2,149,134)**	(1,655,646)
Proceeds of sale and leaseback transactions		**—**	195,000
Capital contribution from non-controlling interests of subsidiaries		**—**	29,053
NET CASH FROM FINANCING ACTIVITIES		**978,591**	2,064,551
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(801,478)**	(618,257)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**2,080,334**	2,698,430
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4)**	161
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**1,278,852**	2,080,334

1. GENERAL

IRICO Group Electronics Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company's shares were listed on 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 the manufacturing and trading of colour picture tubes ("CPTs"), luminous materials, liquid crystal related products, thin film transistor liquid crystal display ("TFT-LCD") glass substrate and display devices and solar photovoltaic glass. The principal activities of its subsidiaries are set out in Note 23.

The directors of the Company consider that IRICO Group Corporation, a state-owned enterprise established in the PRC, was the Company's parent company and ultimate holding company for the year ended 31 December 2011.

During the year ended 31 December 2012, China Electronics Corporation, a wholly state-owned company incorporated in the PRC, was established and acquired entire equity interest of IRICO Group Corporation. Therefore the directors of the Company consider that IRICO Group Corporation is the Company's parent company. Its ultimate holding company is China Electronics Corporation.

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

2. BASIS OF PREPARATION

The Group reported a loss of approximately RMB3,405,171,000 for the year ended 31 December 2012. The Group and the Company had net current liabilities of approximately RMB964,911,000 and RMB1,548,095,000 respectively as at 31 December 2012. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group and the Company will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group Corporation, the parent company of the Company will provide financial support to the Group and the Company to meet the Group's and the Company's liabilities and commitments as and when it falls due; and

(ii) the directors of the Company anticipate that the Group and the Company will generate positive cash flows from its operations.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standard ("HKAS")12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to HKFRS 1	Serve Hyperinflation and Removal of Fixed Dates for First-Time Adopters

Except as described below, the directors of the Company anticipate that the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Amendments to HKFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with a bank to transfer to the banks its contractual rights to receive cash flows from certain trade receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the trade receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (Note 34). The relevant disclosures have been made regarding the transfer of these trade receivables on application of the amendments to HKFRS 7 (Note 27). In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government loans[2]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangement[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) - Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012.

2 Effective for annual periods beginning on or after 1 January 2013.

3 Effective for annual periods beginning on or after 1 January 2014.

4 Effective for annual periods beginning on or after 1 January 2015.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Annual Improvements to HKFRSs 2009 - 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 - 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) - Int 13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards will not have significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the directors to determine and quantify the impact on the application of HKFRS 10.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of new standard may affect the certain amounts (financial liabilities at fair value through profit or loss) reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs issued but not yet effective *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's and the Company's financial statement.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investments in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associates, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interests in associates that are not related to the Group.

In the Company's statement of financial position, investment in an associate is stated at cost less accumulated impairment loss. The result of the associate is accounted for by the Company on the basis of dividends received and receivable.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant entity on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position and Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, the carrying amount of that item is recognised as the cost at the date of transfer.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties and properties under development

Investment properties are properties held to earn rental and/or for capital appreciation. Properties under development are properties under development which held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties and properties under development are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction costs incurred for properties under development are capitalised as part of the carrying amount of the properties under development. Properties under development stated at cost less any accumulated impairment losses.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position and Company's statement of financial positions as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease included both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land and land use rights" in the consolidated and Company's statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interest as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and Company's statement of financial positions and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Pension and housing obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Voluntary payments made to certain former employees and which were not made pursuant to a formal or informal plan are expensed as paid.

Full time employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the reporting date are discounted to present value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period with the effective of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position and Company's statement of financial positions comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position and Company's statement of financial positions when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables, held-to-maturity investments and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any identified impairment losses (see the accounting policy in respect of impairment losses on financial asset below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

Available-for-sale investment

Available-for-sale investment is non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment losses on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable or other receivable, is considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss ("FVTPL") when the financial liabilities designated at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it form part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank and other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranty

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Share-based payment transactions

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

De facto control over subsidiaries

The Group's management exercises its critical judgement when determining whether the Group has de facto control over an entity by evaluating, among other things: (i) the amount of additional interests in the subsidiaries required to be acquired by the Group so as to obtain the legal rights to govern financial and operating policies; (ii) the ability to demonstrate effective control during the shareholders' meetings and board meetings; (iii) the extent of reliance of the subsidiaries on the financial and operational support from the Group; and (iv) the extent of involvement of directors of the subsidiaries nominated by the Group in its operational and financial policy setting and decision making.

The results, assets and liabilities of the subsidiaries are therefore consolidated into the Group's consolidated financial statements.

Going concern consideration

The assessment of the going concern assumption involves making judgments by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group and the Company have ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions as set out in Note 2.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying the entity's accounting policies *(Continued)*

Contingent liabilities in respect of litigation claims

The Group has been engaged in a number of legal claims. Contingent liabilities arising from these legal claims have been assessed by management with reference to legal advice. The directors of the Company considered that no provision for the contingent liabilities in respect of the litigation is necessary after due consideration of each case and with reference to legal opinion.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 18, certain of the Group's rights to the use of the buildings were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise the buildings that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the buildings.

Held-to-maturity investments

The directors of the Company have reviewed the Group's held-to-maturity investment in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. As at 31 December 2012, the carrying amount of the held-to-maturity investments is approximately RMB600,000,000 (2011: Nil). Details of this asset are set out in Note 29.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income tax expense

Determining income tax provisions involves estimation on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventories

The directors of the Company review the ageing analysis at the end of the reporting period, and make allowance for obsolete and slow-moving inventory items. The directors of the Company estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The directors of Company carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2012, the carrying amounts of the Group's inventories and the Company's inventories are approximately RMB305,172,000 (2011: RMB402,839,000) and RMB41,851,000 (2011: RMB124,363,000) respectively, net of allowance of inventories of RMB115,497,000 (2011: RMB172,997,000) and RMB28,956,000 (2011: RMB87,890,000) respectively.

Impairment of property, plant and equipment, investment properties, properties under development and leasehold land and land use rights

The Group tests at the reporting date whether property, plant and equipment, investment properties, properties under development and leasehold land and land use rights have suffered any impairment in accordance with accounting policies stated in Note 4. The recoverable amounts of those assets have been determined based on the higher of their fair value less costs to sell and their value-in-use calculations which prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. These calculations require the use of estimates such as the future revenue and discount rates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of property, plant and equipment, investment properties, properties under development and leasehold land and land use rights (Continued)

As at 31 December 2012, the carrying amounts of property, plant and equipment, investment properties, properties under development and leasehold land and land use rights of the Group are approximately RMB7,467,134,000 (2011: RMB8,202,921,000), RMB19,136,000 (2011: RMB55,272,000), RMB56,358,000 (2011: nil) and RMB303,981,000 (2011: RMB330,275,000) respectively, net of accumulated depreciation or amortisation and impairment of RMB4,895,709,000 (2011: RMB3,037,381,000), RMB2,706,000 (2011: RMB5,158,000), nil (2011: nil) and RMB26,988,000 (2011: RMB22,986,000) respectively.

As at 31 December 2012, the carrying amounts of property, plant and equipment, of the Company are approximately RMB476,704,000 (2011: RMB611,928,000), net of accumulated depreciation and impairment of RMB1,002,994,000 (2011: RMB806,268,000).

During the year ended 31 December 2012, the Group recognised an impairment loss of approximately RMB2,349,845,000 (2011: RMB416,544,000) in respect of property, plant and equipment (Note 18). No impairment loss has been recognised in respect of investment properties, properties under development and leasehold land and land use rights for the two years ended 31 December 2012 and 2011.

During the year ended 31 December 2012, the Company recognised an impairment loss of approximately RMB287,322,000 (2011: RMB17,111,000) in respect of property, plant and equipment (Note 18). No impairment loss has been recognised in respect of leasehold land and land use rights for the two years ended 31 December 2012 and 2011.

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Impairment of available-for-sale investment

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the recoverable amount of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in the recoverable amount below cost were considered significant or prolonged, the Group would suffer an additional loss in the consolidated statement of comprehensive income for the year ended 31 December 2012. As at 31 December 2012 and 2011, the carrying amount of available-for-sale investment was approximately RMB24,060,000, net of accumulated impairment loss of approximately RMB5,940,000.

Impairment of interests in associates / investments in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amounts of Group's interests in associates and the Company's investments in associates are approximately RMB113,904,000 (2011: RMB278,394,000) and RMB115,540,000 (2011: RMB360,000,000) respectively, net of accumulated impairment losses of Nil (2011: Nil) and RMB317,960,000 (2011: Nil) respectively.

Allowance for doubtful debts

The directors of the Company regularly review the recoverability and age of the trade receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated statement of comprehensive income when there is objective evidence that the asset is impaired.

In determining whether allowance for doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Allowance for doubtful debts (Continued)

As at 31 December 2012, the Group's carrying amount of trade and bills receivables is approximately RMB658,981,000 (2011: RMB545,034,000), net of allowance for doubtful debts of approximately RMB21,516,000 (2011: RMB24,680,000). The Group's carrying amount of other receivables is approximately RMB1,279,068,000 (2011: RMB1,030,783,000), net of allowance for doubtful debts of approximately RMB6,617,000 (2011: RMB3,116,000).

As at 31 December 2012, the Company's carrying amount of trade and bills receivables is approximately RMB184,120,000 (2011: RMB162,650,000), net of allowance for doubtful debts of approximately RMB18,674,000 (2011: RMB21,724,000). The Company's carrying amount of other receivables is approximately RMB268,208,000 (2011: RMB230,926,000), net of allowance for doubtful debts of approximately RMB5,570,000 (2011: RMB5,662,000).

Provision for warranty

The provision for warranty was made for warranties granted to the CPTs tubes customers for the free-of-charge materials and workmanship of particular removal devices and accessories, up to a period of three years from the date of installation.

Provision for warranty was made on an accrual basis by reference to the directors' best estimates of the expenditure required to settle the obligations, and was charged to the consolidated statement of comprehensive income in the period in which the related sales are made. The level of provision required was assessed by the directors of the Company annually based on the Group's past experience of warranty. As at 31 December 2012, the carrying amount of provision for warranty for the Group and the Company are approximately RMB3,720,000 (2011: RMB2,875,000) and Nil (2011: RMB869,000) respectively.

Liabilities for cash-settled share-based payments

The fair value is expensed over the period until vesting with recognition of a corresponding liability. The cost of cash-settled transactions is measured initially at fair value at the grant date using the Binomial model, taking into accounts the terms and conditions upon which the instruments were granted. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value and recognised in the consolidated statement of comprehensive income.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximsing the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings and obligations under finance leases as disclosed in Note 34 and Note 36 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis and monitors on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Gearing ratio is calculated as the proportion of total debt to total capital.

The Group aimed at maintaining a gearing ratio of not more than 90% (2011: 60%). Based on the recommendations of the Company's directors, the Group intends to maintain a suitable ratio of share capital to liabilities, so as to maintain an effective capital structure from time to time.

The gearing ratio at the end of the reporting period was as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Total debt [a]	**7,716,653**	5,937,476
Net debt [b]	**6,437,801**	3,857,142
Total equity	**1,642,015**	5,052,178
Total capital (based on total debt) [I]	**9,358,668**	10,989,654
Net capital (based on net debt) [d]	**8,079,816**	8,909,320
Gearing ratio (based on total debt and total capital) *(%)*	**82.5**	54.0
Gearing ratio (based on net debt and net capital) *(%)*	**79.7**	43.3

[a] Total debt equals to bank and other borrowings and obligations under finance leases.

[b] Net debt equals to total debt less bank balances and cash.

[c] Total capital (based on total debt) equals to total debt plus total equity.

[d] Net capital (based on net debt) equals to net debt plus total equity.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)				
Trade and bills receivables	**658,981**	545,034	**184,120**	162,650
Other receivables	**269,867**	189,439	**244,855**	199,645
Restricted bank balances	**66,089**	104,716	**20,742**	3,440
Bank balances and cash	**1,278,852**	2,080,334	**135,237**	222,755
	2,273,789	2,919,523	**584,954**	588,490
Held-to-maturity investments	**600,000**	—	**—**	—
Available-for-sale investment	**24,060**	24,060	**—**	—
Financial liabilities				
Other financial liabilities measured at amortised cost				
Trade and bills payables	**847,119**	819,765	**265,748**	554,949
Other payables and accruals	**1,336,298**	1,055,449	**1,020,537**	358,153
Bank and other borrowings	**7,617,133**	5,777,233	**1,111,000**	980,000
Obligations under finance leases	**99,520**	160,243	**99,520**	160,243
	9,900,070	7,812,690	**2,496,805**	2,053,345
Financial liabilities at FVTPL (included in other payables)	**8,464**	7,200	**8,464**	7,200

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investment, held-to-maturity investments, trade and bills receivables, other receivables, restricted bank balances, bank balances and cash, trade and bills payables, other payables and accruals, bank and other borrowings, obligations under finance leases and liabilities for cash-settled share-based payments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group and the Company mainly operates in the PRC. Majority of its revenue and operating costs and cost of sales are denominated in RMB. Certain trade receivables, bank balances and cash, and bank and other borrowings of the Group and the Company are denominated in the United States Dollars ("USD"). Such USD denominated trade receivables, bank balances and cash, and bank and other borrowings are exposed to fluctuations in the value of RMB against USD in which these trade receivables, bank balances and cash, and bank and other borrowings are denominated. Any significant appreciation / depreciation of the RMB against the USD may result in significant exchange gain / loss which would be recorded in the consolidated statement of comprehensive income.

At the end of the reporting period, included in the trade receivables, bank balances and cash, and bank and other borrowings are the following amount denominated in USD which is other than the functional currency of the relevant group entities to which it relates.

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**104,861**	87,456	**10,173**	33,233
Bank balances and cash	**58,277**	53,276	**12,243**	42,163
Bank and other borrowings	**(578,365)**	(475,225)	**—**	—
	(415,227)	(334,493)	**22,416**	75,396

The Group currently does not have foreign currency hedging policy. However, management monitors currency risk and will consider hedging significant currency risk exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2011: 10%) increase and decrease in RMB against the relevant foreign currencies. 10% (2011: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As of 31 December 2012, if RMB had strengthened/weakened 10% (2011: 10%) against USD, with all other variables held constant, the Group's loss for the year would have been approximately RMB31,142,000 lower/higher (2011: RMB25,087,000), mainly as a result of foreign exchange gains/losses on translation of the USD denominated trade receivables, bank balances and cash, and bank and other borrowings.

As of 31 December 2012, if RMB had strengthened/weakened 10% (2011: 10%) against USD, with all other variables held constant, the Company's loss for the year would have been approximately RMB1,681,000 higher/lower (2011: RMB5,655,000), mainly as a result of foreign exchange losses/gains on translation of the USD denominated trade receivables and bank balances and cash.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate held-to-maturity investments (Note 29), fixed-rate restricted bank balances (Note 30) and fixed-rate bank borrowings (Note 34). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group and the Company are also exposed to cash flow interest rate risk in relation to bank balances (Note 31), variable-rate loans from the parent company (Note 45C (iii)), variable-rate bank and other borrowings (Note 34) and variable-rate obligations under finance leases (Note 36). It is the Group's policy to keep its bank and other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's and the Company's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate and the People's Bank of China Prescribed Interest Rate arising from the Group's variable-rate bank and other borrowings and variable-rate obligations under finance leases respectively.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point (2011: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point (2011: 100 basis point) higher/lower and all other variables were held constant, the Group's and the Company's loss for the year would increase/decrease by approximately RMB37,006,000 (2011: RMB28,458,000) and approximately RMB2,516,000 (2011: RMB4,052,000) respectively. This is mainly attributable to the Group's and Company's exposure to interest rates on its bank balances, variable-rate bank and other borrowings and variable-rate obligations under finance leases.

Credit risk

As at 31 December 2012, the Group and the Company's maximum exposures to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the Company's statement of financial position respectively.

The credit risk on bank balances and held-to-maturity investments is limited because the restricted bank balances, bank balances and held-to-maturity investments of the Group and the Company are maintained with state-owned banks or other creditworthy financial institutions in the PRC and Hong Kong.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 68% (2011: 71%) of the total trade and bills receivables as at 31 December 2012.

The Company's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 84% (2011: 79%) of the total trade and bills receivables as at 31 December 2012.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

For the year ended 31 December 2012, the Group has concentration of credit risk as only 6% (2011: 14%) and 18% (2011: 42%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 14% (2011: 7%) and 37% (2011: 23%) of total turnover respectively.

The Company has concentration of credit risk as 9% (2011: 16%) and 34% (2011: 22%) of the total trade and bills receivables was due from the Company's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 8% (2011: 13%) and 25% (2011: 45%) of total turnover respectively.

The Group and the Company have policies in place to ensure that sale of products are made to customers with an appropriate credit history. The Group and the Company also perform periodic credit evaluations of its customers and believes that adequate impairment loss of trade and bills receivables have been made in the consolidated financial statements.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group and the Company is exposed to liquidity risk as at 31 December 2012 as the Group and the Company had net current liabilities of approximately RMB964,911,000 and approximately RMB1,548,095,000 respectively. The directors of the Company are of the opinion that the Group and the Company will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management aims to maintain flexibility in funding by keeping committed credit lines available.

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

The Group

	On demand or within 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31/12/2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012					
Trade and bills payables	**847,119**	**—**	**—**	**847,119**	**847,119**
Other payables	**1,344,762**	**—**	**—**	**1,344,762**	**1,344,762**
Bank and other borrowings	**3,132,729**	**5,325,551**	**257,736**	**8,716,016**	**7,617,133**
Obligations under finance leases	**71,259**	**35,824**	**—**	**107,083**	**99,520**
	5,395,869	**5,361,375**	**257,736**	**11,014,980**	**9,908,534**

	On demand or within 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31/12/2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2011					
Trade and bills payables	819,765	—	—	819,765	819,765
Other payables	1,062,649	—	—	1,062,649	1,062,649
Bank and other borrowings	1,577,652	3,289,571	2,026,146	6,893,369	5,777,233
Obligations under finance leases	71,672	107,703	—	179,375	160,243
	3,531,738	3,397,274	2,026,146	8,955,158	7,819,890

7. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The Company

	On demand or within 1 year *RMB'000*	1-5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2012 *RMB'000*
2012					
Trade and bills payables	**265,748**	**—**	**—**	**265,748**	**265,748**
Other payables	**1,029,001**	**—**	**—**	**1,029,001**	**1,029,001**
Bank and other borrowings	**816,918**	**399,602**	**—**	**1,216,520**	**1,111,000**
Obligations under finance leases	**71,259**	**35,824**	**—**	**107,083**	**99,520**
	2,182,926	**435,426**	**—**	**2,618,352**	**2,505,269**

	On demand or within 1 year *RMB'000*	1-5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2011 *RMB'000*
2011					
Trade and bills payables	554,949	—	—	554,949	554,949
Other payables	365,353	—	—	365,353	365,353
Bank and other borrowings	587,178	496,618	—	1,083,796	980,000
Obligations under finance leases	71,672	107,703	—	179,375	160,243
	1,579,152	604,321	—	2,183,473	2,060,545

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is calculated using quoted prices. When such prices are not available, a discount cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing model for option derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short term maturities.

The directors of the Company consider the carrying amounts of the long term bank and other borrowings and long term obligations under finance lease approximate their fair values as the impact of discounting is not significant.

Fair value measurements recognised in the consolidated statement of financial position and Company's statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position and Company's statement of financial position (Continued)

The Group and the Company

	Level 2 *RMB'000*
As at 31 December 2012	
Financial liabilities at FVTPL	
Liabilities for cash-settled share-based payments *(Note 33 (ii))*	**8,464**
As at 31 December 2011	
Financial liabilities at FVTPL	
Liabilities for cash-settled share-based payments *(Note 33 (ii))*	7,200

8. TURNOVER

Turnover represents revenue arising from sales of CPTs, luminous materials, liquid crystal related products, TFT-LCD glass substrate and display devices products and solar photovoltaic glass products.

9. SEGMENT INFORMATION

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

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

1. CPTs production and sales
2. Luminous materials production and sales
3. Liquid crystal related products production and sales
4. TFT-LCD glass substrate and display devices production and sales
5. Solar photovoltaic glass production and sales

Information regarding the above segments is reported below.

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended 31 December 2012

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Total *RMB'000*
REVENUE						
External sales	**318,701**	**520,064**	**1,552,654**	**81,967**	**171,827**	**2,645,213**
Segment (loss) profit	**(245,823)**	**28,265**	**(11,768)**	**(1,997,407)**	**(654,709)**	**(2,881,442)**
Unallocated income						**37,474**
Unallocated expenses						**(115,120)**
Finance costs						**(180,632)**
Share of loss of associates						**(241,296)**
Loss before tax						**(3,381,016)**

For the year ended 31 December 2011

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Total *RMB'000*
REVENUE						
External sales	511,050	1,088,734	1,310,085	5,004	355,475	3,270,348
Segment (loss) profit	(346,724)	157,815	(922)	(337,207)	(26,530)	(553,568)
Unallocated income						31,931
Unallocated expenses						(11,034)
Finance costs						(79,736)
Share of loss of associates						(43,038)
Loss before tax						(655,445)

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment loss / profit represents the loss from / profit earned by each segment without allocation of central administration costs, directors' salaries, share of loss of associates, gain on disposal of an associate, rental income, dividend income from available-for-sale investment, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2012 ***RMB'000***	2011 *RMB'000*
CPTs production and sales	**222,208**	333,728
Luminous materials production and sales	**653,884**	524,163
Liquid crystal related products production and sales	**529,132**	567,768
TFT-LCD glass substrate and display devices production and sales	**6,440,194**	6,620,771
Solar photovoltaic glass production and sales	**2,276,372**	2,622,587
Total segment assets	**10,121,790**	10,669,017
Unallocated assets	**2,174,344**	2,650,371
Consolidated total assets	**12,296,134**	13,319,388

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Segment liabilities

	2012	2011
	RMB'000	*RMB'000*
CPTs production and sales	**179,918**	243,892
Luminous materials production and sales	**306,561**	243,646
Liquid crystal related products production and sales	**311,930**	222,306
TFT-LCD glass substrate and display devices production and sales	**1,098,987**	903,335
Solar photovoltaic glass production and sales	**999,292**	650,202
Total segment liabilities	**2,896,688**	2,263,381
Unallocated liabilities	**7,757,431**	6,003,829
Consolidated total liabilities	**10,654,119**	8,267,210

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

— all assets are allocated to operating segments other than interests in associates, investment properties, properties under development, available-for-sale investment, held-to-maturity investments, restricted bank balances, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

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

9. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2012

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:							
Additions to non-current assets *(Note)*	7,708	2,880	11,075	1,071,644	688,217	1,257	1,782,781
Amortisation of leasehold land and land use rights and intangible assets	2,053	267	—	803	2,720	—	5,843
Depreciation of property, plant and equipment	3,679	8,977	2,214	74,019	46,084	—	134,973
Impairment losses on property, plant and equipment	—	2,093	12,565	1,850,895	484,292	—	2,349,845
Allowance for doubtful debts of trade and other receivables	1,004	5,948	3,645	572	—	—	11,169
Allowance on inventories	39,303	8,360	49	9,476	28,120	—	85,308
Gain on disposal of property, plant and equipment	(18,065)	—	—	(272)	—	—	(18,337)
Reversal of allowance for doubtful debts of trade and other receivables	(675)	(1,776)	—	—	—	—	(2,451)
Loss (gain) on sales of raw materials, scraps and packaging materials	3,814	(41)	(77)	(368)	607	—	3,935
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:							
Interests in associates	—	—	—	—	—	113,904	113,904
Share of loss of associates	—	—	—	—	—	241,296	241,296
Interest income	(14,513)	(1,933)	(496)	—	(3,374)	—	(20,316)
Finance costs	—	22,211	6,469	34,568	2,878	114,506	180,632
Income tax expenses	—	—	315	—	23,840	—	24,155
Addition of investment properties	—	—	—	—	—	1,257	1,257
Depreciation of investment properties	—	—	—	—	—	1,657	1,657

Note: Non-current assets excluded available-for-sale investment.

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2011

	CPTs production and sales RMB'000	Luminous materials production and sales RMB'000	Liquid crystal related products production and sales RMB'000	TFT-LCD glass substrate and display devices production and sales RMB'000	Solar photovoltaic glass production and sales RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss for segment assets:							
Additions to non-current assets *(Note)*	1,997	55,193	19,067	2,212,888	1,662,096	—	3,951,241
Amortisation of leasehold land and land use rights and intangible assets	1,825	437	—	1,162	1,814	—	5,238
Depreciation of property, plant and equipment	22,012	11,856	1,949	23,654	33,032	—	92,503
Impairment losses on property, plant and equipment	105,234	—	—	311,310	—	—	416,544
Allowance for doubtful debts of trade and other receivables	3,616	3,818	1,902	—	—	—	9,336
Allowance on inventories	107,970	32,744	1,148	—	14,766	—	156,628
Gain on disposal of property, plant and equipment	(55,852)	—	—	—	—	—	(55,852)
Reversal of allowance for doubtful debts of trade and other receivables	—	(988)	—	—	—	—	(988)
Gain on disposal of a subsidiary	(12,871)	—	—	—	—	—	(12,871)
(Gain) loss on sales of raw materials, scraps and packaging materials	(73,270)	4,395	(3,981)	(8,334)	(808)	—	(81,998)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:							
Interests in associates	—	—	—	—	—	278,394	278,394
Gain on disposal of an associate	—	—	—	—	—	(3,235)	(3,235)
Share of loss of associates	—	—	—	—	—	43,038	43,038
Interest income	(4,840)	(565)	(576)	(3,241)	(4,918)	—	(14,140)
Finance costs	—	7,569	1,377	—	—	70,790	79,736
Income tax expenses	10	25,457	1,636	—	420	—	27,523
Depreciation of investment properties	—	—	—	—	—	2,404	2,404

Note: Non-current assets excluded available-for-sale investment.

9. SEGMENT INFORMATION *(Continued)*

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:

	2012	2011
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**1,791,934**	2,320,945
Hong Kong	**237,300**	211,270
Europe	**53,132**	169,755
Other countries	**562,847**	568,378
	2,645,213	3,270,348

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

Information about major customers

The Group has identified one customer (2011: Nil) which individually represented over 10% of the Group's total external sales.

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

	2012	2011
	RMB'000	*RMB'000*
Customer A[1]	**361,628**	N/A[2]

1 Revenue from production of liquid crystal related products.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 December 2011.

10. OTHER OPERATING INCOME

	2012 **RMB'000**	2011 *RMB'000*
Gain on disposal of property, plant and equipment	**18,337**	55,852
Interest income	**20,316**	14,140
Gain on sales of raw materials, scraps and packaging materials	**—**	81,998
Reversal of allowance for doubtful debts of trade and other receivables	**2,451**	988
Dividend income from available-for-sale investment	**3,164**	2,175
Rental income	**10,455**	12,381
Gain on disposal of an associate	**—**	3,235
Gain on disposal of a subsidiary *(Note 41)*	**—**	12,871
Amortisation of deferred income on government grants received *(Note 39)*	**23,100**	8,743
Others	**9,859**	4,492
	87,682	196,875

The direct operating expenses from investment properties that generated rental income amounted to approximately RMB1,149,000 (2011: RMB1,667,000) for the year ended 31 December 2012.

11. FINANCE COSTS

	2012 **RMB'000**	2011 *RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**365,813**	177,320
Bank and other borrowings wholly repayable over five years	**2,628**	75,186
Discounted trade receivables to banks	**2,046**	233
Obligations under finance leases	**10,765**	1,079
Amount due to parent company *(Note 45 C (iii))*	**63,012**	4,893
Total borrowing costs	**444,264**	258,711
Less: amounts capitalised in the cost of qualifying assets	**(263,632)**	(178,975)
	180,632	79,736

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.49% (2011: 5.57%) per annum to expenditure on qualifying assets.

12. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax	**19,325**	26,740
Under provision in prior years	**5,145**	—
	24,470	26,740
Deferred tax liabilities *(Note 40)*	**(315)**	783
Income tax expense	**24,155**	27,523

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for the two years ended 31 December 2012 and 2011.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25% from 1 January 2008 onwards.

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

The operations of IRICO Luminous Material Co., Ltd and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the two years ended 31 December 2012 and 2011, and accordingly, EIT has also been provided at 15%.

Xianyang IRICO Electronics Shadow Mask Co., Ltd. ("IRICO Shadow Mask") is Sino-foreign equity joint ventures engaging in the production business and is exempted from taxation for the first two profitable years and a 50% relief from the national PRC income tax rate (also exempted from paying the 3% local income tax) for the next three profitable years thereafter. As a result, IRICO Shadow Mask which was established in 2003 and the entity is in the exemption period for the year ended 31 December 2011. During the year ended 31 December 2012, the tax concession period is expired and income tax expenses are charged on the estimated assessable profits at the appropriate current rates of taxation ruling in the PRC.

12. INCOME TAX EXPENSE *(Continued)*

Certain subsidiaries of the Group, which are registered in a special economic zone or a technological economic development zone, are taxed at preferential rates ranging from 22% to 24% for the years ended 31 December 2011. During the year ended 31 December 2012, all the tax concession on preferential rates had been expired and income tax expenses are charged on the estimated assessable profits at the appropriate current rates of taxation ruling in the PRC.

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Loss before tax	**(3,381,016)**	(655,445)
Tax calculated at the statutory tax rate of 25% (2011: 25%)	**(845,254)**	(163,861)
Tax effect of share of loss of associates	**60,324**	11,320
Tax effect of expenses not deductible for tax purpose	**3,407**	709
Tax effect of income not taxable for tax purposes	**(747)**	(1,372)
Effect of tax exemptions granted to PRC subsidiaries	**(1,039)**	(14,895)
Tax effect of tax losses not recognised	**190,671**	60,017
Utilisation of tax losses previously not recognised	**(867)**	(16,560)
Under provision in prior years	**5,145**	—
Tax effect of deductible temporary differences not recognised	**612,515**	152,165
Income tax expense	**24,155**	27,523

Details of deferred taxation are shown in Note 40.

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2012 **RMB'000**	2011 *RMB'000*
Cost of inventories recognised as an expense	**2,744,232**	3,164,459
Depreciation for property, plant and equipment	**134,973**	92,503
Depreciation for investment properties	**1,657**	2,404
Amortisation of leasehold land and land use rights	**4,893**	4,477
Amortisation of intangible assets	**950**	761
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**11,169**	9,336
Research and development costs recognised as an expense	**18,815**	18,918
Allowance on inventories (included in cost of sales)	**85,308**	156,628
Operating lease rentals in respect of leasehold land and land use rights	**19,992**	6,132
Operating lease rentals in respect of property, plant and equipment	**42,140**	41,176
Net foreign exchange losses	**3,157**	10,875
Provision for warranty *(Note 33 (i))*	**8,844**	9,515
Cash-settled share-based payments expense *(Note 33 (ii))*	**1,540**	656
Auditor's remuneration	**3,100**	3,100
Share of tax of associates (included in share of loss of associates)	**338**	(99)

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors', supervisors' and senior management's emoluments

(i) The emoluments of each director, supervisor and senior management for the year ended 31 December 2012 are set out below:

Name	Fee	Salaries and allowance	Retirement benefit contributions	Performance-linked salary *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Tao Kui	—	—	—	—	—
Mr. Zhang Junhua	—	—	—	88	88
Non-executive directors					
Mr. Guo Mengquan	—	—	—	—	—
Mr. Niu Xin'an	—	—	—	—	—
Mr. Fu Jiuquan	—	—	—	—	—
Mr. Zhang Weichuan	—	—	—	—	—
Independent non-executive directors					
Mr. Lv Hua	100	—	—	—	100
Mr. Zhong Pengrong	100	—	—	—	100
Mr. Xu Xinzhong	100	—	—	—	100
Mr. Feng Bing	100	—	—	—	100
Mr. Wang Jialu	100	—	—	—	100
Supervisors					
Ms. Wang Qi	—	—	—	—	—
Mr. Fu Yusheng	—	109	23	199	331
Mr. Tang Haobao	—	97	23	212	332
Mr. Sun Haiying	—	80	—	—	80
Ms. Wu Xiaoguang	—	80	—	—	80
Senior management					
Mr. Zhang Chunning	—	105	23	298	426
Mr. Zho Changfu	—	104	23	291	418
Mr. Chu Xiaohang	—	75	23	142	240
Mr. Lam Chun Lung	—	144	—	—	144
Mr. Ma Jianchao	—	105	23	242	370
	500	899	138	1,472	3,009

Note: The performance-linked salary is based on operating appraisal results and basic salary of each director, supervisor and senior management, which is determined by reference to the appraisal grade and scores for the annual operating results of enterprise representative. Since 2009, 80% of the performance-linked salary is paid in the relevant period while the remaining 20% would be accumulated and deferred until the expiry of their contract. The performance-linked salary scheme was under executions for the three years ended 31 December 2011. During 2012, the performance-linked salary recognised in current period represents payment of deferred performance-linked salary for the period year 2009 to 2011 and no such salary was recognised in prior years.

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors', supervisors' and senior management's emoluments *(Continued)*

(i) The emoluments of each director, supervisor and senior management for the year ended 31 December 2011 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Tao Kui	—	33	3	36
Mr. Xing Daoqin (Passed away on 6 November 2011)	—	33	3	36
Mr. Zhang Junhua	—	268	3	271
Non-executive directors				
Mr. Guo Mengquan	—	30	3	33
Mr. Niu Xin'an	—	—	—	—
Mr. Fu Jiuquan	—	—	—	—
Mr. Zhang Weichuan	—	—	—	—
Independent non-executive directors				
Mr. Lv Hua	100	—	—	100
Mr. Zhong Pengrong	100	—	—	100
Mr. Xu Xinzhong	100	—	—	100
Mr. Feng Bing	100	—	—	100
Mr. Wang Jialu	100	—	—	100
Supervisors				
Ms. Wang Qi	—	—	—	—
Mr. Fu Yusheng	—	248	21	269
Mr. Tang Haobao	—	229	21	250
Mr. Sun Haiying	—	80	—	80
Ms. Wu Xiaoguang	—	80	—	80
Senior management				
Mr. Zhang Chunning	—	312	21	333
Mr. Zho Changfu	—	304	21	325
Mr. Chu Xiaohang	—	145	11	156
Mr. Lam Chun Lung	—	144	—	144
Mr. Ma Jianchao	—	275	21	296
	500	2,181	128	2,809

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors', supervisors' and senior management's emoluments *(Continued)*

For the year ended 31 December 2012, the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xin'an, and Ms. Wang Qi are born by IRICO Group. Besides, since March 2011, except for the emoluments for Mr. Xing Daoqin, Mr. Tao Kui, Mr. Guo Mengquan and Mr. Zhang Junhua which are also born by IRICO Group, other directors and supervisors of the Company received no emoluments from IRICO Group. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group.

The cash-settled share-based payments expense of each director, supervisor and senior management for the year ended 31 December 2012 and 2011 are set out below:

Name	**2012** **RMB'000**	2011 RMB'000
Executive directors		
Mr. Tao Kui	**164**	165
Mr. Xing Daoqin (Passed away on 6 November 2011) *(Note)*	**216**	218
Mr. Zhang Junhua	**164**	165
Non-executive directors		
Mr. Guo Mengquan	**124**	125
Mr. Niu Xin'an	**124**	125
Mr. Fu Jiuquan	**144**	145
Mr. Zhang Weichuan	**124**	125
Supervisors		
Mr. Fu Yusheng	**62**	62
Mr. Tang Haobao	**62**	62
Senior management		
Mr. Zhang Chunning	**92**	94
Mr. Zho Changfu	**92**	94
Mr. Chu Xiaohang	**57**	57
Mr. Ma Jianchao	**62**	62
	1,487	1,499

Note: Mr. Xing Daoqin has passed away on 6 November 2011, his granted scheme will be exercisable by his statutory successor until the scheme expiry date.

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

During the year 2012, the five individuals whose emoluments were the highest in the Group for the year include three senior management and two supervisors (2011: one director, one supervisor and three senior management) whose emoluments are reflected in the analysis presented above. Their emoluments were within the band of less than HK$1,000,000 (equivalent to approximately RMB811,000) for the both years.

During the two years ended 31 December 2012 and 2011, no directors, supervisors and senior management or the five highest paid individuals of the Company waived or agreed to waive any emoluments and no emolument was paid by the Group to any of the directors, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EMPLOYEES' EMOLUMENTS (EXCLUDING DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	2012 ***RMB'000***	2011 *RMB'000*
Wages and salaries	**310,435**	299,107
Retirement benefit contributions		
— pension obligations *(Note)*	**44,600**	42,916
— one-off termination benefits	**8,592**	10,257
— early retirement benefits *(Note 35)*	**157,835**	4,024
Welfare and social security costs	**90,255**	104,648
Cash-settled share-based payments expense	**1,528**	1,171
	613,245	462,123

Note: As stipulated by the rules and regulations in the PRC, the Group has participated in state-managed defined contribution retirement plans for its employees in the PRC. The Group and the eligible employees are required to contribute 20% and 8% (2011: 20% and 8%) respectively, of the employee's basic salary. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. The Group has no further pension obligation beyond the above contributions. During the year ended 31 December 2012, the amount of RMB44,738,000 (2011: RMB43,044,000) of retirement benefit contributions was recognsied to profit and loss.

16. DIVIDEND

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

17. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the two years ended 31 December 2012 and 2011.

	2012	2011
Loss for the year attributable to owners of the Company *(RMB'000)*	**(1,662,002)**	(253,038)
Weighted average number of ordinary shares in issue *('000)*	**2,232,349**	2,232,349

(b) Diluted

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2011.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery for electronics production RMB'000	Machinery for glass production RMB'000	Other machinery RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2011	1,140,582	2,609,680	917,388	792,859	99,577	4,439,466	9,999,552
Additions	2,313	27,435	75,961	61,104	6,006	2,928,503	3,101,322
Reclassification upon completion	275,533	103,562	50,088	333,610	17,179	(779,972)	—
Reclassified to investment properties	(2,855)	—	—	—	—	(5,187)	(8,042)
Eliminated on disposal of subsidiaries	(5,260)	—	—	(39,911)	(900)	—	(46,071)
Disposals	(931)	(794,378)	(306,144)	(686,356)	(18,650)	—	(1,806,459)
At 31 December 2011 and 1 January 2012	1,409,382	1,946,299	737,293	461,306	103,212	6,582,810	11,240,302
Additions	1,050	438	2,640	1,120	5,631	1,770,645	1,781,524
Reclassification upon completion	182,527	89,847	53,438	539,555	6,037	(871,404)	—
Reclassified to properties under development	(15,632)	—	—	—	—	—	(15,632)
Disposals	(22,888)	(288,625)	(80,453)	(248,207)	(3,178)	—	(643,351)
At 31 December 2012	1,554,439	1,747,959	712,918	753,774	111,702	7,482,051	12,362,843
DEPRECIATION AND IMPAIRMENT							
At 1 January 2011	266,469	2,351,805	848,540	621,338	80,914	—	4,169,066
Depreciation charged for the year	34,711	11,792	15,039	23,790	7,171	—	92,503
Impairment loss recognised for the year	—	16,716	145	128,316	5	271,362	416,544
Reclassified to investment properties	(536)	—	—	—	—	—	(536)
Eliminated on disposal of subsidiaries	(4,878)	—	—	(38,569)	(794)	—	(44,241)
Eliminated on disposal	(488)	(662,788)	(264,366)	(651,790)	(16,523)	—	(1,595,955)
At 31 December 2011 and 1 January 2012	295,278	1,717,525	599,358	83,085	70,773	271,362	3,037,381
Depreciation charged for the year	41,129	15,673	19,124	50,895	8,152	—	134,973
Impairment loss recognised for the year	49,590	187,870	90,110	157,353	105	1,864,817	2,349,845
Eliminated upon reclassified to properties under development	(3,412)	—	—	—	—	—	(3,412)
Eliminated on disposal	(10,647)	(285,814)	(76,152)	(248,152)	(2,313)	—	(623,078)
At 31 December 2012	371,938	1,635,254	632,440	43,181	76,717	2,136,179	4,895,709
CARRYING VALUES							
At 31 December 2012	1,182,501	112,705	80,478	710,593	34,985	5,345,872	7,467,134
At 31 December 2011	1,114,104	228,774	137,935	378,221	32,439	6,311,448	8,202,921

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Machinery for electronics production *RMB'000*	Machinery for glass production *RMB'000*	Other machinery *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2011	571,460	706,270	274,380	49,475	200,649	1,802,234
Additions	44,584	91,599	64,233	3,382	181,078	384,876
Reclassification upon completion	103,562	50,088	60,555	4,004	(218,209)	—
Disposals	(208,612)	(312,946)	(230,497)	(16,859)	—	(768,914)
At 31 December 2011 and 1 January 2012	510,994	535,011	168,671	40,002	163,518	1,418,196
Additions	—	588	—	5,067	197,048	202,703
Reclassification upon completion	29,847	41,438	131,245	—	(202,530)	—
Disposals	(77,436)	(27,277)	(35,373)	(1,165)	—	(141,251)
At 31 December 2012	463,405	549,760	264,543	43,904	158,036	1,479,648
DEPRECIATION AND IMPAIRMENT						
At 1 January 2011	408,861	626,084	202,649	47,257	—	1,284,851
Depreciation charged for the year	10,748	14,500	4,271	1,826	—	31,345
Impairment loss recognised for the year	14,387	—	2,724	—	—	17,111
Eliminated on disposal	(110,290)	(210,014)	(191,731)	(15,004)	—	(527,039)
At 31 December 2011 and 1 January 2012	323,706	430,570	17,913	34,079	—	806,268
Depreciation charged for the year	12,033	17,472	11,619	2,687	—	43,811
Impairment loss recognised for the year	105,323	84,253	48,730	—	49,016	287,322
Eliminated on disposal	(74,716)	(23,219)	(35,373)	(1,149)	—	(134,457)
At 31 December 2012	366,346	509,076	42,889	35,617	49,016	1,002,994
CARRYING VALUES						
At 31 December 2012	97,059	40,684	221,654	8,287	109,020	476,704
At 31 December 2011	187,288	104,441	150,758	5,923	163,518	611,928

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	10 to 40 years
Machinery for electronics production	15 years
Machinery for glass production	6 to 18 years
Other machinery	18 years
Office equipment and others	5 years

The Group's depreciation charge of approximately RMB86,180,000 (2011: RMB59,337,000), RMB268,000 (2011: RMB288,000) and RMB RMB48,525,000 (2011: RMB32,878,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The Company's depreciation charge of approximately RMB28,503,000 (2011: RMB30,712,000), RMB36,000 (2011: RMB33,000) and RMB15,272,000 (2011: RMB600,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The Group's buildings comprise:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Buildings situated on the land located in the PRC:		
— between 10 to 50 years	**1,182,501**	1,112,777
— less than 10 years	**—**	1,327
	1,182,501	1,114,104

The official property title certificates of the Group's buildings with carrying value of approximately RMB869,713,000 (2011: RMB766,510,000) have not yet been issued by the relevant local government authorities. The directors of the Company are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced and the application of the title certificates are in progress.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2012, bank borrowings of the Group amounting to approximately RMB3,312,542,000 (2011: RMB2,772,157,000) are secured by the Group's buildings and machineries with the carrying value of approximately RMB977,805,000 (2011: RMB1,867,845,000) (Note 34(i)).

As at 31 December 2011, bank borrowings of the Company amounting to approximately RMB35,000,000 are secured by the Company's machines with the carrying value of approximately RMB83,902,000 (Note 34(i)). No property, plant and equipment is pledged as security for the bank borrowing of the Company as at 31 December 2012.

The Group

During the year ended 31 December 2012, the Group had continuously suffered significant loss from their CPTs production and sales operation, TFT-LCD glass substrate and display devices production and sales operation and solar photovoltaic glass production and sales operation. As a result of the adverse operating environment and the change of market conditions, the directors of the Company revisited their business plans. Some of the Group's manufacturing facilities of CPTs products will be ceased for production in the coming years. The directors of the Company conducted an impairment review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to the change of business plans as mentioned above. Accordingly, impairment losses of approximately RMB49,590,000 (2011: Nil), RMB187,870,000 (2011: RMB16,716,000), RMB90,110,000 (2011: RMB145,000) and RMB157,353,000 (2011: RMB128,316,000), RMB105,000 (2011: RMB5,000) and RMB1,864,817,000 (2011: RMB271,362,000) had been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012 in respect of buildings, machinery for electronics production, machinery for glass production, other machinery, office equipment and others and construction in progress respectively.

During the years ended 31 December 2012 and 2011, the recoverable amounts are determined based on the value-in-use in the impairment assessment. Value-in-use calculation is the cash flow projection based on financial budgets covering an five-year period which is reference to the estimated useful life of the assets, and discount rate of ranging from 8.82% to 11.6% (2011: 7.05%), approved by senior management, depending on the management's expectation on the period the assets could generate further income.

The Group's machinery for electronics production, machinery for glass production, other machinery and office equipments and others with carrying value of approximately RMB112,705,000 (2011: RMB228,774,000), RMB80,478,000 (2011: RMB137,935,000), RMB710,593,000 (2011: RMB378,221,000) and RMB34,985,000 (2011: RMB32,439,000) includes an amount of approximately RMB53,699,000 (2011: RMB79,545,000), RMB51,471,000 (2011: RMB54,875,000), RMB64,238,000 (2011: RMB84,572,000) and RMB3,454,000 (2011: RMB4,004,000) respectively in respect of assets held under finance leases.

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

The Company had recognised impairment losses of approximately RMB105,323,000 (2011: RMB14,387,000), RMB84,253,000 (2011: Nil), RMB48,730,000 (2011: RMB2,724,000) and RMB49,016,000 (2011: Nil) in the statement of comprehensive income for the year ended 31 December 2012 in respect of machinery for electronics production, machinery for glass production, other machinery and construction in progress respectively due to the same reason as mentioned above.

The Company's machinery for electronics production, machinery for glass production, other machinery and office equipments and others with carrying value of approximately RMB97,059,000 (2011: RMB187,288,000), RMB40,684,000 (2011: RMB104,441,000), RMB221,654,000 (2011: RMB150,758,000) and RMB8,287,000 (2011: RMB5,923,000) includes an amount of approximately RMB53,699,000 (2011: RMB79,545,000), RMB51,471,000 (2011: RMB54,875,000), RMB64,238,000 (2011: RMB84,572,000) and RMB3,454,000 (2011: RMB4,004,000) respectively in respect of assets held under finance leases.

19. PROPERTIES UNDER DEVELOPMENT

Properties under development are classified as non-current asset as the construction period of the relevant property development project is expected to complete more than one year and not in the normal operating cycle. As at 31 December 2012, no properties under development are expected to be realised within the next twelve months from the end of the reporting period.

During the year ended 31 December 2012, Xian IRICO Zixun Co., Ltd. ("IRICO Zixun") a wholly-owned subsidiary of the Group had entered into a joint operation agreement with an independent third party for a construction project. Pursuant to the joint operation agreements, IRICO Zixun would provide a plot of land together with the original properties situated on the land while the independent third party would responsible for the development of the properties. Upon completion of the properties development, IRICO Zixun would be entitled to certain properties situated on the provided plot of land per agreed terms. The carrying amounts of buildings and investment properties which situated on the plot of land and the leasehold land therefore transferred to properties under development. Moreover, IRICO Zixun received cash of approximately RMB12,999,000 as compensation for removal from the original properties and the amount was included in the properties under development as at 31 December 2012.

In the opinion of the directors of the Company, the fair values of the properties under development cannot be measured reliably as at 31 December 2012.

20. INVESTMENT PROPERTIES

The Group

	RMB'000
COST	
At 1 January 2011	52,924
Reclassified from property, plant and equipment	7,506
At 31 December 2011 and 1 January 2012	60,430
Addition	1,257
Reclassified to properties under development	(39,845)
At 31 December 2012	21,842
DEPRECIATION	
At 1 January 2011	2,754
Depreciation charged for the year	2,404
At 31 December 2011 and 1 January 2012	5,158
Eliminated upon reclassified to properties under development	(4,109)
Depreciation charged for the year	1,657
At 31 December 2012	2,706
CARRYING VALUES	
At 31 December 2012	19,136
At 31 December 2011	55,272

The above investment properties were depreciated on a straight-line basis at 3.33% per annum.

20. INVESTMENT PROPERTIES *(Continued)*

The investment properties were located in the PRC and were held to earn rentals or for capital appreciation. The investment properties are carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

For the year ended 31 December 2012, properties with carrying values of approximately RMB35,736,000 (2011: Nil) were transferred to properties under development as the Group has entered into a construction project with an independent third party and the carrying values of the investment properties has been included in the properties under development as the cost of construction.

For the years ended 31 December 2012 and 2011, in the opinion of the directors of the Company, the fair values of the investment properties were approximated to their carrying values with reference to the recent market prices for similar properties in the same locations and conditions.

The carrying amounts of investment properties comprise:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Buildings situated on the land located in the PRC:		
— between 10 to 50 years	**19,136**	55,272

21. LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their carrying values are analysed as follows:

	RMB'000
COST	
At 1 January 2011	174,521
Additions	179,129
Disposals	(389)
At 31 December 2011 and 1 January 2012	353,261
Reclassified to properties under development	(22,292)
At 31 December 2012	330,969
AMORTISATION	
At 1 January 2011	18,771
Provided for the year	4,477
Disposals	(262)
At 31 December 2011 and 1 January 2012	22,986
Provided for the year	4,893
Elimination upon reclassified to properties under development	(891)
At 31 December 2012	26,988
CARRYING VALUES	
At 31 December 2012	303,981
At 31 December 2011	330,275

The Group's leasehold land and land use rights comprise:

	2012 ***RMB'000***	2011 *RMB'000*
Leasehold land located in the PRC between 10 to 50 years:	**303,981**	330,275
Analysed for reporting purposes as:		
— current asset (included in other receivables, deposits and prepayments)	**5,165**	5,611
— non-current asset	**298,816**	324,664
	303,981	330,275

21. LEASEHOLD LAND AND LAND USE RIGHTS *(Continued)*

For the year ended 31 December 2012, leasehold land and land use rights with carrying values of approximately RMB21,401,000 (2011: Nil) were transferred to properties under development as the Group has entered into a construction project with an independent third party and the carrying values of the leasehold land and land use rights has been included in the properties under development as the cost of construction.

As at 31 December 2012, bank borrowings of the Group amounting to approximately RMB3,312,542,000 (2011: RMB2,772,157,000) and other borrowings of the Group amounting to approximately RMB50,000,000 (2011: RMB50,000,000) are secured by the Group's leasehold land and land use rights with the carrying value of approximately RMB136,017,000 (2011: RMB139,196,000) (Note 34(i)).

22. INTANGIBLE ASSETS

The Group

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
COST			
At 1 January 2011, 31 December 2011 and 1 January 2012	367,175	3,419	370,594
Additions	113	1,052	1,165
At 31 December 2012	367,288	4,471	371,759
AMORTISATION			
At 1 January 2011	365,942	3,021	368,963
Provided for the year	433	328	761
At 31 December 2011 and 1 January 2012	366,375	3,349	369,724
Provided for the year	442	508	950
At 31 December 2012	366,817	3,857	370,674
CARRYING VALUES			
At 31 December 2012	471	614	1,085
At 31 December 2011	800	70	870

22. INTANGIBLE ASSETS *(Continued)*

The Company

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
COST			
At 1 January 2011, 31 December 2011 and 1 January 2012	80,746	3,013	83,759
Additions	78	-	78
At 31 December 2012	80,824	3,013	83,837
AMORTISATION			
At 1 January 2011	80,519	2,708	83,227
Provided for the year	45	248	293
At 31 December 2011 and 1 January 2012	80,564	2,956	83,520
Provided for the year	50	57	107
At 31 December 2012	80,614	3,013	83,627
CARRYING VALUES			
At 31 December 2012	210	-	210
At 31 December 2011	182	57	239

22. INTANGIBLE ASSETS *(Continued)*

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licences for technical knowledge	20 years
Computer software	5 years

The Group's amortisation of approximately RMB646,000 (2011: RMB540,000) has been included in cost of sales and approximately RMB304,000 (2011: RMB221,000) has been included in the administrative expenses.

The Company's amortisation of approximately RMB50,000 (2011: RMB35,000) has been included in cost of sales and RMB57,000 (2011: RMB258,000) has been included in the administrative expenses.

All of the Group's and the Company's licenses for technical knowledge and computer software were acquired from third parties.

23. INVESTMENTS IN SUBSIDIARIES

	2012 ***RMB'000***	2011 *RMB'000*
Investments, at cost :		
Shares in a listed company in the PRC	**552,831**	552,831
Unlisted equity interest	**1,501,928**	1,401,928
Less: impairment loss on unlisted equity investments	**(392,309)**	(496,461)
	1,662,450	1,458,298
Market value of listed shares in the PRC	**906,065**	1,055,977

As at 31 December 2012, the Group's shares in a listed company in the PRC represent a 22.36% (2011: 22.36%) equity interest in A Share Company, a company listed on the Shanghai Stock Exchange of the PRC. The market value of those shares and the net assets value of the A Share Company are approximately RMB906,065,000 (2011: RMB1,055,977,000) and RMB1,936,426,000 (2011: RMB3,923,866,000) respectively.

The following list contains only the particulars of subsidiaries which in the opinion of the directors of the Company, those subsidiaries principally affect the results, assets and liabilities of the Group as at 31 December 2012 and 2011. To give details of other subsidiaries would in the opinion of the directors of the Company, result in particulars of excessive length.

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

As at 31 December 2012 and 2011, the Company had direct and indirect interests in the following subsidiaries, all of which were established and operated in the PRC. The particulars of the principal subsidiaries are set out below:

Name	Registered/ paid in capital	Proportion ownership interest/ voting power held by the Company		Principal activities
		Directly	Indirectly	
A Share Company	RMB736,757,688	22.36% *(Notes (i))*	—	Production and development of the electronic products and raw materials for colour display devices
IRICO Kunshan Industry Co., Ltd.	RMB60,000,000	80%	10%	Production of the rubber parts of CPTs
Shaanxi IRICO Phosphor Material Co., Ltd.	RMB95,000,000	47.89%	28.42%	Production of phosphor for various types of CPTs
IRICO Zixun	RMB130,000,000	100%	—	Production and sales of the parts and components for display devices and the electronic communication products
Xianyang Caiqin Electronic Device Co., Ltd. ("Xianyang Caiqin")	—	—	— *(Note (ii))*	Production and sales of pin, anode button multi—form and frit for CPTs
Xianyang IRICO Electronic Parts Co., Ltd.	RMB55,000,000	60%	—	Sales of shadow mask, frames and electronic products for CPTs
IRICO (Foshan) Flat Panel Display Co., Ltd.	RMB100,000,000	—	51%	Research and development, manufacture, sales of panel display devices, electronic products and components

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Registered/ paid in capital	Proportion ownership interest/ voting power held by the Company		Principal activities
		Directly	Indirectly	
IRICO (Zhangjiagang) Flat Panel Display Co., Ltd.	RMB1,023,000,000	—	97.75%	Development of advanced thin film TFT-LCD glass substrate production line project
IRICO (Heifei) Photovoltaic Co., Ltd.	RMB405,000,000 (2011: RMB305,000,000) *(Note (iii))*	100%	—	Production and sales of photovoltaic glasses
IRICO (Foshan) Video Technology Co., Ltd.	RMB72,500,000	100%	—	Production and sales of optical display and multimedia digital products
IRICO (Hefei) LCD Glass Co., Ltd.	RMB1,820,000,000	—	99.37%	Setting up of project research of liquid crystal display ("LCD") glass substrate
IRICO Shadow Mask	US$5,000,000	75%	25%	Development and production of the flat shadow mask and the coordinating products for CPTs
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	90%	—	Manufacture of electronic devices and components
IRICO Display Technology Co., Ltd.	US$13,500,000	75%	—	Production and sale of CPTs, black and white picture tubes and ancillary electronic components
Kunshan Caihong Yingguang Electronics Co., Ltd.	US$4,500,000	—	80% (2011:60%)	Production of procession alloy and other products for colour and black and white picture tubes
Nanjing Reide Phosphor Co., Ltd. ("Nanjing Reide")	US$443,300	—	45% *(Note (i))*	Production and processing of recycled phosphor and related products for various types of CPTs

23. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Registered/ paid in capital	Proportion ownership interest/ voting power held by the Company		Principal activities
		Directly	Indirectly	
Xian Caihui Display Technology Co., Ltd.	RMB10,000,000	—	90%	R&D, design, manufacture, sales of CPTs, deflection yoke and related component and part as well as the after sale services for the sold product
IRICO Group Electronics (Hong Kong) Company Limited	HK$260,000	100%	—	Investment holding
Shaanxi IRICO Electronics Glass Company Limited	RMB3,984,357,537	7.30%	90.21%	Production of LCD glass substrate
IRICO (Foshan) Flat Panel Display Glass Company Limited	RMB100,000,000	—	88.21%	Production and sales of panel display glass , electronics products and components

Except for A Share Company had issued debt securities amounted to RMB800,000,000 during the year ended 31 December 2012 as detail disclosure in Note 34(vi), none of subsidiaries had issued any debt securities at the end or at any time during the year.

Notes:

(i) As the Group has obtained de facto control over A Share Company and Nanjing Reide as set out in Note 5 and therefore A Share Company and Nanjing Reide became subsidiaries of the Group.

(ii) On 7 April 2011, the Company disposed entire interest in Xiangyang Caiqin to Shaanxi IRICO Photoelectric Materials Co., Ltd which is a wholly-owned subsidiary of the IRICO Group Corporation at a consideration of approximately RMB36,289,000.

(iii) During the year ended 31 December 2012, IRICO (Hefei) Photovoltaic Co. Ltd. increased the registered capital from the contribution of the owner for RMB100,000,000.

As set out in the Company's announcement dated 15 October 2010, the Company has pledged 70,000,000 unrestricted tradable shares in A Share Company to China Foreign Economy and Trade Trust Co., Ltd.(中國對外經濟貿易信託有限公司) ("CFET") for a term of 36 months. The shares were pledged as security of a financing arrangement pursuant to which the Company received a loan of RMB100,000,000 (2011: RMB200,000,000) (Note 34 (iii)) from CFET. At the date of the announcement and the end of the reporting period, the Company holds 164,770,000 shares in A Share Company, representing approximately 22.36% of the total issued share capital of A Share Company.

24. INTERESTS IN ASSOCIATES / INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of investment in associates - unlisted equity interests in the PRC	**435,100**	361,600	**433,500**	360,000
Share of post-acquisition loss and other comprehensive income, net of dividends received	**(321,196)**	(83,206)	**—**	—
	113,904	278,394	**433,500**	360,000
Less: provision for impairment loss on investments in associates	**—**	—	**(317,960)**	—
	113,904	278,394	**115,540**	360,000

The directors of the Company reviewed the carrying amount of investment in Sichuan Century Shuanghong Display Devices Co., Limited ("Sichuan Shuanghong") whose business activity is production, research and development and sale of plasma display panels ("PDP") and related materials as at 31 December 2012. In view of the decline of PDP market and continuing losses of the associate of Sichuan Shuanghong for the recent periods, the directors of the Company carried an impairment review on the investment in Sichuan Shuanghong and an impairment loss of investment in Sichuan Shuanghong approximately RMB317,960,000 was recognised for the year ended 31 December 2012.

24. INTERESTS IN ASSOCIATES / INVESTMENTS IN ASSOCIATES *(Continued)*

As at 31 December 2012 and 2011, the Group had interests in the following associates, all of which were established and operated in the PRC. The particulars of the all associates are set out below:

Name	Registered/ paid in capital *RMB'000*	Proportion ownership interest and voting power held by the Company — Directly	Proportion ownership interest and voting power held by the Company — Indirectly	Principal activities
Sichuan Shuanghong	1,800,000	20%	—	Production, research and development and sale of PDP and related materials
Shenzhen Ruisheng Phosphor Material Co., Ltd.	4,000	—	40%	Production regenerated red, green and blue phosphor materials
Jiangsu Yongneng Photovoltaic Technology Co., Ltd. ("Jiangsu Yongeng")	73,500 (2011: nil) *(Note)*	21%	—	Research and development and manufacturing of solar cells, solar modules and research and development, design, installation, maintenance and sales of solar photovoltaic systems and photovoltaic integrated products

Note: On 14 February 2012, the Group completed the acquisition of 21% equity interest of Jiangsu Yongneng for a total consideration of RMB73,500,000. Goodwill of approximately RMB40,347,000 is recognised in the interests in associates.

24. INTERESTS IN ASSOCIATES / INVESTMENTS IN ASSOCIATES *(Continued)*

The summarised unaudited financial information in respect of the Group's associates is set out below:

	2012	2011
	RMB'000	*RMB'000*
Total assets	**1,493,429**	1,652,143
Total liabilities	**(1,141,300)**	(284,155)
Net assets	**352,129**	1,367,988
Group's share of net assets of associates	**113,904**	278,394

	2012	2011
	RMB'000	*RMB'000*
Total revenue	**840,497**	217,869
Loss for the year	**(765,547)**	(215,775)
Other comprehensive income (expenses)	**16,502**	(18,333)
Group's share of loss and other comprehensive expenses of associates for the year	**(237,830)**	(46,705)

25. AVAILABLE-FOR-SALE INVESTMENT

The Group

	2012 **RMB'000**	2011 RMB'000
Unlisted investments	**30,000**	30,000
Impairment loss	**(5,940)**	(5,940)
	24,060	24,060

During the two years ended 31 December 2012 and 2011, the unlisted investments substantially comprise of the investment in equity interests in Western Trust & Investment Co., Ltd. ("WTI"), a state-owned trust enterprise in the PRC. WTI has a number of investments in unlisted enterprises which have no available information concerning their market values. These investments held by WTI are stated at cost in WTI's book.

The available-for-sale investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

26. INVENTORIES

	The Group		**The Company**	
	2012 **RMB'000**	2011 RMB'000	**2012** **RMB'000**	2011 RMB'000
Raw materials	**141,789**	210,498	**30,199**	87,138
Work in progress	**41,352**	49,997	**593**	251
Finished goods	**225,355**	301,321	**38,858**	123,628
Consumables	**12,173**	14,020	**1,157**	1,236
	420,669	575,836	**70,807**	212,253
Allowance of inventories	**(115,497)**	(172,997)	**(28,956)**	(87,890)
	305,172	402,839	**41,851**	124,363

During the year ended 31 December 2011, there was a significant increase in the net realisable value of raw materials due to strong market demand in finished goods. As a result, a reversal of allowance on raw materials of the Group of approximately RMB25,210,000 had been recognised and included in cost of sales for the year ended 31 December 2011. No reversal of allowance has been recognised for the year ended 31 December 2012.

27. TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
— third parties	**456,592**	350,941	**169,652**	152,045
— related parties *(Note 45F)*	**69,923**	25,522	**14,935**	1,745
— subsidiaries of the Company	**—**	—	**2,401**	11,112
	526,515	376,463	**186,988**	164,902
Less: allowance for doubtful debts	**(21,516)**	(24,680)	**(18,674)**	(21,724)
Trade receivables - net	**504,999**	351,783	**168,314**	143,178
Trade bills receivables				
— third parties	**153,951**	193,251	**15,806**	19,472
— related parties *(Note 45F)*	**31**	—	**—**	—
	153,982	193,251	**15,806**	19,472
Total trade and bills receivables	**658,981**	545,034	**184,120**	162,650

27. TRADE AND BILLS RECEIVABLES *(Continued)*

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

The Group allows an average credit period of 90 days (2011: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 to 90 days	**473,347**	375,890	**124,511**	142,023
91 to 180 days	**152,154**	145,357	**52,979**	18,694
181 to 365 days	**24,021**	14,804	**6,474**	108
Over 365 days	**9,459**	8,983	**156**	1,825
	658,981	545,034	**184,120**	162,650

Included in the Group's and the Company's trade receivables are debtors (see below for aged analysis) with aggregate carrying amount of approximately RMB107,328,000 (2011: RMB64,301,000) and RMB59,209,000 (2011: RMB14,263,000) respectively which are past due at the end of the reporting period for which the Group and the Company have not provided for allowance for doubtful debts. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default.

27. TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
91 to 180 days	**73,758**	40,514	**52,579**	12,330
181 to 365 days	**24,021**	14,804	**6,474**	108
Over 365 days	**9,459**	8,983	**156**	1,825
Total	**107,238**	64,301	**59,209**	14,263

The Group's and the Company's past due but not impaired trade receivables mainly represent sales made to a large number of diversified and recognised and creditworthy customers. Customers who trade on credit terms are subject to credit verification procedures. No impairment loss is required for the past due balance based on the historical payment records.

The Group's and the Company's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for doubtful debts of trade receivables is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**24,680**	16,758	**21,724**	18,208
Impairment losses recognised on trade receivables	**7,057**	8,910	**358**	3,516
Written-off	**(8,381)**	—	**(2,608)**	—
Amounts recovered during the year	**(1,840)**	(988)	**(800)**	—
At 31 December	**21,516**	24,680	**18,674**	21,724

Included in the allowance for doubtful debts of the Group and the Company are individually impaired trade receivables with an aggregated balance of approximately RMB21,516,000 (2011: RMB24,680,000) and RMB18,674,000 (2011: RMB21,724,000) respectively which have either been placed under liquidation or in severe financial difficulties.

27. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in trade receivables are factored debtors amounting to approximately RMB167,279,000 (2011: RMB30,413,000) and nil (2011: RMB10,323,000) for the Group and the Company respectively. For factored debtors, the Group and the Company will need to repay the financial institutions if there are credit losses on the receivables before the end of factoring period, accordingly, the Group and the Company continue to recognise the full carrying amount of the debtors and has recognised the cash received as a advanced from banks on discounted trade receivables is secured borrowing (see *Note 34(i)*).

As at 31 December 2012, the Group and the Company has approximately RMB104,861,000 (2011: RMB87,456,000) and approximately RMB10,173,000 (2011: RMB33,233,000) of trade receivables were denominated in USD respectively while the remaining were denominated in RMB.

Transfers of financial assets

The following were the Group's and the Company's financial assets as at 31 December 2012 that were transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see *Note 34(i)*). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

The Group

As at 31 December 2012

	Trade receivables discounted to bank with full recourse *RMB'000*
Carrying amount of transferred assets	161,279
Carrying amount of associated liabilities	(111,081)
Net position	50,198

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**140,795**	129,452	**32,526**	18,475
Amounts due from subsidiaries	**—**	—	**85,120**	126,536
Amount due from parent company *(Note 45C(i))*	**135,689**	63,103	**132,779**	60,296
	276,484	192,555	**250,425**	205,307
Less: allowance for doubtful debts	**(6,617)**	(3,116)	**(5,570)**	(5,662)
	269,867	189,439	**244,855**	199,645
Prepayments	**149,983**	84,638	**2,879**	27,171
Value-added tax recoverables	**859,218**	756,706	**20,474**	4,110
	1,279,068	1,030,783	**268,208**	230,926

The Group's and the Company's other receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the age of balances and credit history of the counter parties. Consequently, specific impairment loss was recognised. The Group and the Company do not hold any collateral over these balances. The movement in the allowance for doubtful debts of other receivables is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**3,116**	2,690	**5,662**	662
Impairment losses recognised on other receivables	**4,112**	426	**—**	5,000
Amounts recovered during the year	**(611)**	—	**(92)**	—
At 31 December	**6,617**	3,116	**5,570**	5,662

Included in the allowance for doubtful debts of the Group and the Company are individually impaired other receivables with an aggregated balance of approximately RMB6,617,000 (2011: RMB3,116,000) and RMB5,570,000 (2011: RMB5,662,000) respectively which have been placed in severe financial difficulties.

29. HELD-TO-MATURITY INVESTMENTS

The Group

	2012 RMB'000	2011 RMB'000
Fixed-rate unlisted debt securities (Note)	**600,000**	—
Analysed for reporting purposed as:		
Current assets	**600,000**	—

Note: The Group's held-to-maturity investments represent debt securities that are issued by financial institutions in the PRC, and carry fixed interest at range from 3.9% to 5.1% (2011: Nil) per annum, payable monthly, and will mature from January 2013 to July 2013 (2011: Nil). None of these assets has been past due or impaired at the end of the reporting period.

30. RESTRICTED BANK BALANCES

The Group and the Company

All restricted bank balances are denominated in RMB.

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of bank acceptance notes to suppliers.

As at 31 December 2012, the fixed interest rates on restricted bank balances, with maturities from 3 months to 1 year (2011: from 3 months to 1 year), are ranging from 1.91% to 3.08% (2011: 1.91% to 3.78%) per annum.

31. BANK BALANCES AND CASH

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Time deposits	**69,322**	21,374	**—**	—
Other bank balances and cash	**1,209,530**	2,058,960	**135,237**	222,755
	1,278,852	2,080,334	**135,237**	222,755

The Group and the Company

(a) The carrying amounts of the Group's and the Company's bank balances and cash included balance denominated in the following foreign currency:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD	**58,277**	53,276	**12,243**	42,163

(b) The effective interest rates on time deposits, with initial terms mature from 90 days to 365 days (2011: 90 days to 365 days), are ranging from 1.71% to 3.08% (2011: 1.91% to 3.78%) per annum.

The effective interest rate on other bank balances was at 0.35% per annum (2011: 0.5%).

(c) The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

32. TRADE AND BILLS PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables				
— third parties	**571,636**	574,300	**87,893**	456,594
— related parties *(Note 45F)*	**39,900**	47,347	**30,288**	20,224
— subsidiaries of the Company	**—**	—	**110,354**	47,324
	611,536	621,647	**228,535**	524,142
Trade bills payables				
— third parties	**234,525**	198,118	**37,213**	30,807
— related parties *(Note 45F)*	**1,058**	—	**—**	—
	235,583	198,118	**37,213**	30,807
Total trade and bills payables	**847,119**	819,765	**265,748**	554,949

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

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 to 90 days	**559,379**	525,140	**150,115**	441,922
91 to 180 days	**114,079**	101,884	**63,218**	59,772
181 to 365 days	**35,977**	101,320	**12,600**	33,342
Over 365 days	**137,684**	91,421	**39,815**	19,913
	847,119	819,765	**265,748**	554,949

The average credit period on purchases of goods is 90 days (2011: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

33. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due to the parent company *(Note 45 C (ii))*	**101,401**	140,188	**101,401**	98,584
Loans from the parent company *(Note 45 C (iii))*	**20,000**	20,000	**—**	—
Amounts due to subsidiaries	**—**	—	**110,256**	39,239
Provision of warranty *(Note (i))*	**3,720**	2,875	**—**	869
Liabilities for cash-settled share-based payments *(Note (ii))*	**8,464**	7,200	**8,464**	7,200
Others *(Note (iii))*	**1,214,897**	895,261	**808,880**	220,330
	1,348,482	1,065,524	**1,029,001**	366,222

Notes:

(i) The movement of the provision of warranty is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**2,875**	2,714	**869**	—
Charged to the consolidated statement of comprehensive ncome *(Note 13)*	**8,844**	9,515	**2,337**	6,680
Utilised during the year	**(7,999)**	(9,354)	**(3,206)**	(5,811)
At 31 December	**3,720**	2,875	**—**	869

Under the terms of the Group's sales agreements, the Group will rectify product defects arising within three years from the date of sales. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the year prior to the end of the reporting period. The amount of provision takes into account the Group's recent claim experience, and the Group only makes provision where a claim is probable.

33. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes: (Continued)

(ii) The Group implemented a share appreciation rights ("SARs") scheme to motivate and award the directors of the Company, supervisors, senior management and certain employees. Under this SARs scheme, SARs are granted in units representing one H share. No shares will be issued under the SARs scheme. Upon exercise of the SARs, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of SARs exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the SARs over the applicable vesting period.

The SARs scheme had been approved by State-owned Assets Supervision and Administration Commission of the State Council on 15 February 2004.

Particulars of SARs scheme granted by the Group as at 31 December 2012 and 2011 are as follows:

Scheme	Date of grant	Number of granted SARs	Exercise price *(HK$)*
2006 (the "2006 Scheme")	22 July 2006	10,190,000	0.38
2007 (the "2007 Scheme")	13 March 2007	10,630,000	0.67
2008 (the "2008 Scheme")	21 March 2008	9,320,000	0.46
2010 (the "2010 Scheme")	21 March 2010	8,860,000	0.80

Under the scheme, all SARs had a contractual life of five to six years from the date of grant. A recipient of the SARs could not exercise the rights in the first year after the date of grant for which the SARs were granted before 1 January 2008. As at each of the second, third and fourth year after the date of grant, the total number of SARs exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total SARs granted to such person.

A recipient of SARs could not exercise the rights in the first two years after the date of grant for which the SARs were granted after 1 January 2008. As at each of the third, fourth and fifth year after the date of grant, the total number of SARs exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total SARs granted to such person.

The SARs which have not been exercised after the expiration of the SARs scheme shall be lapsed.

33. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes: (Continued)

(ii) During the year ended 31 December 2012, 200,000, 380,555 and 78,241 of the SARs granted under the 2007 Scheme, 2008 Scheme and 2010 Scheme, respectively, were exercised. As at 31 December 2012, the expiry dates of the outstanding SARs are two and four years for the SARs granted under the 2008 Scheme and 2010 Scheme respectively.

During the year ended 31 December 2011, 2,120,000, 670,000, 373,657 and 132,408 of the SARs granted under the 2006 scheme, 2007 Scheme, 2008 Scheme and 2010 Scheme, respectively, were exercised. As at 31 December 2011, the expiry dates of the outstanding SARs are one, three and five years for the SARs granted under the 2007 Scheme, 2008 Scheme and 2010 Scheme respectively. The 2006 Scheme was expired and reversal of cash settled share based payment in approximately RMB2,064,000 was credited to profit and loss for the year ended 31 December 2011.

At 31 December 2012, the Group and the Company has recorded liabilities of approximately RMB8,464,000 (2011: RMB7,200,000) and recorded total expenses of approximately RMB1,540,000 (2011: RMB656,000) for the year then ended. During the year ended 31 December 2012, the total payment for the SARs scheme amounted to RMB RMB276,000 (2011: RMB1,577,000). The fair value of the SARs is determined using the Binomial model based on the assumptions with expected volatilities of 8.82% to 66.01%, (2011: 8.82% to 66.01%) risk free rates of 0.31% to 1.76% (2011: 0.31% to 1.76%) and zero dividend yield. At 31 December 2012, the total intrinsic value of the vested SARs of the Group and the Company was approximately RMB1,835,000 (2011: RMB3,320,000).

(iii) Included in the Group's other payables and accruals is an amount due to a fellow subsidiary of RMB9,000 (2011: RMB9,000) as at 31 December 2012. The amount is interest-free, unsecured and repayable on demand *(Note 45D)*.

34. BANK AND OTHER BORROWINGS

		The Group		The Company	
		2012	2011	**2012**	2011
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans - secured	(i)	**3,655,333**	3,146,003	**36,000**	138,000
Bank loans - unsecured	(ii)	**1,578,300**	1,301,230	**160,000**	162,000
Other loans - secured	(iii)	**265,000**	380,000	**215,000**	330,000
Other loans - unsecured	(iv)	**200,000**	150,000	**200,000**	150,000
Bank loans - unguaranteed	(v)	**1,118,500**	800,000	**500,000**	200,000
Debt securities - unsecured	(vi)	**800,000**	—	**—**	—
		7,617,133	5,777,233	**1,111,000**	980,000

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount repayable:				
On demand or within one year	**2,723,490**	1,568,601	**761,000**	530,000
More than one year, but not exceeding two years	**1,515,282**	335,204	**100,000**	150,000
More than two years, but not more than five years	**3,130,760**	2,021,814	**250,000**	300,000
More than five years	**247,601**	1,851,614	**—**	—
	7,617,133	5,777,233	**1,111,000**	980,000
Less: Amounts shown under current liabilities	**(2,723,490)**	(1,568,601)	**(761,000)**	(530,000)
Amounts shown under non-current liabilities	**4,893,643**	4,208,632	**350,000**	450,000

The amounts due are based on scheduled repayment date set out in the agreements.

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(i) The Group's secured bank loans represented specific loans of Nil (2011: RMB100,000,000) and RMB150,000,000 (2011: RMB150,000,000) and RMB3,115,942,000 (2011: RMB2,700,247,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass, organic light-emitting diode and TFT-LCD glass substrate respectively, from independent third party financial institutions. The remaining balances are used for general working capital of the Group.

As at 31 December 2012, the Group's secured bank borrowings of approximately RMB3,312,542,000 (2011: RMB2,772,517,000) are secured by certain leasehold land and land use rights *(Note 21)* and buildings and machineries of the Group *(Note 18)*. In addition to the above securities, a secured bank borrowing of approximately RMB195,710,000 (2011: RMB256,425,000) are also secured by 800,734,000 domestic shares (2011: 800,734,000 domestic shares) of the Company held by the parent company as at 31 December 2012 and 2011. Included in the secured bank loans are approximately RMB2,946,710,000 (2011: RMB2,579,018,000) are guaranteed by the parent company. Included in the secured bank loans are approximately RMB36,000,000 (2011: RMB95,000,000) are secured by certain land and buildings of parent company.

Included in the secured bank loans are advanced from banks of approximately RMB111,081,000 (2011: RMB22,061,000) on discounted trade receivables of approximately RMB167,279,000 (2011: RMB30,413,000) which are secured by certain factored debtors *(Note 27)*.

The Company's secured bank loans represented general loans from an independent third party financial institution.

As at 31 December 2011, the Company's secured bank borrowings of approximately RMB35,000,000 are secured by certain machineries of the Company *(Note 18)* and RMB8,000,000 was advanced from banks on discounted trade receivables which are secured by certain factored debtors *(Note 27)*. No secured bank loan is secured by machinery or factored debtors as at 31 December 2012. As at 31 December 2012, included in the secured bank loans are approximately RMB36,000,000 (2011: RMB95,000,000) are secured by certain land and buildings of parent company.

(ii) The Group's unsecured bank loans represented specific loans of approximately RMB582,800,000 (2011: RMB261,000,000) and RMB217,500,000 (2011: RMB261,000,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass and organic light-emitting diode respectively. The remaining balances are used for general working capital of the Group. The unsecured bank loans are guaranteed by the parent company, the Company and A Share Company.

34. BANK AND OTHER BORROWINGS *(Continued)*

Notes: (Continued)

(iii) Included in the Group's secured other loans represented a specific loan of approximately RMB50,000,000 (2011: RMB50,000,000) for the purpose of acquiring plant and equipment specifically relating to the production of organic light-emitting diode from an independent third party financial institution. The secured other loan are secured by certain leasehold land and land use rights of the Group *(Note 21)*.

Included in the Group's and the Company's secured other loans are general loans of approximately RMB215,000,000 (2011: RMB330,000,000) from independent third party financial institutions, in which approximately RMB100,000,000 (2011: RMB200,000,000) are pledged with 70,000,000 unrestricted tradable share in A Share Company, a subsidiary of the Company and approximately RMB115,000,000 (2011: RMB130,000,000) are secured by all valuable assets of the Company.

(iv) The Group's and the Company's unsecured other loans represented a loan for the purpose of general working capital from an independent third party. The unsecured other loans were guaranteed by parent company.

(v) Included in the Group's unguaranteed bank loans are approximately RMB18,500,000 (2011: Nil) of general loan from bank. The remaining balance of the Group's and the Company's unguaranteed bank loans represented entrusted loans from the parent company through independent third party financial institutions. The Group's and the Company's unguaranteed bank loans are used for general working capital of the Group.

(vi) On 27 August 2012, A Share Company, the subsidiary of the Group, issued one year maturity debt securities of RMB800,000,000 to several financial institutions, which are independent third parties. The debt securities are carried fixed interest at 2.5857% per annum and will be redeemed at its face value upon maturity on 28 August 2013. The fund is used for general working capital of A Share Company and its subsidiaries.

As at 31 December 2012, the Group has approximately RMB578,365,000 (2011: RMB475,225,000) of bank borrowings were denominated in USD while the remaining were denominated in RMB.

All the Company's borrowings are denominated in RMB.

As at 31 December 2012 and 2011, all short term and long term bank borrowings are based on fixed and floating interest rates. The ranges of effective interest rates on the borrowings are as follows:

	2012	2011
Effective interest rates:		
Short term bank borrowings at fixed rate	**2.38%–6.60%**	4.86%–7.32%
Short term bank borrowings at floating rate	**6.30%–7.22%**	4.86%–6.89%
Long term bank borrowings at fixed rate	**6.15%–8.00%**	2.39%–8.00%
Long term bank borrowings at floating rate	**3.51%–6.72%**	5.60%–6.63%
Long term other borrowings at floating rate	**5.71%**	5.94%

35. TERMINATION BENEFITS

Termination benefits represent early retirement allowance payable to the employees of the Group and the Company.

The maturity profile of the termination benefits is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**10,679**	10,424	**1,551**	1,855
Charged to consolidated statement of comprehensive income *(Note 15)*	**157,835**	4,024	**76,441**	1,984
Payments made during the year	**(4,003)**	(3,769)	**(1,213)**	(2,288)
At 31 December	**164,511**	10,679	**76,779**	1,551
Less: Amounts shown under current liabilities	**(158,394)**	(3,112)	**(76,414)**	(1,259)
Amounts shown under non-current liabilities	**6,117**	7,567	**365**	292

The amount represented early retirement allowance payable to the employees of the Group and the Company. Compensation for early retirement is recognised in the earlier of the periods in which the Group and the Company established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

36. OBLIGATIONS UNDER FINANCE LEASES

The Group and the Company

	2012	2011
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current liabilities	**66,090**	60,717
Non-current liabilities	**33,430**	99,526
	99,520	160,243

36. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

During the year ended 31 December 2011, the Group entered into a sales and leaseback of certain of its machinery for electronic production, machinery for glass production, other machinery and office equipments and others with total carrying amount of approximately RMB225,091,000 and selling price of approximately RMB195,000,000 with 3 years lease term. The carrying amount of the leasehold assets is RMB172,862,000 (2011: RMB222,996,000) as at year ended 31 December 2012. Interest rates underlying obligations under finance leases are fixed at contract dates at variable rate with reference to The People's Bank of China Prescribed Interest Rate with 10% mark up per annum. The effective interest rate for the obligation under finance leases for the year ended 31 December 2012 is 7.063% (2011: 7.315%) per annum. No addition of obligation under finance lease was entered during the year ended 31 December 2012.

	Minimum lease payments		**Present value of minimum lease payments**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases				
Within one year	**71,259**	71,672	**66,090**	60,717
More than one year but less than two years	**35,824**	71,672	**33,430**	65,282
More than two year but less than five years	**—**	36,031	**—**	34,244
	107,083	179,375	**99,520**	160,243
Less: future finance charges	**(7,563)**	(19,132)	**N/A**	N/A
Present value of obligations under finance leases	**99,520**	160,243	**99,520**	160,243
Less: amount due for settlement with 12 months (shown under current liabilities)			**(66,090)**	(60,717)
Amount due for settlement after 12 months			**33,430**	99,526

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

37. SHARE CAPITAL

	Domestic shares		H shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid:						
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

Notes:

The H shares rank pari passu in all respects with the domestic shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of any other country other than the PRC. The transfer of the domestic shares is subject to such restrictions as the PRC laws may impose from time to time.

38. OTHER RESERVES

The Group

	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*			
At 1 January 2011	1,356,368	23,530	(42,414)	(4,768)	1,332,716
Share of exchange reserve of an associate	—	—	—	(3,667)	(3,667)
Exchange difference arising on translation of foreign operations	—	—	—	237	237
Other comprehensive expense for the year	—	—	—	(3,430)	(3,430)
At 31 December 2011 and 1 January 2012	**1,356,368**	**23,530**	**(42,414)**	**(8,198)**	**1,329,286**
Share of exchange reserve of an associate	**—**	**—**	**—**	**3,466**	**3,466**
Exchange difference arising on translation of foreign operations	**—**	**—**	**—**	**110**	**110**
Other comprehensive income for the year	**—**	**—**	**—**	**3,576**	**3,576**
Acquisition of additional equity interests in subsidiaries	**7,388**	**—**	**—**	**—**	**7,388**
At 31 December 2012	**1,363,756**	**23,530**	**(42,414)**	**(4,622)**	**1,340,250**

38. OTHER RESERVES *(Continued)*

The Company

	Capital reserve *RMB'000* *(Note (i))*	Statutory surplus reserve *RMB'000* *(Note (ii))*	Total *RMB'000*
At 1 January 2011 and 31 December 2011 and 1 January 2012 and 31 December 2012	773,981	23,530	797,511

Notes:

(i) Capital reserve

Upon incorporation of the Company on 10 September 2004, the historical net value of the assets, liabilities and interests transferred to the Company were converted into the Company's capital with all the existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, a capital reserve, being the difference between the amounts of share capital issued and historical net value of the assets, liabilities and interests transferred to the Company, was presented in the reserves of both the Group and the Company. Separate class of reserves, including retained profits, of the Group prior to the incorporation of the Company were not separately disclosed as all these reserves have been capitalised and incorporated in the capital reserve of the Group and the Company.

For the Group's capital reserves, it also comprises of reserves from transactions with the non-controlling interests and deemed contributions from owners of the Company.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

39. DEFERRED INCOME

The deferred income is released to the consolidated statement of comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

The Group

	Government grants related to acquisition of property, plant and equipment *RMB'000*	Government grants related to research and development expenditure *RMB'000*	Government grants related to acquisition of land use rights *RMB'000*	Government grants related to housing subsidies, training, education and other miscellaneous projects *RMB'000*	Government compensation for relocation of factories *RMB'000*	Total *RMB'000*
At 1 January 2011	34,600	255,821	16,209	16,600	—	323,230
Additions	62,556	16,960	5,610	1,500	20,580	107,206
Amortised during the year *(Note 10)*	(1,240)	(3,407)	(932)	(2,986)	(178)	(8,743)
At 31 December 2011 and 1 January 2012	95,916	269,374	20,887	15,114	20,402	421,693
Additions	41,463	113,976	4,800	999	—	161,238
Amortised during the year *(Note 10)*	(2,692)	(13,952)	(2,593)	(3,651)	(212)	(23,100)
At 31 December 2012	134,687	369,398	23,094	12,462	20,190	559,831

39. DEFERRED INCOME *(Continued)*

The Company

	Government grants related to acquisition of property, plant and equipment RMB'000	Government grants related to housing subsidies, training, education and other miscellaneous projects RMB'000	Total RMB'000
At 1 January 2011	400	—	400
Additions	7,200	1,500	8,700
Amortised during the year	(803)	(1,500)	(2,303)
At 31 December 2011 and 1 January 2012	6,797	—	6,797
Additions	4,800	—	4,800
Amortised during the year	(470)	—	(470)
At 31 December 2012	11,127	—	11,127

40. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2011: 25%) except for certain subsidiaries mentioned in *Note 12* which are subject to tax concession to pay income tax at 15% (2011: 15%).

The following are the deferred tax liabilities recognised and movements thereof during the current and prior year:

	Accelerated tax depreciation	
	The Group	**The Company**
	RMB'000	*RMB'000*
At 1 January 2011	(7,557)	(4,602)
Charged to the consolidated statement of comprehensive income	(783)	—
At 31 December 2011 and 1 January 2012	(8,340)	(4,602)
Charged to the consolidated statement of comprehensive income	315	—
At 31 December 2012	(8,025)	(4,602)

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unused tax losses of approximately RMB1,623,645,000 (2011: RMB864,429,000) where, in the opinion of the directors of the Company, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2017 (2011: 2016).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB4,235,769,000 (2011: RMB1,785,709,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

41. DISPOSAL OF A SUBSIDIARY

On 7 April of 2011, the Group disposed of its entire 87.16% interests in Xianyang Caiqin to Shaanxi IRICO Photoelectric Materials Co., Ltd, a wholly-owned subsidiary of IRICO Group Corporation, at a consideration of approximately RMB36,289,000. The net assets of Xianyang Caiqin at the date of disposal were as follows:

	2011 *RMB'000*
Net assets disposed of:	
Property, plant and equipment	1,830
Leasehold land and land use rights	127
Inventories	4,331
Trade and bills receivables	7,471
Other receivables, deposits and prepayments	32,047
Bank balances and cash	1,257
Trade payables	(7,374)
Other payables and accruals	(11,029)
Tax payables	(1,792)
Non-controlling interests	(3,450)
	23,418
Gain on disposal *(Note 10)*	12,871
Total consideration	36,289
Satisfied by:	
Cash	36,289
Net cash inflow arising on disposal:	
Cash consideration received	36,289
Less: Bank balances and cash disposed of	(1,257)
	35,032

For the period from 1 January 2011 to the date of disposal, the above subsidiary was mainly engaged in the manufacturing and trading of CPTs for colored television sets in the PRC. The revenue contributed by the subsidiary was approximately RMB23,418,000 and loss of approximately RMB78,000 was included in the Group's loss for the year ended 31 December 2011.

No disposal of subsidiary for the year ended 31 December 2012.

42. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2012, the secured bank loans obtained from factoring of trade receivables in amount of RMB312,171,000 are directly settled the designated trade payables of the Group.

(ii) The Group entered into a joint operation agreement for properties development. The carrying values of leasehold lands, buildings, investment properties and cash received as removal compensation in amounts of approximately RMB12,220,000, RMB35,736,000, RMB21,401,000 and RMB12,999,000 respectively are transferred to properties under development during the year ended 31 December 2012.

43. MATERIAL LITIGATIONS

(i) The litigation of Curtis Saunders against the Company, A Share Company and IRICO Group Corporation

As set out in the announcement published on the Shanghai Stock Exchange on 25 January 2010 by A Share Company, IRICO Group Corporation, the Company and A Share Company received a statement of claim from Supreme Court of British Columbia in respect of the litigation brought by Curtis Saunders.

Curtis Saunders, the plaintiff, accused approximately 50 global Cathode Ray Tube ("CRT") manufacturers, including IRICO Group Corporation, the Company and A Share Company, of a collusion to manipulate the market and enter into agreements raising the price of CRT to an unreasonable level during the period from 1 January 1995 to 1 January 2008. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Supreme Court of British Columbia has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2012 and 2011.

43. MATERIAL LITIGATIONS *(Continued)*

(ii) The litigation of The Fanshawe College of Applied Arts and Technology (hereafter referred as "Fanshawe College") against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 7 July 2009 by A Share Company, A Share Company received a statement of claim from Ontario Superior Court of Justice Canada in respect of the litigation brought by Fanshawe College.

Fanshawe College, the plaintiff, accused approximately 30 global CRT manufacturers, including A Share Company, of a conspiracy to maintain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and enter into agreements raising the price of CRT products to an unreasonable level. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Ontario Superior Court of Justice Canada has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above cases did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2012 and 2011.

(iii) The litigation of American Crago Company against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 30 January 2008 by A Share Company, A Share Company received a statement of claim from the U.S. District Court, Northern District of California in respect of the litigation brought by American Crago Company.

American Crago Company, the plaintiff, accused a various CRT manufacturing enterprises, including A Share Company, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. U.S. District Court, Northern District of California has accepted this claim but there is no judgement or ruling yet.

43. MATERIAL LITIGATIONS *(Continued)*

(iii) The litigation of American Crago Company against A Share Company *(Continued)*

Upon inspection of the Company, the Company has never sold CRT products in the market of USA directly or via agency since 1995. The directors of the Company consider that the above litigations will not pose any negative impact on its normal business operation.

In the opinion of the directors of the Company, the above cases did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2012 and 2011.

44. COMMITMENTS

Capital expenditure

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for but not provided in the consolidated financial statements:				
— Construction of organic LED production lines	**148,916**	671,545	**—**	—
— Construction of photovoltaic glass production line	**656,049**	1,029,195	**125,882**	1,029,195
— Construction of LCD glass substrate and display devices production lines	**365,288**	781,062	**—**	—
— Acquisition of an associate	**—**	105,000	**—**	105,000
	1,170,253	2,586,802	**125,882**	1,134,195

44. COMMITMENTS *(Continued)*

Operating leases

As lessee

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	The Group				The Company			
	Land use rights		Leasehold buildings		Land use rights		Leasehold buildings	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**6,381**	6,132	**60,838**	37,432	**6,100**	4,790	**42,946**	22,823
In the second to fifth years inclusive	**12,550**	—	**12,133**	—	**12,199**	—	**—**	—
	18,931	6,132	**72,971**	37,432	**18,299**	4,790	**42,946**	22,823

Operating lease payments represent rentals payable by the Group and the Company for certain of its land use rights and leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

As lessor

Property held for earning rental income is expected to generate rental yields of 23.8% (2011: 22.4%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 7 years (2011: next 1 year to 8 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within one year	**2,296**	11,433
In the second to fifth years inclusive	**1,829**	15,583
After five years	**500**	5,901
	4,625	32,917

45. RELATED-PARTY TRANSACTIONS

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and jointly controlled entities (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influence, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the two years ended 31 December 2012 and 2011 and balances as at 31 December 2012, 31 December 2011 and 1 January 2011with related party transactions.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

The following transactions were carried out with related parties:

A. Sales of goods *(Note (i))*

	2012 RMB'000	2011 RMB'000
Sales of goods to the IRICO Group *(Note (ii))*		
— Hongyang (Shenzhen) Industrial and Trading Co.	—	11,440
— IRICO Group Labor Service Company	62	2,036
— Shaanxi IRICO Photoelectric Materials Co., Ltd	9,709	29,997
— The parent company	12,468	11,197
— Xianyang IRICO Pyroelectric Co., Ltd.	127	171
— IRICO Color Picture Tube General Factory	425	1,387
— IRICO Hospital	—	84
— Xianyang IRICO Digital Display Co., Ltd.	14,672	1,183
— Xianyang Cailian Packaging Materials Co., Ltd	—	123
— Xianyang Caiqin	529	530
— Shanghai Epilight Technology Co., Ltd	1,252	17
	39,244	58,165
Other state-owned enterprises	47,197	78,879

Note: (i) All transactions under the sales of goods constituted the continuing connected transactions of the Company under the Listing Rules, in respect of which the Company has complied with the disclosure requirements of the Chapter 14A of the Listing Rules.

(ii) Sales to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

B. Purchases of goods and provision of services *(Note (iii))*

	2012 **RMB'000**	2011 RMB'000
Purchases of goods from the IRICO Group *(Note (iv))*		
— IRICO Group Labor Service Company	**3,491**	7,688
— Xianyang Cailian Packaging Materials Co., Ltd.	**13,076**	23,646
— Xianyang Caihong Adhesive Belt Co., Ltd.	**—**	106
— Hongyang (Shenzhen) Industrial and Trading Co.	**13,469**	13,163
— Xianyang IRICO Electronic Materials Co., Ltd.	**228**	344
— Xianyang IRICO Digital Display Co., Ltd.	**7,033**	9,498
— Xianyang IRICO Pyroelectric Co., Ltd.	**1**	1,311
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	**22**	25
— Xianyang Caiqin Electronic Devices Co., Ltd.	**464**	8,261
— Shanghai Shenxian Electronics Technology Co., Ltd.	**—**	57
— Xinhong (Hefei) Optoelectronics Technology Co., Ltd.	**—**	78
— Xianyang IRICO Labour Protection Products Co., Ltd.	**—**	255
— IRICO Color Picture Tube General Factory	**348**	—
	38,132	64,432
Other state-owned enterprises	**193,884**	178,621
Purchases of property, plant and equipments		
— Xianyang IRICO Digital Display Co., Ltd	**—**	40
Provision of services from the IRICO Group *(Note (iv))*		
— Rental expense to the parent company *(Note (v))*	**45,722**	45,786
— Rental expense to Cailian Packaging Materials Co., Ltd. *(Note (vi))*	**400**	—
— Trademark license fee to the parent company *(Note (vii))*	**729**	1,751
— Network fee to the parent company	**336**	272
— IRICO Hospital	**364**	1,434
— Utility and other charges to IRICO Color Picture Tube General Factory	**223,372**	345,381
— Utility charges to Xianyang IRICO Pyroelectric Co., Ltd.	**1,191**	—
— Miscellaneous charges to IRICO Color Picture Tube General Factory	**610**	689
	272,724	395,313
Other state-owned enterprises	**—**	—

45. RELATED-PARTY TRANSACTIONS *(Continued)*

B. Purchases of goods and provision of services *(Continued)*

Notes:

(iii) Except the rental expense of RMB400,000 paid to Xianyang Cailian Packaging Materials Co., Ltd. (see note (vi)), all transactions under the purchases of goods and provision of services constituted the continuing connected transactions of the Company under the Listing Rules, in respect of which the Company has complied with the disclosure requirements of the Chapter 14A of the Listing Rules.

(iv) Purchases of goods and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

(v) From 1 January 2010, the Group is required to pay RMB14.5 (2011: RMB14.5) per square metre per annum for the use of land use rights and RMB9.5 (2011: RMB RMB9.5) and nil (2011: nil) per square metre per month for the use of buildings in Xianyang and Beijing respectively, pursuant to the Premises Leasing Agreement. Accordingly, rental charges for the year ended 31 December 2012 amounted to approximately RMB45,722,000 (2011: RMB45,786,000).

(vi) As the payment of RMB400,000 of rental expense to Xianyang Cailian Packaging Materials Co., Ltd. was a connected transaction conducted on normal commercial terms, and the results of applicable size tests in respect of such transaction were all below 0.1%, such transaction constituted a connected transaction of the Company which was exempt from reporting, announcement and independent shareholders' approval requirements under the Listing Rules pursuant to the Rule 14A.33(3) of the Listing Rules.

(vii) License fee for using the trademark owned by the parent company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, A Share Company, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice, and it was revised to end on 31 December 2006. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed for a term of 3 years up to 31 December 2012. On 14 November 2012, the Group entered renewal agreement with IRICO Group for a term of three years up to 31 December 2015.

C. Balance with parent company

(i) Amount due from the parent company

	The Group		**The Company**	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables, deposits and prepayments				
The parent company	**135,689**	63,103	**132,779**	60,296

The balance is unsecured, non-interest bearing and repayable on demand.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

C. Balance with parent company *(Continued)*

(ii) Amount due to the parent company

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
The parent company	**101,401**	140,188	**101,401**	98,584

The balance is unsecured, non-interest bearing and repayable on demand.

(iii) Loans from the parent company - Group

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**820,000**	29,999
Loan borrowed	**700,000**	800,000
Repayments	**(463,012)**	(14,892)
Interest expense *(Note 11)*	**63,012**	4,893
At 31 December	**1,120,000**	820,000

The loans from the parent company are unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. The effective interest rate is ranging from 5.86% to 6.56% (2011: 5.47% to 6.22%) per annum.

(iv) Director's emolument born by the parent company

For the years ended 31 December 2012 and 2011, the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan and Mr. Niu Xin'an are born by IRICO Group. Besides, started from March of 2011, the emoluments for Mr. Xing Daoqin, Mr. Tao Kui, Mr. Guo Mengquan and Mr. Zhang Junhua which are also born by IRICO Group.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

C. Balance with parent company *(Continued)*

(v) Guarantees granted or assets pledged by the parent company

As at 31 December 2012 and 2011, the parent company granted a guarantee and pledged certain of its land and buildings for certain bank borrowings granted to the Company and the Group *(Note 34(i))*.

As at 31 December 2012, the parent company had pledged its 800,734,000 domestic shares (2011: 800,734,000 domestic shares) of equity interests in the Company for certain bank borrowings granted to the Group *(Note 34(i))*.

D. Amount due to a fellow subsidiary

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals — Rui Bo Electronics (Hong Kong) Co., Ltd	**9**	9	**—**	—

The balance is unsecured, non-interest bearing and repayable on demand.

E. Key management compensation

	2012	2011
	RMB'000	*RMB'000*
Short-term benefits	**899**	2,181
Post-employment benefits	**138**	128
Performance-linked salary	**1,472**	—
Cash-settled share-based payments expense	**12**	6,937
	2,521	9,246

The remuneration of directors of the Company and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

F. Year-end balances arising from sales / purchases of goods / provision of services

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables from related parties				
The IRICO Group				
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	**22,909**	21,753	**71**	—
— Shanghai Epilight Technology Co., Ltd.	**3,510**	—	**—**	—
— IRICO Group Labor Service Company	**—**	4	**—**	—
— The parent company	**20**	85	**—**	24
— IRICO Color Picture Tube General Factory	**161**	7	**—**	1
— 西安彩輝顯示技術有限公司	**—**	730	**—**	5
— Xianyang Caiqin	**499**	4	**446**	—
— Hongyang (Shenzhen) Industrial and Trading Co.	**76**	—	**—**	—
— Xianyang IRICO Digital Display Co., Ltd.	**12,955**	—	**8,158**	—
— RuiBo Electronics (HongKong) Co., Ltd.	**11,672**	—	**—**	—
	51,802	22,583	**8,675**	30
Other state-owned enterprises	**18,152**	2,939	**6,260**	1,715
	69,954	25,522	**14,935**	1,745
Representing:				
Trade receivables *(Note 27)*	**69,923**	25,522	**14,935**	1,745
Trade bills receivables *(Note 27)*	**31**	—	**—**	—
	69,954	25,522	**14,935**	1,745

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills receivables as at 31 December 2012 and 2011.

45. RELATED-PARTY TRANSACTIONS *(Continued)*

F. Year-end balances arising from sales / purchases of goods / provision of services *(Continued)*

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables from related parties				
The IRICO Group				
— IRICO Group Labor Service Company	**1,394**	762	**4**	14
— Xianyang Cailian Packaging Materials Co., Ltd.	**8,420**	6,320	**7,801**	5,921
— Hongyang (Shenzhen) Industrial and Trading Co.	**5,695**	3,414	**509**	2,689
— The parent company	**2,601**	5,366	**572**	4,570
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	**60**	—	**10**	—
— Xianyang IRICO Digital Display Co., Ltd	**1,767**	1,911	**1,169**	1,021
— IRICO Color Picture Tube General Factory	**5**	22,336	**—**	—
— Xianyang IRICO Electronic Materials Co., Ltd.	**—**	311	**—**	—
— Xianyang Caiqin	**4,740**	5,581	**4,740**	5,574
— 咸陽彩虹勞保用品有限公司	**4**	146	**—**	82
	24,686	46,147	**14,805**	19,871
Other state-owned enterprises	**16,272**	1,200	**15,483**	353
	40,958	47,347	**30,288**	20,224
Representing:				
Trade payables (Note 32)	**39,900**	47,347	**30,288**	20,224
Trade bills payables (Note 32)	**1,058**	—	**—**	—
	40,958	47,347	**30,288**	20,224

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills payables as at 31 December 2012 and 2011.

The trade balances in respect of sales and purchases are under the Group's normal trading terms.

Five-Year Financial Summary

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Turnover	**2,645,213**	3,270,348	2,717,770	2,097,251	3,541,920
(Loss) profit before tax	**(3,381,016)**	(655,445)	43,982	(1,559,849)	125,427
Income tax expenses	**(24,155)**	(27,523)	(5,277)	(4,834)	(7,851)
(Loss) profit before non-controlling interests	**(3,405,171)**	(682,968)	38,705	(1,564,683)	117,576
(Loss) profit attributable to non-controlling interests	**(1,743,169)**	(429,930)	9,630	(451,669)	22,668
(Loss) profit attributable to owners of the Company	**(1,662,002)**	(253,038)	29,075	(1,113,014)	94,908
Assets, liabilities and non-controlling interests	**24,385,590**	24,780,969	19,574,769	8,912,936	9,131,621
Total assets	**12,296,134**	13,319,388	10,844,522	5,052,153	5,737,136
Total liabilities	**10,654,119**	8,267,210	5,106,823	3,150,959	2,243,654
Non-controlling interests	**1,435,337**	3,194,371	3,623,424	709,824	1,150,831

Corporate Information

EXECUTIVE DIRECTORS

Tao Kui	Vice Chairman
Zhang Junhua	President

NON-EXECUTIVE DIRECTORS

Guo Mengquan
Niu Xin'an
Fu Jiuquan
Zhang Weichuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Xinzhong
Feng Bing
Wang Jialu
Lv Hua
Zhong Pengrong

AUDIT COMMITTEE

Lv Hua
Fu Jiuquan
Feng Bing
Xu Xinzhong
Zhong Pengrong

CHIEF FINANCIAL OFFICER

Ma Jianchao

COMPANY SECRETARY

Chu Xiaohang

AUTHORIZED REPRESENTATIVES

Zhang Junhua
Chu Xiaohang

Corporate Information (Continued)

LEGAL ADDRESS IN THE PRC

No. 1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

PLACE OF BUSINESS IN HONG KONG

6/F, Nexxus Building,
No. 41 Connaught Road Central,
Hong Kong

COMPANY WEBSITE

www.irico.com.cn

LEGAL ADVISERS

Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road, Hong Kong

AUDITOR

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong

REGISTRAR OF H SHARES

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Center
183 Queen's Road East, Hong Kong

INVESTOR AND MEDIA RELATIONS

Wonderful Sky Financial Group Limited
6/F, Nexxus Building,
No. 41 Connaught Road Central,
Hong Kong