IRICO

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)

2013 Interim Report

* For identification purpose only

CONTENTS

I. RESULTS HIGHLIGHTS

(RMB'000)	**First half of 2013**	First half of 2012	Increase/ (decrease)	Percentage change (%)
Turnover	**1,153,399**	1,223,344	(69,945)	(5.72)
Gross profit (loss)	**24,070**	(17,140)	41,210	240.43
Operating loss	**(114,910)**	(149,015)	(34,105)	(22.89)
Loss before income tax	**(236,981)**	(230,067)	6,914	3.01
Loss for the period	**(236,724)**	(241,773)	(5,049)	(2.09)
Attributable to:				
Owners of the Company	**(171,695)**	(169,518)	2,177	1.28
Non-controlling interests	**(65,029)**	(72,255)	(7,226)	(10.00)
Total comprehensive expenses for the period	**(239,397)**	(241,129)	(1,732)	(0.72)
Attributable to:				
Owners of the Company	**(174,368)**	(168,874)	5,494	3.25
Non-controlling interests	**(65,029)**	(72,255)	(7,226)	(10.00)
Gearing ratio	**89%**	64%	25	—

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Conditions of the Industry

1. Solar Photovoltaic Glass

During the reporting period, the global photovoltaic industry picked up to certain degree, with the demand for photovoltaic modules reaching 15GW in the first half of 2013, representing a year-on-year increase of 17%. Production and sales basically maintained a balance in the domestic solar photovoltaic glass market, however, prices, though with a slight rebound, still remained at historic lows, which left enterprises under sustained great pressures.

In the second half of 2013, the recovery of the photovoltaic industry is expected to continue. In China, the largest photovoltaic industrial base in the world, the operating rates of the whole industry is bound to increase, driven by the rising demands in the emerging markets including mainland China and other countries like Japan. Yet, there would be little fundamental change to the overcapacity in the industry.

2. Luminous Materials and Other New Materials

During the reporting period, the energy saving lamps industry was stuck in recession due to accelerated replacement by LED lighting, persistently falling prices of rare earth materials, and other factors. As a result, with increasingly fierce competition in the energy saving lamp phosphors market, the energy saving lamp phosphors industry is not expected to see a significant revival of market activity in the second half of 2013.

As for lithium battery anode materials, the rapid development of new applications such as light electric vehicles and electric automobiles has powered fast growth of the battery industry, which in turn brings about vast development potential for this sector.

As a new material with environmentally friendly, highly efficient and energy saving features, electronic silver paste has better performance than traditional circuit materials, and therefore is one of the major applications in the electronic information industry in the future.

3. LCD Glass Substrate

During the reporting period, the global LCD panels industry maintained a steady growth. The area of delivered LCD glass substrate worldwide increased by 11.7% year-on-year to 190 million m^2 in the first half of 2013. Domestically, with increasing capacity of domestic panels manufacturers, there was a synchronous rapid surge both in the demands and imports of LCD glass substrate.

In the second half of 2013, the global LCD glass substrate market will maintain a certain growth momentum, while the domestic LCD glass substrate market is expected to grow further with the construction of LCD panels production lines in China.

(II) Business Review

1. Operation Highlights

During the reporting period, IRICO Group Electronic Company Limited* (the "Company") and its subsidiaries (collectively, the "Group") suffered a loss due to the grim conditions of market competition despite a slight rise in product prices of the solar photovoltaic glass business, intensifying competition in the energy saving lamp phosphors market and the industrialization of new materials such as electronic silver paste and lithium battery cathode materials yet to be further enhanced as for the business of luminous materials and other new materials, as well as the fact that the LCD glass substrates business is still at the stage of trial operation. In the first half of 2013, the Group recorded sales of RMB1,153,399,000, representing a year-on-year decrease of 5.72%. The loss attributable to owners of the Company was RMB171,695,000, representing a year-on-year increase of 1.28% (loss attributable to owners of the Company for the first half of 2012 was RMB169,518,000).

2. Business Achievements

(1) Solar Photovoltaic Glass Business

During the reporting period, the condition of the solar photovoltaic glass market remained grave, and the Group hence still faced great pressure on the production and operation of its solar photovoltaic glass business. On the one hand, the Group adjusted and optimized the progress of relevant project construction and pilot production. On the other hand, by constantly enhancing the production capacity of the Xianyang Phase II and IV Projects which are currently in operation, boosting the yield rates, strengthening cost controls and optimizing the product structure to increase the proportion of coated glass, the Group strived to enhance the competitiveness of the solar photovoltaic glass business. In the first half of 2013, the Group recorded a year-on-year increase of 74% in the sales volume of solar photovoltaic glass.

(2) Luminous Materials and Other New Materials Business

In the first half of 2013, as for energy saving lamp phosphors, though facing an industry-wide recession, the Group achieved a moderate increase in the sales of energy saving lamp phosphors as compared with the corresponding period of last year, by attracting customers with differentiated technologies and services, reducing costs and enhancing efficiency. Meanwhile, the Group sped up the technical upgrading and industrial development of new products such as electronic silver paste and lithium battery anode materials, among which electronic silver paste posted satisfactory growth.

(3) TFT-LCD Glass Substrate Business

During the reporting period, the Group had a total of 5 LCD substrate glass production lines which were in operation. Except for production line CX02 at Xianyang of Shaanxi IRICO Electronics Glass Company Limited, which had been transferred to fixed assets, the other lines were still under trial operation. Through years of production, operation, thorough research and development, and efforts of market expansion, the Group achieved favorable progress in terms of the production, technology and sales of LCD substrate glass in the first half of 2013.

(4) Trading of Liquid Crystal Related Products and Other Business

In respect of the manufacture and sale of LCD televisions, through strengthening production management and sales, the Group ensured steady operation during the reporting period.

(III) Financial Review

1. Overall performance

The overall gross profit margin of the Group for the first half of 2013 was 2.09% and the gross loss rate for the first half of 2012 was 1.40%. The increase in the gross profit margin was mainly attributable to a decrease in the loss of photovoltaic glass business as a result of the recovery in market prices and internal cost reduction. The loss attributable to owners of the Company for the first half of 2013 increased by 1.28% to RMB171,695,000, as compared with a loss attributable to owners of the Company of RMB169,518,000 for the first half of 2012, which was mainly attributable to the sustained tough competition in photovoltaic glass business and the LCD glass substrates business still being at the stage of trial operation.

2. Business Results

1) Unaudited profit and loss

	For the six months ended 30 June			
	2013	2012	Increase/ (decrease)	Percentage change
(RMB'000)				*(%)*
Turnover	**1,153,399**	1,223,344	(69,945)	(5.72)
Sales of CPTs and components	**109,920**	163,364	(53,444)	(32.71)
Sales of luminous materials	**183,182**	308,572	(125,390)	(40.64)
Trading of liquid crystal related products	**644,904**	652,803	(7,899)	(1.21)

(RMB'000)	**2013**	2012	Increase/ (decrease)	Percentage change (%)
	For the six months ended 30 June			
Sales of solar photovoltaic glass	**144,254**	86,407	57,847	66.95
Sales of TFT-LCD glass substrate and display devices	**71,139**	12,198	58,941	483.20
Cost of sales	**(1,129,329)**	(1,240,484)	(111,155)	(8.96)
Gross profit (loss)	**24,070**	(17,140)	41,210	240.43
Operating expenses				
Administrative expenses	**(154,408)**	(124,033)	30,375	24.49
a) General administrative expenses	**(151,018)**	(112,321)	38,697	34.45
b) Research and development expenses	**(3,390)**	(11,712)	(8,322)	(71.06)
Selling and distribution costs	**(38,435)**	(31,462)	6,973	22.16
Other operating expenses	**(587)**	(11,242)	(10,655)	(94.78)
Operating (loss) profit	**(114,910)**	(149,015)	(34,105)	(22.89)
Finance costs	**(107,170)**	(63,288)	43,882	69.34
(Loss) profit for the period	**(236,724)**	(241,773)	(5,049)	(2.09)
Attributable to:				
Owners of the Company	**(171,695)**	(169,518)	2,177	1.28
Non-controlling interests	**(65,029)**	(72,255)	(7,226)	(10.00)
Total comprehensive (expenses) income for the period	**(239,397)**	(241,129)	(1,732)	(0.72)

2) Turnover

Turnover by product *(RMB'000)*

	For the six months ended 30 June			
Name	**2013**	2012	Increase/ (decrease)	Percentage change *(%)*
CPTs and components	**109,920**	163,364	(53,444)	(32.71)
Luminous materials	**183,182**	308,572	(125,390)	(40.64)
Trading of liquid crystal related products	**644,904**	652,803	(7,899)	(1.21)
Solar photovoltaic glass	**144,254**	86,407	57,847	66.95
TFT-LCD glass substrate and display device	**71,139**	12,198	58,941	483.20
Total	**1,153,399**	1,223,344	(69,945)	(5.72)

3. Changes compared with the corresponding period of last year and reasons

1) Turnover and gross profit margin

In the first half of 2013, the Group recorded a turnover of RMB1,153,399,000, representing a decrease of RMB69,945,000, or 5.72 % as compared with the corresponding period in 2012. Of which, turnover of the CPTs and components business amounted to RMB109,920,000, representing a decrease of RMB53,444,000 or 32.71% as compared with the corresponding period in 2012; turnover from luminous materials amounted to RMB183,182,000, representing a decrease of RMB125,390,000 or 40.64% as compared with the corresponding period in 2012; turnover from liquid crystal related products amounted to RMB644,904,000, representing a decrease of RMB7,899,000 or 1.21% as compared with the corresponding period in 2012; turnover from solar photovoltaic glass amounted to RMB144,254,000, representing an increase of RMB57,847,000 or 66.95% as compared with the corresponding period in 2012; and turnover from TFT-LCD glass substrate and display device amounted to RMB71,139,000, representing an increase of RMB58,941,000 or 483.20% over the corresponding period in 2012. The Group's overall gross profit margin was 2.09% for the first half of 2013 as compared with the gross loss margin of 1.40% for the first half of 2012, which was mainly attributable to a recovery in product prices of solar photovoltaic glass and a decline in internal costs.

2) Administrative expenses

The Group's administrative expenses for the first half of 2013 increased by RMB30,375,000, or approximately 24.49 %, to RMB154,408,000 from RMB124,033,000 for the corresponding period in 2012. The increase in administrative expenses was mainly attributable to the close-down of the CPT production lines, which led to an increase in administrative expenses.

3) Finance costs

The Group's finance costs for the first half of 2013 was RMB107,170,000 (net of interest expense capitalised amounting to RMB127,240,000), representing an increase of RMB43,882,000, or approximately 69.34% as compared with RMB63,288,000 for the corresponding period in 2012. The increase in finance cost was mainly attributable to more borrowings for the development of new business.

4. Current assets and financial resources

As at 30 June 2013, the Group's cash and bank balances amounted to RMB933,205,000, representing a decrease of RMB345,647,000, or 27.03% from RMB1,278,852,000 as at 31 December 2012. For the half year ended 30 June 2013, the Group's capital expenditures amounted to RMB363,528,000 in total (30 June 2012: RMB828,721,000). Net cash from operating activities amounted to RMB(56,404,000) (30 June 2012: RMB(105,569,000)), while net cash from financing activities and net cash from investing activities were RMB(307,313,000) (30 June 2012: RMB184,377,000) and RMB18,108,000 (30 June 2012: RMB(848,435,000)) respectively.

As at 30 June 2013, the Group's total borrowings amounted to RMB7,582,767,000, of which borrowings due within one year amounted to RMB3,520,821,000 and borrowings with maturity beyond one year amounted to RMB4,061,946,000. As at 31 December 2012, the Group's total borrowings amounted to RMB7,617,133,000, of which borrowings due within one year amounted to RMB2,723,490,000 and borrowings with maturity beyond one year amounted to RMB4,893,643,000. As at 30 June 2013, the Group's bank loans amounting to approximately RMB3,391,204,000 (31 December 2012: RMB3,312,542,000) were secured by certain land and land use rights, buildings and equipments of the Group.

For the half year ended 30 June 2013, the turnover period for accounts receivable of the Group was 113 days, representing an increase of 26 days from 87 days for the half year ended 30 June 2012. The increase in the turnover days for accounts receivable was mainly attributable to the prolonged collection period of solar photovoltaic glass and luminous materials businesses which faced fiercer market competition. For the half year ended 30 June 2013, the inventory turnover days of the Group decreased by 5 days to 55 days from 60 days for the half year ended 30 June 2012, which was mainly attributable to the effective measures taken by the Group to strengthen inventory control, sales-based production and scientific arrangement of procurement and production, as well as to reduce capital locked by inventories.

5. Capital structure

As at 30 June 2013, 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 intended to maintain an appropriate ratio of share capital to liabilities, so as to ensure that an effective capital structure is maintained from time to time. As at 30 June 2013, its total liabilities including bank borrowings and obligations under finance leases amounted to RMB7,650,156,000 in aggregate (as at 31 December 2012: RMB7,716,653,000), its cash and bank balances amounted to RMB933,205,000 in aggregate (as at 31 December 2012: RMB1,278,852,000) and its gearing ratio (i.e. total liabilities divided by total assets) was 88.63% (as at 31 December 2012: 86.65%).

6. Interim Dividend

As there was no accumulated surplus in the first half of 2013, the Board resolved not to distribute any interim dividends for the six months ended 30 June 2013.

7. Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollars. For the six months ended 30 June 2013, the operating costs of the Group decreased by RMB370,000 as a result of exchange rate fluctuations (as at 30 June 2012: increased by RMB183,000). The exchange rate fluctuations did not have any material impact on the Group's working capital or liquidity.

8. Commitments

As at 30 June 2013, the capital commitments of the Group amounted to RMB943,884,000 (as at 31 December 2012: RMB1,170,253,000).

9. Contingent liabilities

As at 30 June 2013, the Group had no material contingent liability.

10. Pledged assets

As at 30 June 2013, the bank loans of the Group amounted to approximately RMB3,391,204,000, which were secured by certain leasehold land and land use rights, buildings and equipments of the Group.

As at 31 December 2012, the bank loans of the Group amounted to approximately RMB3,312,542,000, which were secured by certain leasehold land and land use rights, buildings and equipments of the Group.

11. Significant Investments and Capital Assets Acquisition Plan and Related Financing Arrangement

(1) In respect of (i) Very Substantial Disposal and Connected Transaction in relation to the Issue of New A Shares by IRICO Display Device Co., Ltd ("A Share Company"); (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.. The Company intended to subscribe for the New A Shares to be issued by A Share Company at a consideration ranging from RMB100 million to RMB600 million (the "Transactions").

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

Up to now, no other substantial progress has been made for the Transactions other than that stated below.

On 26 August 2011, as considered and approved by the second Board after the third round of voting in writing, 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 nonpublic offering. Meanwhile, it came to the attention of the Company that IRICO Group Corporation, 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 were 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.

(2) Major transaction in relation to the acquisition of a further 30% equity interests in Jiangsu Yongneng Photovoltaic Technology Company Limited.

On 29 September 2011, the Company, Sunlink Power Holdings Co., Ltd., Suzhou Yongjin Investment Co., Ltd. and Suzhou Huilian Solar Energy Technology Co., Ltd (the "Sellers") and the other existing shareholders of Jiangsu Yongneng Photovoltaic Technology Company Limited entered into the Share Purchase Agreement, pursuant to which, among other things, the Company conditionally agreed to acquire and the Sellers conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited for a total consideration of RMB105,000,000.

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

As the acquisition is to be further confirmed up to now, additional time is needed to determine the information to be included in the circular.

12. Shares Pledged by Controlling Shareholder

As at 30 June 2013, IRICO Group Corporation ("IRICO Group"), being the Company's controlling shareholder, was interested in 1,601,468,000 domestic shares of the Company. IRICO Group has pledged 800,734,000 domestic shares of the Company held by it (i.e. 50% of the issued domestic shares of the Company and approximately 35.87% of the total number of issued shares of the Company as at 30 June 2013) to China Development Bank to secure (i) an eight-year loan facility commenced from 9 May 2008 for an amount of USD32,000,000 granted by China Development Bank to IRICO Group and Shaanxi IRICO Electronics Glass Company Limited ("IRICO Glass"), which is a non-wholly-owned subsidiary of the Company; and (ii) an eight-year loan facility commenced from 2 June 2008 for an amount of RMB100,000,000 granted by China Development Bank to IRICO Group and IRICO Glass. The purpose of the above two loans is to facilitate the import of equipments and raw materials for TFT-LCD glass substrate industrialization project to construct a fifth generation TFT-LCD glass substrate production line with a designed production capacity of 750,000 m^2 per annum.

III. OTHER INFORMATION

(I) 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), as at 30 June 2013, details of the share appreciation rights of the Company held by the directors of the Company (the "Directors"), the supervisors of the Company (the "Supervisors") and the senior management of the Company are set out as follows:

Name	Number of the Share Appreciation Rights *(shares)*	Note
Tao Kui	1,060,000	Director
Zhang Junhua	1,060,000	Director
Guo Mengquan	800,000	Director
Niu Xinan	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

(II) Interests and Short Positions of Directors, Supervisors and Senior Management

Save as disclosed in (I) above, as at 30 June 2013, none of the Directors, Supervisors, chief executive or senior management members of the Company or their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, Supervisors, chief executive or senior management members was deemed or taken to have under such provisions of the SFO), or which was otherwise required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

(III) Interests and Short Positions of Substantial Shareholders and Other Persons

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of senior management of the Company, had an interest or short position in the shares of the Company (the "Shares") or underlying Shares (as the case may be) as at 30 June 2013 and as entered in the register required to be kept under section 336 of the SFO: IRICO Group Corporation ("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 629,098,589 H shares of the Company (representing 99.71% of the H share capital). Tao Kui, Guo Mengquan, Zhang Junhua and Zhang Weichuan, each being a Director of the Company and concurrently the director, the director and the general manager, the deputy general manager and the manager of the strategic planning department of IRICO Group, respectively.

Notes:

As at 30 June 2013, based on the information available to the Directors and so as far as the Directors are aware, HKSCC (Nominees) Limited held 629,098,589 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 tranche of H Shares 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 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 28,504,000 Shares).

(IV) Audit Committee

In compliance with the provisions set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, the Company established an audit committee (the "Audit Committee").

The Board adopted all contents set out in code provisions C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which included the unaudited interim financial statements for the six months ended 30 June 2013.

(V) Independent Non-executive Directors

The Group has complied with the requirements concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or appropriate accounting or relevant financial management expertise as set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has appointed five independent non-executive Directors, one of whom possesses financial management expertise.

(VI) Corporate Governance Practices

The Board has reviewed the documents regarding the Company's adoption of corporate governance, and is of the opinion that such documents are in compliance with the principles and code provisions as set out in the Code.

The Directors are not aware of any circumstances that would reasonably indicate the non-compliance of the Company or any of the Directors regarding the Code at any time during the 6 months ended 30 June 2013. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

(VII) Model Code for Securities Transactions by Directors of Listed Issuers

For the six months period ended 30 June 2013, the Company has adopted a model code for securities transactions by Directors and Supervisors which is no less exacting than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

(VIII) Purchase, Sale or Repurchase of Shares

During the reporting period, the Group had not purchased, sold or repurchased any of the issued Shares in the Company.

(IX) Employees

As at 30 June 2013, the Group had a total of 7,190 employees with various talents, of which, approximately 12.4% were management and administrative personnel, 12.9% were technical personnel, 1.6% were accounting and audit personnel, 1.7% were sales and marketing personnel and 71.4% were production workers.

The employment and remuneration policies of the Company remain the same as those set out in the Company's prospectus dated 8 December 2004. The Group's dedicated and enthusiastic employees are committed to ensure the high quality and reliability of products and services.

(X) 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 percentage of Shares in public hands at all times during the reporting period was in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

(XI) Significant Investments

During the reporting period, save as disclosed in this report, the Company had not made any significant investment.

(XII) Material Acquisition and Disposal

During the reporting period, the Company did not have any material acquisition or disposal of subsidiaries and associated companies.

(XIII) Material Litigations

As at 30 June 2013, the Directors were not aware of any new litigation or claim of material importance pending or threatened against any member of the Group save as the claims brought by Fanshawe College against the Company and IRICO Display Devices Co., Ltd. ("A Share Company"), claims by Curtis Saunders against the Company and the A Share Company and claims by American Crago Company against the A Share Company as set out in the Company's 2010 annual report dated 11 April 2011.

During the reporting period, there was no update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases did not have any material impact on the Group's interim financial statements for the six months ended 30 June 2013. For details of such cases, please refer to the Company's 2010 annual report dated 11 April 2011.

IV. CORPORATE INFORMATION

Executive Directors

Tao Kui	*Vice Chairman*
Zhang Junhua	*President (Resigned on 9 August 2013)*

Non-executive Directors
Guo Mengquan
Niu Xinan
Fu Jiuquan
Zhang Weichuan

Independent Non-executive Directors
Xu Xinzhong
Feng Bing
Wang Jialu
Lv Hua
Zhong Pengrong

Chief Financial Controller
Ma Jianchao

Company Secretary
Chu Xiaohang

Authorized Representatives
Zhang Junhua
Chu Xiaohang

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Postal code: 712021

Place of business in Hong Kong
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Company website
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Legal advisers
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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
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Investor and media relations
Wonderful Sky Financial Group Limited
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No. 41 Connaught Road Central,
Hong Kong

* *The Chinese translation of the interim financial information is for reference only. In case of any discrepancy between the Chinese translation and the original English version, the latter shall prevail.*

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

INDEPENDENT REVIEW REPORT

To the Board of Directors of
IRICO Group Electronics Company Limited
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 80, which comprises the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 these report.

INDEPENDENT REVIEW REPORT *(Continued)*

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

EMPHASIS OF MATTER

Without qualifying our review conclusion , we draw attention to the condensed consolidated financial statements which indicate that the Group incurred a net loss of RMB236,724,000 for the six months ended 30 June 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB2,312,054,000. These conditions indicate the existence of a 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 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	4	**1,153,399**	1,223,344
Cost of sales		**(1,129,329)**	(1,240,484)
Gross profit (loss)		**24,070**	(17,140)
Other operating income		**54,450**	34,862
Selling and distribution costs		**(38,435)**	(31,462)
Administrative expenses		**(154,408)**	(124,033)
Other operating expenses		**(587)**	(11,242)
Finance costs	5	**(107,170)**	(63,288)
Share of loss of associates		**(14,901)**	(17,764)
Loss before tax		**(236,981)**	(230,067)
Income tax credit (expense)	6	**257**	(11,706)
Loss for the period	7	**(236,724)**	(241,773)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTE	Six months ended 30 June **2013** ***RMB'000*** **(Unaudited)**	 2012 *RMB'000* (Unaudited)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(38)**	90
Share of exchange reserve of an associate		**(2,635)**	554
Other comprehensive (expense) income for the period		**(2,673)**	644
Total comprehensive expense for the period		**(239,397)**	(241,129)
Loss for the period attributable to:			
Owners of the Company		**(171,695)**	(169,518)
Non-controlling interests		**(65,029)**	(72,255)
		(236,724)	(241,773)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(174,368)**	(168,874)
Non-controlling interests		**(65,029)**	(72,255)
		(239,397)	(241,129)
Loss per share — Basic and diluted *(RMB cents)*	9	**(7.69)**	(7.59)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	NOTES	**30 June 2013 *RMB'000* (Unaudited)**	31 December 2012 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	10	**7,756,684**	7,467,134
Properties under development		**56,387**	56,358
Investment properties	10	**25,338**	19,136
Leasehold land and land use rights	10	**295,229**	298,816
Intangible assets	10	**951**	1,085
Interests in associates		**96,168**	113,904
Available-for-sale investment		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**49,130**	127,479
		8,303,947	8,107,972
Current assets			
Inventories		**347,246**	305,172
Trade and bills receivables	11	**726,204**	658,981
Other receivables, deposits and prepayments		**1,206,223**	1,279,068
Held-to-maturity investments		**300,000**	600,000
Restricted bank balances		**40,533**	66,089
Bank balances and cash		**933,205**	1,278,852
		3,553,411	4,188,162

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2013

	NOTES	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	12	**1,079,529**	847,119
Other payables and accruals		**1,040,828**	1,348,482
Tax payables		**1,342**	9,498
Bank and other borrowings			
— due within one year	13	**3,520,821**	2,723,490
Termination benefits		**155,556**	158,394
Obligations under finance leases		**67,389**	66,090
		5,865,465	5,153,073
Net current liabilities		**(2,312,054)**	(964,911)
Total assets less current liabilities		**5,991,893**	7,143,061
Capital and reserves			
Share capital	14	**2,232,349**	2,232,349
Other reserves		**1,341,918**	1,340,250
Accumulated losses		**(3,537,668)**	(3,365,921)
Equity attributable to owners of the Company		**36,599**	206,678
Non-controlling interests		**1,311,836**	1,435,337
Total equity		**1,348,435**	1,642,015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2013

	NOTE	**30 June 2013 RMB'000 (Unaudited)**	31 December 2012 RMB'000 (Audited)
Non-current liabilities			
Bank and other borrowings			
— due after one year	13	**4,061,946**	4,893,643
Deferred income		**567,637**	559,831
Termination benefits		**6,007**	6,117
Obligations under finance leases		**—**	33,430
Deferred tax liabilities		**7,868**	8,025
		4,643,458	5,501,046
		5,991,893	7,143,061

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012 (Audited)	2,232,349	1,329,286	(1,703,828)	1,857,807	3,194,371	5,052,178
Loss for the period	—	—	(169,518)	(169,518)	(72,255)	(241,773)
Other comprehensive income for the period	—	644	—	644	—	644
Total comprehensive income (expense) for the period	—	644	(169,518)	(168,874)	(72,255)	(241,129)
Dividend paid to non-controlling interest in a subsidiary	—	—	—	—	(9,477)	(9,477)
Balance at 30 June 2012 (Unaudited)	2,232,349	1,329,930	(1,873,346)	1,688,933	3,112,639	4,801,572

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013 (Audited)	2,232,349	1,340,250	(3,365,921)	206,678	1,435,337	1,642,015
Loss for the period	—	—	(171,695)	(171,695)	(65,029)	(236,724)
Other comprehensive income for the period	—	(2,673)	—	(2,673)	—	(2,673)
Total comprehensive expense for the period	—	(2,673)	(171,695)	(174,368)	(65,029)	(239,397)
Release on deregistration of a subsidiary	—	(125)	—	(125)	(71,275)	(71,400)
Contribution from shareholders	—	4,466	—	4,466	15,472	19,938
Dividend paid to non-controlling interest in a subsidiary	—	—	(52)	(52)	(2,669)	(2,721)
Balance at 30 June 2013 (Unaudited)	2,232,349	1,341,918	(3,537,668)	36,599	1,311,836	1,348,435

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(56,404)**	(105,569)
Net cash from (used in) investing activities	**18,108**	(848,435)
Net cash (used in) from financing activities	**(307,313)**	184,377
Net decrease in cash and cash equivalents	**(345,609)**	(769,627)
Cash and cash equivalents at 1 January	**1,278,852**	2,080,334
Effect of foreign exchange rate changes	**(38)**	90
Cash and cash equivalents at 30 June represented by bank balances and cash	**933,205**	1,310,797

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. GENERAL INFORMATION

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 address 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 directors of the Company consider that IRICO Group Corporation, a state-owned enterprise established in the PRC, was the Company's immediate holding company and ultimate holding company for the six months ended 30 June 2012.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

2. BASIS OF PREPARATION

(a) The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) The Group reported a loss of approximately RMB236,724,000 for the period ended 30 June 2013. The Group had net current liabilities of approximately RMB2,312,054,000 as at 30 June 2013. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group'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 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 to meet the Group's liabilities and commitments as and when it falls due; and

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

2. BASIS OF PREPARATION *(Continued)*

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group 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 condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)- Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. PRINCIPAL ACCOUNTING POLICIES *(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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to HKAS 34 Interim Financial Reporting

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM considered there was material change in segment assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has included segment asset and liabilities information as part of segment information.

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as at 30 June 2013. The directors of the Company anticipate that the adoption of the New HKFRSs will have no material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. SEGMENT INFORMATION

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

Six months ended 30 June 2013

	CPTs production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Unaudited)	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE						
External sales	109,920	183,182	644,904	71,139	144,254	1,153,399
Segment (loss) profit	(55,077)	7,956	(105)	(25,848)	(64,027)	(137,101)
Unallocated income						23,165
Unallocated expenses						(974)
Finance costs						(107,170)
Share of loss of associates						(14,901)
Loss before tax						(236,981)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by reportable and operating segments: *(Continued)*

Six months ended 30 June 2012

	CPTs production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Unaudited)	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
REVENUE						
External sales	163,364	308,572	652,803	12,198	86,407	1,223,344
Segment (loss) profit	(65,146)	21,003	(145)	(47,822)	(72,127)	(164,237)
Unallocated income						16,680
Unallocated expenses						(1,458)
Finance costs						(63,288)
Share of loss of associates						(17,764)
Loss before tax						(230,067)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. SEGMENT INFORMATION *(Continued)*

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

At 30 June 2013

	CPTs production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Unaudited)	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment assets	109,914	661,178	506,080	6,751,848	2,335,779	10,364,799
Unallocated corporate assets						1,492,559
Consolidated total assets						11,857,358

At 31 December 2012

	CPTs production and sales *RMB'000* (Audited)	Luminous materials production and sales *RMB'000* (Audited)	Liquid crystal related products production and sales *RMB'000* (Audited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Audited)	Solar photovoltaic glass production and sales *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment assets	222,208	653,884	529,132	6,440,194	2,276,372	10,121,790
Unallocated corporate assets						2,174,344
Consolidated total assets						12,296,134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

4. SEGMENT INFORMATION *(Continued)*

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

At 30 June 2013

	CPTs production and sales *RMB'000* (Unaudited)	Luminous materials production and sales *RMB'000* (Unaudited)	Liquid crystal related products production and sales *RMB'000* (Unaudited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Unaudited)	Solar photovoltaic glass production and sales *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment liabilities	109,047	330,740	290,348	1,167,240	1,046,805	2,944,180
Unallocated corporate liabilities						7,564,743
Consolidated total liabilities						10,508,923

At 31 December 2012

	CPTs production and sales *RMB'000* (Audited)	Luminous materials production and sales *RMB'000* (Audited)	Liquid crystal related products production and sales *RMB'000* (Audited)	TFT-LCD glass substrate and display devices production and sales *RMB'000* (Audited)	Solar photovoltaic glass production and sales *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment liabilities	179,918	306,561	311,930	1,098,987	999,292	2,896,688
Unallocated corporate liabilities						7,757,431
Consolidated total liabilities						10,654,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**131,008**	102,904
Bank and other borrowings wholly repayable over five years	**61,616**	56,528
Discounted trade receivables to banks	**799**	52
Obligations under finance leases	**3,499**	6,028
Amount due to IRICO Group Corporation	**37,488**	31,432
Total borrowing costs	**234,410**	196,944
Less: amounts capitalised in the cost of qualifying assets	**(127,240)**	(133,656)
	107,170	63,288

Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 6.57% per annum (six months ended 30 June 2012: 6.29% per annum) to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax (credit) expense:		
PRC Enterprise Income Tax	**(100)**	11,706
Deferred tax	**(157)**	—
	(257)	11,706

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods ended 30 June 2013 and 2012.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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) and Guiding Catalogue for Industrial Structure Adjustment (2011), which was applicable for the six months ended 30 June 2012, 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 six months ended 30 June 2013 and 2012, and accordingly, EIT has also been provided at 15%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

6. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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 50% relief period for the six months ended 30 June 2012. 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 25% in accordance with the taxation ruling in the PRC for the six months ended 30 June 2013.

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%. The tax concession was expired on 31 December 2011 and the tax rate of certain subsidiaries is 25% from 1 January 2012 onwards.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**134**	138
Amortisation of leasehold land and land use rights	**3,587**	4,079
Depreciation of property, plant and equipment	**65,568**	57,305
Depreciation of investment properties	**540**	1,368
Cost of inventories recognised as an expense	**1,129,329**	1,240,484
Employee benefit expenses	**170,806**	211,863
Research and development costs	**3,390**	11,712
Provision for warranty	**1,460**	2,435
Impairment losses on trade and other receivables	**6,215**	4,134
Operating lease rentals in respect of leasehold land and land use rights	**6,695**	3,765
Operating lease rentals in respect of property, plant and equipment	**16,808**	9,453
Allowance of inventories (included in cost of sales)	**918**	18,848
Share of tax of associates (included in share of loss of associates)	**—**	554
Amortisation of deferred income on grants received	**(27,079)**	(11,986)
Cash-settled share-based payments expenses (income)	**327**	(303)
Dividend income from available-for-sale investment	**(6,109)**	(2,175)
Dividend income from held-to-maturity investments	**(9,848)**	—
Gain on disposal of property, plant and equipment	**(181)**	(11,787)
Reversal of impairment losses on trade and other receivables	**(2,736)**	(2,847)
Bank interest income	**(6,143)**	(10,106)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

8. DIVIDEND

No dividends were paid, declared or proposed during both the interim periods. The directors of the Company have determined that no dividend will be paid in respect of both the interim periods.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company for the six months ended 30 June 2013 of approximately RMB171,695,000 (six months ended 30 June 2012: RMB169,518,000) and the weighted average number of approximately 2,232,349,000 (six months ended 30 June 2012: 2,232,349,000) ordinary shares in issue during the period.

As there were no dilutive potential shares during both periods ended 30 June 2013 and 2012, the diluted loss per share is the same as basic loss per share for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

10. CAPITAL EXPENDITURE

During the current interim period, the Group spent approximately RMB363,528,000 (six months ended 30 June 2012: RMB828,721,000) on additions of property, plant and equipment, nil on additions of leasehold land and land use rights for both periods ended 30 June 2013 and 2012, nil (six months ended 30 June 2012: RMB1,154,000) on additions of investment properties for the period ended 30 June 2013. Included in the additions to property, plant and equipment, the Group spent approximately RMB307,449,000 (six months ended 30 June 2012: RMB609,701,000) and RMB45,185,000 (six months ended 30 June 2012: RMB183,372,000) on the production line of TFT-LCD and display devices and solar photovoltaic glass respectively.

During the current interim period, the Group received cash proceeds of approximately RMB1,849,000 (six months ended 30 June 2012: RMB17,952,000) on disposal of property, plant and equipment with carrying values of approximately RMB1,668,000 (six months ended 30 June 2012: RMB6,165,000).

During the current interim period, the Group transferred certain properties of approximately RMB6,742,000 (six months ended 30 June 2012: nil) from property, plant and equipment to investment properties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

11. TRADE AND BILLS RECEIVABLES

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

The following is an aged analysis of trade receivables (net of accumulated impairment losses of approximately RMB25,498,000) (at 31 December 2012: net of accumulated impairment losses of approximately RMB21,516,000) presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Trade receivables		
0 to 90 days	**398,727**	397,762
91 to 180 days	**126,123**	73,758
181 to 365 days	**31,231**	24,021
Over 365 days	**11,126**	9,458
	567,207	504,999
Bills receivables	**158,997**	153,982
	726,204	658,981

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

12. TRADE AND BILLS PAYABLES

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
0 to 90 days	**407,811**	323,796
91 to 180 days	**276,422**	114,079
181 to 365 days	**40,202**	35,977
Over 365 days	**158,182**	137,684
	882,617	611,536
Bills payables	**196,912**	235,583
	1,079,529	847,119

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

13. BANK AND OTHER BORROWINGS

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans — secured	**3,613,578**	3,655,333
Bank loans — unsecured	**1,446,850**	1,578,300
Other loans — secured	**235,000**	265,000
Other loans — unsecured	**330,000**	200,000
Bank loans — unguaranteed	**1,157,339**	1,118,500
Debt securities — unsecured	**800,000**	800,000
	7,582,767	7,617,133
Carrying amount repayable:		
On demand or within one year	**3,520,821**	2,723,490
More than one year, but not exceeding two years	**1,510,179**	1,515,282
More than two years, but not more than five years	**2,456,977**	3,130,760
More than five years	**94,790**	247,601
	7,582,767	7,617,133
Less: Amounts shown under current liabilities	**(3,520,821)**	(2,723,490)
Amounts shown under non-current liabilities	**4,061,946**	4,893,643

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

13. BANK AND OTHER BORROWINGS *(Continued)*

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB419,093,000 (at 31 Decemeber 2012: RMB3,812,915,000). For the six months ended 30 June 2013, the bank and other borrowings carry interests ranging from 2.913% to 7.53% per annum (at 31 December 2012: 2.38% to 8.00% per annum), which were used to finance the operations and used for general working capital of the Group.

14. SHARE CAPITAL

A summary of the registered, issued and fully paid capital of the Company is as follows:

	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 2012 (audited), 31 December 2012 (audited) and 30 June 2013 (unaudited)	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

14. SHARE CAPITAL *(Continued)*

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.

15. 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 influences, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

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 six months ended 30 June 2013 and 2012 and balances as at 30 June 2013 and 31 December 2012 with related party transactions.

The following transactions were carried out with related parties:

(a) Sales of goods

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods to the IRICO Group *(Note)*		
— Xianyang IRICO Thermoelectricity Co., Ltd.	**38**	92
— Caihong Labour Services Company ("Caihong Labour")	**12**	39
— Shannxi IRICO Photo Electronic Material Corporation ("IRICO Photo")	**1,453**	6,189
— IRICO Group Corporation	**45**	6,860
— IRICO Colour Picture Tube Plant ("Colour Picture Tube Plant")	**70**	278
— Shanghai Epilight Technology Co., Ltd.	**976**	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Sales of goods *(Continued)*

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (formerly known as Xianyang IRICO Display Co., Ltd)	**3,144**	1,117
— Xianyang Cailian Packaging Materials Co., Ltd. ("Xiangyang Cailian")	**7**	8
	5,745	14,583
Other state-owned enterprises	**45,495**	21,119

Note: *Sales to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of goods from the IRICO Group *(Note i)*		
— IRICO Photo	**—**	5,340
— Caihong Labour	**351**	1,989
— Xianyang Cailian	**13,576**	10,869
— Shenzhen Hongyang	**1,374**	6,397
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (formerly known as Xianyang IRICO Display Co., Ltd)	**2,676**	4,300
— Xianyang IRICO Thermos Co., Ltd.	**298**	747
— Xianyang IRICO Electronic Materials Co., Ltd.	**—**	65
	18,275	29,707
Other state-owned enterprises	**88,746**	159,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of services provided from the IRICO Group *(Note i)*		
— Utility charges to Color Picture Tube Plant	**110,542**	98,978
— Network fee to IRICO Group Corporation	**161**	—
— Rental expense to IRICO Group Corporation *(Notes ii)*	**22,649**	22,900
— Trademark license fee to IRICO Group Corporation *(Notes iii)*	**303**	64
— Miscellaneous charges to Color Picture Tube Plant	**706**	2,057
— Interest expense paid to IRICO Group Corporation	**37,488**	31,432
— IRICO Hospital	**—**	51
	171,849	155,482

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

Notes:

(i) *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.*

(ii) *From 1 January 2010, the Group is required to pay RMB14.5 (six months ended 30 June 2012: RMB14.5) per square metre per annum for the use of land use rights and RMB9.5 (six months ended 30 June 2012: RMB9.5) per square metre per month for the use of buildings in Xianyang, pursuant to the Premises Leasing Agreement. Accordingly, rental charges for the six months ended 30 June 2013 amounted to approximately RMB22,649,000 (six months ended 30 June 2012: RMB22,900,000).*

(iii) *License fee for using the trademark owned by IRICO Group Corporation 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 the 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 Novemeber 2012, the Group entered into a rental agreement with IRICO Group for a terms of three years up to 31 December 2015.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with IRICO Group Corporation

(i) Amount due from IRICO Group Corporation

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other receivables, deposits and prepayments	**136,977**	135,689

The balance is unsecured, interest-free and repayable on demand.

(ii) Amount due to IRICO Group Corporation

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other payables and accruals	**113,750**	101,401

The balance is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with IRICO Group Corporation *(Continued)*

(iii) Loans from IRICO Group Corporation

	Notes	**30 June 2013 *RMB'000* (Unaudited)**	31 December 2012 *RMB'000* (Audited)
Interest bearing loan	(a)	**630,000**	1,120,000
Non-interest bearing loan	(b)	**600,000**	—
Included in bank and other borrowings		**1,230,000**	1,120,000

Notes:

(a) The interest bearing loan from IRICO Group Corporation is unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. For the six months ended 30 June 2013, the effective interest rate is ranging from 5.86% to 8.50% (at 31 December 2012: 5.86% to 6.56%) per annum.

For the six months ended 30 June 2013, interest expense payable to IRICO Group Corporation of approximately RMB19,938,000 (six months ended 30 June 2013: nil) had been waived by the IRICO Group Corporation. The amount was credited to capital reserve as contribution from shareholders.

(b) The non-interest bearing loan is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with IRICO Group Corporation *(Continued)*

(iv) Directors' emolument born by IRICO Group Corporation

For the period ended 30 June 2013 and 2012, the emoluments of four non-executive directors of the Company, Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan and Mr. Guo Mengquan and two executive directors, Mr. Tao Kui and Mr. Zhang Junhua, were also borne by IRICO Group Corporation.

(v) Guarantees granted or assets pledged by IRICO Group Corporation

At 30 June 2013 and 31 December 2012, IRICO Group Corporation granted a guarantee and pledged certain of its land and buildings for certain bank borrowings granted to the Group.

As at 30 June 2013 and 31 December 2012, IRICO Group Corporation had pledged its 800,734,000 domestic shares of equity interests in the Company for certain bank borrowings granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amount due to a fellow subsidiary

	30 June 2013 **RMB'000** **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Included in other payables and accruals		
Rui Bou Electronics (HK) Limited	**9**	9

The balance is unsecured, interest-free and repayable on demand.

(e) Key management compensation

	Six months ended 30 June	
	2013 **RMB'000** **(Unaudited)**	2012 *RMB'000* (Unaudited)
Short-term benefits	**1,537**	698
Retirement benefit contributions	**80**	70
Cash-settled share-based payments expense	**327**	112
	1,944	880

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales / purchases of goods / provision of services

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from related parties *(Note):*		
The IRICO Group		
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	**22,444**	22,909
— Shanghai Epilight Technology Co., Ltd.	**2,977**	3,510
— IRICO Group Corporation	**—**	20
— IRICO Color Picture Tube General Factory	**7**	161
— Xianyang Caiqin	**447**	499
— Hongyang (Shenzhen) Industrial and Trading Co.	**44**	76
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (formerly known as Xianyang IRICO Display Co., Ltd)	**230**	12,955
— RuiBo Electronics (HongKong) Co., Ltd.	**—**	11,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales / purchases of goods / provision of services *(Continued)*

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
	26,149	51,802
Other state-owned enterprises	**61,428**	18,152
	87,577	69,954
Representing:		
Trade receivables	**87,291**	69,923
Trade bills receivables	**286**	31
	87,577	69,954

The balance with other state-owned enterprise and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills receivables as at 30 June 2013 and 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales / purchases of goods / provision of services *(Continued)*

	30 June 2013 **RMB'000** **(Unaudited)**	31 December 2012 RMB'000 (Audited)
Trade payables to related parties *(Note)*:		
The IRICO Group		
— IRICO Group Labor Service Company	**6**	1,394
— Xianyang Cailian Packaging Materials Co., Ltd.	**13,983**	8,420
— Hongyang (Shenzhen) Industrial and Trading Co.	**1,649**	5,695
— IRICO Group Corporation	**2,538**	2,601
— Shannxi IRICO Photoelectric Materials Co., Ltd.	**—**	60
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd. (formerly known as Xianyang IRICO Display Co., Ltd)	**287**	1,767
— IRICO Color Picture Tube General Factory	**67,234**	5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

15. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales / purchases of goods / provision of services *(Continued)*

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— Xianyang Caiqin	**4,740**	4,740
— 咸陽彩虹勞保用品有限公司	**18**	4
	90,455	24,686
Other state-owned enterprises	**45**	16,272
	90,500	40,958
Representing:		
Trade payables	**88,857**	39,900
Trade bills payables	**1,643**	1,058
	90,500	40,958

The balance with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade payable as at 30 June 2013 and 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. COMMITMENTS

Capital expenditure

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Contracted for but not provided in the condensed consolidated financial statements	**943,884**	1,170,253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. COMMITMENTS *(Continued)*

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	30 June 2013 *RMB'000* (Unaudited)	31 December 2012 *RMB'000* (Audited)
Within one year	**37,129**	67,219
In the second to fifth years inclusive	**20,742**	24,683
	57,871	91,902

Operating lease payments represent rentals payable by the Group 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

16. COMMITMENTS *(Continued)*

Operating leases *(Continued)*

As lessor

Property held for earning rental income is expected to generate rental yields of 6.2% (six months ended 30 June 2012: 9.9%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 9 years (six months ended 30 June 2012: 1 year to 9 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Within one year	**2,364**	2,296
In the second to fifth years inclusive	**2,693**	1,829
Over five years	**200**	500
	5,257	4,625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

— Level 1 fair value measurements are those derived from quoted 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); and

— 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).

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30/6/2013	31/12/2012				
Liabilities for cash settled share based payments	RMB8,791,000	RMB8,464,000	Level 2	Discounted cash flow. The key inputs are expected volatility, expected life, and risk-free rate	N/A	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

18. PLEDGE OF ASSETS

At 30 June 2013, certain assets of the Group were pledged to secure bank borrowings granted to the Group as follows:

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Property, plant and equipment	**827,608**	977,805
Leasehold land and land use rights	**118,752**	136,017
	946,360	1,113,822

19. MATERIAL LITIGATION

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

19. MATERIAL LITIGATION *(Continued)*

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

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 unaudited condensed consolidated financial statements for the period ended 30 June 2013 and audited consolidated financial statements for the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

19. MATERIAL LITIGATION *(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 considers 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 condensed consolidated financial statements for the period ended 30 June 2013 and audited consolidated financial statements for the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

19. MATERIAL LITIGATION *(Continued)*

(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.

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 case did not have any material impact on the Group's condensed consolidated financial statements for the period ended 30 June 2013 and audited consolidated financial statenments 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2013

20. EVENTS AFTER THE END OF REPORTING PERIOD

Disposal of certain assets of A Share Company

On 1 August 2013, A Share Company has announced that it intends to transfer (a) its 5.01% equity interest in Western Trust Co., Ltd., which was recognised as available-for-sale investment in the condensed consolidated statements of financial position as at 30 June 2013 and 31 December 2012, whose equity interest is partially owned by A Share Company, at a minimum consideration of approximately RMB245,314,000 (b) its 51% of equity interest in IRICO (Foshan) Flat Panel Display Co., Ltd., a subsidiary of A Share Company at a minimum consideration of RMB1.00 and (c) certain plants, lands and properties held by the A Share Company at a minimum consideration of approximately RMB236,237,000 through the process of open tender and auction. Further details of the disposal transactions are set out in the Company's announcements dated 31 July 2013, 22 August 2013 and 23 August 2013. The disposal transactions are subject to the approval of shareholders meeting of the Company.