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 2013

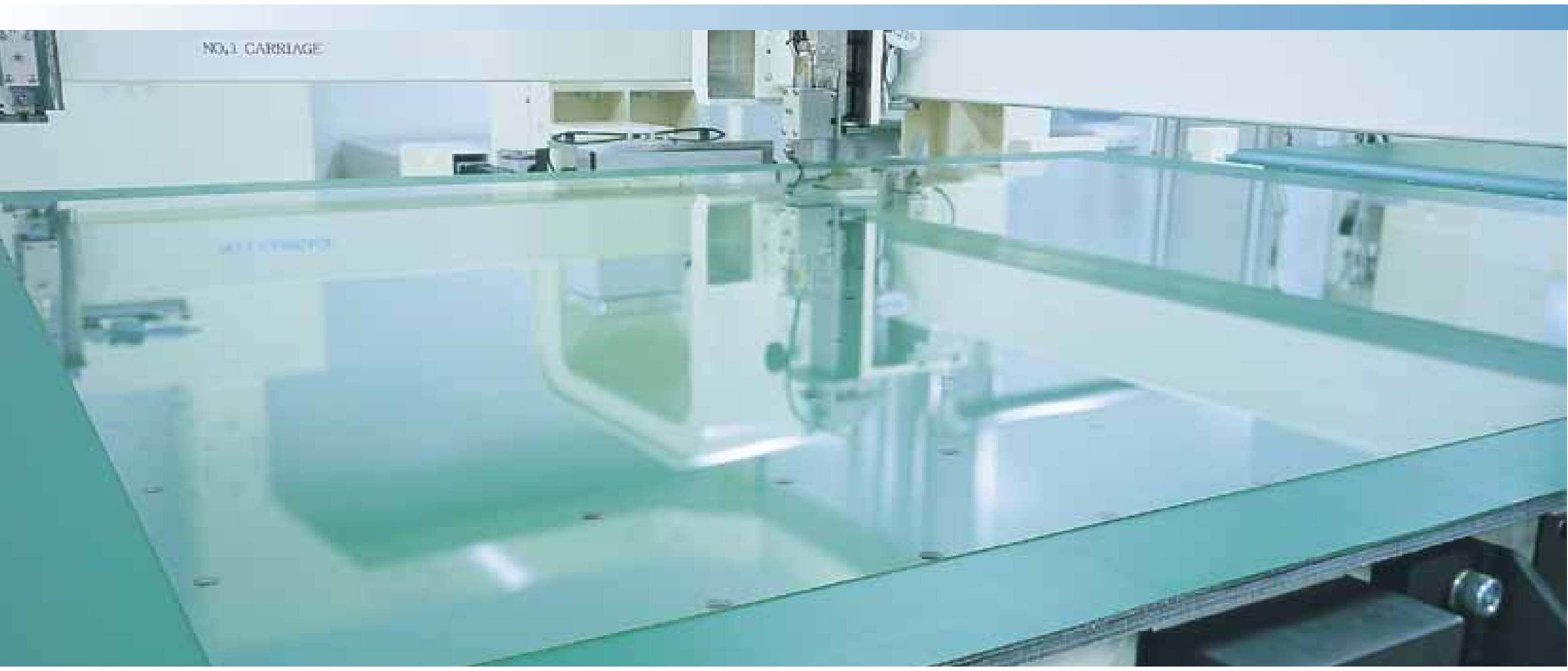
* For identification purposes only

Contents

Financial Highlights

1. Results

	2013 ***(RMB'000)***	2012 *(RMB'000)*	Increase/ (decrease) *(RMB'000)*	Percentage *(%)*
Turnover	**2,279,758**	2,645,213	(365,455)	(13.82)
Cost of sales	**(2,214,203)**	(2,744,232)	(530,029)	(19.31)
Gross profit/(loss)	**65,555**	(99,019)	164,574	166.20
Gross profit/(loss) margin *(%)*	**2.88**	(3.74)	6.62	N/A
Operating loss	**(182,572)**	(2,959,088)	(2,776,516)	(93.83)
Operating loss margin	**(8.01)**	(111.87%)	(103.86)	N/A
Loss for the year attributable to owners of the Company	**(226,352)**	(1,662,002)	(1,435,650)	(86.38)
Loss margin *(%)*	**(9.93)**	(62.83%)	(52.9)	N/A
Loss per share for the year attributable to owners of the Company *(expressed in RMB per share)*	**(0.1014)**	(0.7445)	(0.6431)	(86.38)
Dividend per share *(RMB)*	**—**	—	—	—



Financial Highlights (Continued)

2. Financial position

	2013 **(RMB'000)**	2012 *(RMB'000)*
Property, plant and equipment	**7,753,178**	7,467,134
Net current liabilities	**2,965,766**	964,911
Cash and bank balances	**821,602**	1,278,852
Total liabilities	**9,625,942**	10,654,119
Short-term bank and other borrowings	**3,481,450**	2,723,490
Total equity	**1,353,125**	1,642,015

3. Operating indices

	2013	2012
Returns on equity *(on annualised basis)*	**(10.14%)**	(74.45%)
Inventory turnover *(days)*	**43**	41
Trade receivable turnover *(days)*	**102**	91
Trade payable turnover *(days)*	**133**	113
Current ratio	**0.48**	0.81
Debt to equity ratio	**3.04**	3.46

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 2013 (the "reporting period").

With the guidance and concern of China Electronic Corporation* (中國電子信息產業集團有限公司)("CEC") and IRICO Group Corporation*(彩虹集團公司)("IRICO Group Corporation") as well as great support and help from all walks of life, the Group endeavored to improve the competitiveness of solar photovoltaic glass business and new electronic materials business, enhanced yield rate of production line of liquid crystal display (LCD) glass substrate, steadily pushed forward staff positioning as well as staff resettlement and placement, fully cooperate with IRICO Group Corporation in reorganization, integration and coordination in the industry, actively improved production and operation and obtained certain achievements.

Business Review

During the reporting period, the Group continuously strived to develop the principal businesses including solar photovoltaic glass, new electronic materials and LCD glass substrate, and carried out staff resettlement and placement in traditional color picture tube business.

In 2013, the solar photovoltaic glass industry gradually recovered; however, it encountered the situation of overcapacity. Faced with difficulties and opportunities, the Company positively responded in various aspects including technology improvement, marketing operations and cost control to increase output of furnace continuously and reduce inventory of products significantly. Therefore, it performed excellent in production and sales.

In respect of new electronic material business, although the demands in the global market of energy saving lamp phosphor was in a downward trend due to the upgrade of down-stream products, the production and sales volume of energy saving lamp phosphor of the Group recorded a certain growth over the corresponding period last year. In addition, production and sales volume of electronic silver paste and lithium battery anode materials showed different level in growth as compared with those of last year.

During the reporting period, production, technology and sales of LCD glass substrate business made certain progress.

Future Prospects

Looking into 2014, the Group will further develop various businesses proactively. In respect of solar photovoltaic glass, faced with a continuous growth in global photovoltaic market, there will be opportunities for rapid development in the domestic photovoltaic power generation industry. The Group will give play in potential capacity, revitalize existing assets and further expand the market scale. In respect of new electronic materials business, the Group will maintain the market share of energy saving lamp phosphor, proactively expand the electronic silver paste and lithium battery anode materials businesses, and increasingly improve the technology level. The manufacturing process for LCD glass substrate will be optimized with further improvement in yield rate and sales volume of products.

The Group will deeply pushed on the advancement of technology level, continuously carry out staff resettlement and placement to ensure the stability of the Group and speed up adjustment and optimization of assets structure in order to improve operation efficiency of assets.

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*
Guo Mengquan
Chairman

Xianyang, the People's Republic of China
5 March 2014

* *For identification purpose only*

Management Discussion and Analysis

1. Industry Analysis

(1) Solar Photovoltaic Glass

During the reporting period, along with the rise of markets in the PRC, Japan and the US, structure of the global photovoltaic market underwent great changes with demands in the Asian-Pacific region exceeding the European region for the first time. In 2013, the demands for photovoltaic units amounted to 34.2 GW, representing a year-on-year increase of 14%.

Chinese enterprises encountered severe export crisis - anti-dumping and anti-subsidy from Europe, and at the same time the opportunity - the rise of domestic market, existed. The Chinese government issued a series of photovoltaic policies, resulting in rapid development of the domestic photovoltaic market. In 2013, the domestic demands for photovoltaic units reached 8.79 GW, representing a year-on-year increase of 86%. Driven by market demands, the price of photovoltaic glass slightly increased, but remained at a low level.

Looking into 2014, along with overall recovery of the industry and the cost of photovoltaic power generation close to grid-parity, it is expected that the demands for photovoltaic units will continue to grow and reach 38.2 GW for the whole year, representing a year-on-year increase of 12%. In respect of domestic photovoltaic industry, the Ministry of Energy determined that new photovoltaic installation target for 2014 would be 14 GW, representing an increase of 59% as compared with that of 2013 if succeeded. The continuous increase in market demands for photovoltaic units will drive the demands for photovoltaic glass.

(2) Luminous Materials and New Electronic Materials

During the reporting period, light emitting diode (LED) lighting developed rapidly and continuously infiltrated into energy saving lamp market. However, market expansion due to the exit of incandescent lamps has not been fully reflected. Affected by such factors, the global demands for energy saving lamp phosphor remained in a downward trend. In 2014, it is expected that the global demands for energy saving lamp phosphor will decline, but will still have certain share in light market.

As for electronic silver paste, demands for silver paste used in emerging industries represented by solar battery increased, which showed enormous room for development in the future market.

As for lithium battery powder, in the medium and long run, new energy vehicles and energy storage battery market are the most important factors driving the growth of lithium battery market.

1. Industry Analysis *(Continued)*

(3) TFT-LCD Glass Substrate

During the reporting period, the demands of LCD global glass substrate market reached approximately 391 million m^2, representing a year-on-year increase of 5% with slower growth. As for the domestic market, China became the fastest-growing country in the world in terms of production of flat panel display, however, LCD glass substrate is mainly dependent on import, and thus the domestic manufacturers of LCD glass substrate will face with great business opportunity.

Looking into 2014, it is expected that the demands of global LCD glass substrate market will reach 427 million m^2, representing a year-on-year increase of 9%. The demands of domestic LCD glass substrate market are still strong.

2. Business Review

(1) Operation Summary

During the reporting period, each of the Group's major businesses was launched steadily by means of marketing, cost reduction and efficiency enhancement, and technology enhancement. Both production and sales volume of solar photovoltaic glass business recorded high results. For new electronic materials, energy saving lamp phosphors still held higher market share, while the production and sales volume of electronic silver paste and lithium battery anode materials had different degrees of year-on-year increases. However, the problem of excess supply still existed in the photovoltaic glass industry. The prices of products remained low. Meanwhile, LCD glass substrate business had yet to attain economic scale of production. Therefore, the Group recorded losses during the reporting period.

In 2013, the Group recorded sales of RMB2,279,758,000, representing a decrease of RMB365,455,000 as compared to the corresponding period of last year. Operating losses were RMB182,572,000, representing a decrease of RMB2,776,516,000 as compared to the corresponding period of last year. Gross profit margin was 2.88%, representing an increase of 6.62 percentage points as compared to that of the previous year (2012: a gross loss of 3.74%). Losses attributable to equity owners amounted to RMB226,352,000 compared to losses of RMB1,662,002,000 for the same period of last year.

2. Business Review *(Continued)*

(2) Principal Business Review

- Solar Photovoltaic Glass Business

  During the reporting period, through a series of effective measures such as increasing the output of furnace, improving the production capacity and efficiency, optimising products portfolio and enlarging the proportion of coated glass to satisfy demands of customers and enhancing added value of products; enhancing the yield of fine products on a continuing basis to contend against poor production processes and improving market share by earning customers' trust with its quality and services; refining cost management, reducing the cost and increasing the efficiency to stimulate the development, both the production and sales volume of photovoltaic glass increased significantly and the operating situation of the business achieved substantial improvement.

- Luminous Materials and New Electronic Materials

  In respect of energy saving lamp phosphor, facing with negative factors such as shrinking market and dropping price, the Group recorded certain growth in production and sales volume of products as compared to those of the previous year with its efficient marketing stimulation and technology sophistication. In addition, the Group recorded certain growth in production and sales volume of electronic silver paste and lithium battery anode materials as compared to those of the previous year with its measures such as research and development in technology and product features enhancement.

- TFT-LCD Glass Substrate Business

  During the reporting period, CX03 line passed the examination and was transferred to fixed assets, next to the CX02 line for LCD glass substrate in Xianyang. The average yield rate of CH03 line in Hefei also recorded a historical high. Based on that, the construction plan for CX05 line in Xianyang went into trial operation after thorough sufficient verifications, and the technology repetitive tests have been conducted in stages.

- Manufacture and Trade of LCD Televisions

  In respect of manufacture and sales of LCD televisions, the Group continued to consolidate its businesses in a rational manner as well as strengthen their production management and sales, however, both the production and sales volume of the products deceased as compared to those of the previous year as a result of the cancellation of Home Appliance Subsidy Program for Rural Areas.

3. Future Prospects

The Group will continue to make more efforts in improving its techniques and keep improving the quality of products in a market-oriented manner. On one hand, the Company intends to further improve the consolidated competitiveness of current products; on the other hand, it intends to advance the development of relevant new business so as to seek new profit-making methods. In the meantime, the Group will accelerate the adjustment and optimisation of asset structures to improve asset operation efficiency.

Solar photovoltaic glass business faced the opportunity of continuous growth in the global photovoltaic market and the rapid development of the domestic photovoltaic power generation. The Group will release its potential capacity and activate its current assets. In 2014, it will revive the operation of Phase I Production Line of Xianyang Photovotaic (咸陽光伏一期生產線) and launch Phase IV of the Modification Project of Coated Products (四期鍍膜改造項目) and Hefei photovoltaic project to enlarge the market scale. In addition, the Group also extends its production and operation regions to the upper and lower streams and enters into the first echelon of the domestic photovoltaic glass market.

For luminous materials and new electronic materials businesses, the Group will maintain its market share in the energy saving lamp phosphors market. Meanwhile, it will proactively improve the technical standard of products such as lithium battery anode materials to enlarge its production scale.

For LCD glass substrate business, the Group will garner all kinds of resources and accelerate technical improvement in order to expedite the functioning of its assets and boost operation efficiency and results significantly.

4. Financial Review

(1) Results

Profit and loss data for 2009-2013 *(RMB'000)*

	2009	2010	2011	2012	**2013**
Turnover	2,097,251	2,717,770	3,270,348	2,645,213	**2,279,758**
Sales of luminous materials	289,503	463,014	1,088,734	520,064	**352,136**
Sales of liquid crystal related products	456,290	747,605	1,310,085	1,552,654	**1,219,279**
Sales of solar photovoltaic glass	—	138,649	355,475	171,827	**389,145**
Sales of TFT-LCD glass substrate and display devices	—	—	5,004	81,967	**152,319**
Sales of CPTs and others	1,351,458	1,368,502	511,050	318,701	**166,879**
Cost of sales	(2,188,395)	(2,311,974)	(3,164,459)	(2,744,232)	**(2,214,203)**
Gross profit (loss)	(91,144)	405,796	105,889	(99,019)	**65,555**
Operating expenses					
Administrative expenses	(422,267)	(244,762)	(325,703)	(522,193)	**(450,912)**
a) General administrative expenses	(395,501)	(224,722)	(306,785)	(503,378)	**(441,060)**
b) Research and development expenses	(26,766)	(20,040)	(18,918)	(18,815)	**(9,852)**
Distribution costs	(95,047)	(107,415)	(86,412)	(66,830)	**(84,465)**
Other operating expenses	(17,743)	(18,592)	(6,776)	(8,883)	**(5,927)**
Operating profit (loss)	(1,515,475)	132,745	(532,671)	(2,959,088)	**(182,572)**
Finance costs	(39,690)	(64,530)	(79,736)	(180,632)	**(227,029)**
Profit (loss) attributable to owners of the Company	(1,113,014)	29,075	(253,038)	(1,662,002)	**(226,352)**

Turnover by product *(RMB'000)*

Name	**2013**	2012	Increase / (decrease)	Change
Luminous materials	**352,136**	520,064	(167,928)	–32.29%
Liquid crystal related products	**1,219,279**	1,552,654	(333,375)	–21.47%
Solar photovoltaic glass	**389,145**	171,827	217,318	126.47%
TFT-LCD glass substrate and display device	**152,319**	81,967	70,352	85.83%
CPTs and others	**166,879**	318,701	(151,822)	–47.64%
Total	**2,279,758**	2,645,213	(365,455)	–13.82%

4. Financial Review *(Continued)*

(2) Change over last year and reasons

- Turnover and gross profit margin

  In 2013, the Group recorded a sales of RMB2,279,758,000, representing a decrease of RMB365,455,000, or 13.82% from the same period of 2012. In particular, sales of luminous materials amounted to RMB352,136,000, representing a decrease of RMB167,928,000 or 32.29% from the same period of 2012. sales of liquid crystal related products amounted to RMB1,219,279,000, representing an decrease of RMB333,375,000 or 21.47% from the same period of 2012; and sales of solar photovoltaic glass amounted to RMB389,145,000, representing an increase of RMB217,318,000 or 126.47% from the same period of 2012; sales of TFT-LCD glass substrate and display devices amounted to RMB152,319,000, representing an increase of RMB70,352,000 or 85.83% from the same period of 2012; while sales of the CPTs and others amounted to RMB166,879,000, representing a decrease of RMB151,822,000 or 47.64% from the same period of 2012. The overall gross profit margin of the Group increased from a gross loss margin of 3.74% in 2012 to a gross profit margin of 2.88% in 2013, which was mainly attributable to the recovery of the photovoltaic market. So the gross profit margin of photovoltaic glass increased.

- Administrative expenses

  The Group's administrative expenses for 2013 decreased by RMB71,281,000, or 13.65%, to RMB450,912,000 from RMB522,193,000 in the corresponding period of 2012. The decrease in administrative expenses was mainly due to the actual progress made in enhancing expanse management and control by the Company.

- Finance costs

  The Group's finance costs included in profit and loss for 2013 was RMB227,029,000 (net of interest expense capitalised amounting to RMB248,340,000), representing an increase of RMB46,397,000, or 25.69%, from RMB180,632,000 in the corresponding period of 2012. The increase in finance costs was mainly attributable to increases in bank borrowings for development of new businesses.

4. Financial Review *(Continued)*

(3) Current assets and financial resources

As at 31 December 2013, the Group's cash and bank balances amounted to RMB821,602,000, representing a decrease of 35.75% from RMB1,278,852,000 as at 31 December 2012. For the year ended 31 December 2013, the Group's capital expenditures totalled RMB1,071,416,000 (31 December 2012: RMB2,063,333,000). Net cash inflow in operating activities amounted to RMB121,466,000 (31 December 2012: RMB-166,754,000), while net cash outflow in financing activities and net cash inflow in investing activities were RMB1,087,543,000 (31 December 2012: RMB-978,591,000) and RMB508,960,000 (31 December 2012: RMB-1,613,315,000) respectively. As at 31 December 2013, the Group's total borrowings were RMB6,744,750,000, of which borrowings due within one year amounted to RMB3,481,450,000 and borrowings due beyond one year amounted to RMB3,263,300,000. As at 31 December 2012, the 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 2013, the Group's bank loans amounting to approximately RMB3,056,859,000 (31 December 2012: RMB3,312,542,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net carrying amount of approximately RMB2,288,041,000 (31 December 2012: RMB1,113,822,000). As at 31 December 2013, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB683,593,000 (31 December 2012: RMB687,500,000).

For the year ended 31 December 2013, the turnover days for trade receivables of the Group was 102 days, representing an increase of 11 days as compared to 91 days for the year ended 31 December 2012, which was mainly attributable to the payback periods in respect of luminous materials and other main businesses increased, due to the impact of changes in market supply and demand. For the year ended 31 December 2013, the inventory turnover days of the Group was 43 days, representing an increase of 2 days from 41 days for the year ended 31 December 2012.

4. Financial Review *(Continued)*

(4) Capital structure

As at 31 December 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 intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2013, the liabilities (including bank borrowings and finance lease commitments) of the Group totalled RMB6,778,807,000 (31 December 2012: RMB7,716,653,000) while cash and bank balances were RMB821,602,000 (31 December 2012: RMB1,278,852,000) and the gearing ratio (i.e. total liabilities divided by total assets) was 87.68% (31 December 2012: 86.65%).

(5) Dividend

The Company's dividend policy remains unchanged. In light of the negative undistributed profit for 2013, 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 2013, the operating cost of the Group increased by RMB2,256,000 (31 December 2012: RMB3,157,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2013, capital expenditure commitments of the Group amounted to RMB93,639,000 (31 December 2012: RMB1,170,253,000), which were mainly financed by the Group's working capital.

(8) Contingent liabilities

As at 31 December 2013, the Group had no material contingent liability.

(9) Pledged assets

As at 31 December 2013, the Group's bank loans amounted to approximately RMB3,056,859,000 (31 December 2012: RMB3,312,542,000), which were secured by certain properties, plants and equipment, land use rights and inventory of the Group with a net carrying amount of approximately RMB2,288,041,000 (31 December 2012: RMB1,113,822,000).

Directors

Executive Directors

Guo Mengquan	57	Chairman
Zhang Junhua	55	Vice Chairman

Non-executive Directors

Si Yuncong	49
Huang Mingyan#	48
Jiang Ahe#	57

Independent Non-executive Directors

Xu Xinzhong#	50
Feng Bing#	47
Wang Jialu	53
Wang Zhicheng#	39

Member of the Audit Committee

Mr. Guo Mengquan (郭盟權), aged 57, is an 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 currently serves as the general manager of IRICO Group Corporation and the chairman of IRICO Display Device Co., Ltd. (彩虹顯示器件股份有限公司) ("A Share Company"). He once was the factory manager of the glass factory under IRICO Colour Picture Tube Plant, the vice chairman of the A Share Company, the vice president, the president and a director of the Company and the deputy general manager of IRICO Group Corporation.

Mr. Zhang Junhua (張君華), aged 55, is an executive Director and the vice chairman of the Company. 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 deputy general manager of IRICO Group Corporation and the chairman of the board of directors of Xi'an New Century Club. 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 the A Share Company, the general manager and the chairman of the board of directors of Xianyang IRICO Digital Display Technology Co., Ltd. and the vice president and the president of the Company.

Directors *(Continued)*

Mr. Si Yuncong (司雲聰), aged 49, is a non-executive director of the Company and joined the Group in May 2013. Mr. Si graduated from East China Institute of Technology (華東工學院) with a bachelor's degree in environmental monitoring. Mr. Si is a senior engineer and currently serves as the deputy general manager of IRICO Group Corporation and the vice chairman of the A Share Company. He served as the head of the production safety department, assistant to the general manager and the deputy factory manager of East China Electronic Tube Factory (華東電子管廠), the deputy general manager of Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子集團股份有限公司), a member of the Party Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and an executive director (legal representative) and the general manager of Huadong Electronics Group Co., Ltd. (華東電子集團有限公司).

Mr. Huang Mingyan (黃明岩), aged 48, is a non-executive director of the Company and joined the Group in May 2013. Mr. Huang graduated from Zhejiang University (浙江大學) with a bachelor's degree in architecture engineering and later from Chongqing Jianzhu University (重慶建築大學) with a master's degree in construction economics and management, Mr. Huang is a senior engineer and currently serves as the deputy general manager of IRICO Group Corporation. He used to work as deputy head of the group work department of China National Real Estate Development Group Corporation (中國房地產開發集團公司), the general manager of the property department of China Electronics Corporation (中國電子信息產業集團公司), the general manager of China Electronics Technology Applications Corporation (中國電子技術應用公司) and the general manager and the Party secretary of China Electronics Industry Development Corporation (中國電子產業開發公司).

Mr. Jiang Ahe (姜阿合), aged 57, is a non-executive director of the Company and joined the Group in November 1992. Mr. Jiang graduated from Wuhan Logistics Institute of the PLA (解放軍武漢後勤學院) with a diploma in accounting and is an international certified practising accountant (國際註冊高級會計師). Mr. Jiang currently serves as the vice chief accountant and the manager of the assets finance department of IRICO Group Corporation. He used to work as the finance manager of Zhuhai Ciazhu Industrial Co., Ltd. (珠海彩珠實業有限公司), the chief accountant of Xi'an IRICO Electronic Industrial Co., Ltd. (西安彩虹電器工業有限責任公司) and the financial controller of the A Share Company.

Mr. Xu Xinzhong（徐信忠）, aged 50, 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.

Directors *(Continued)*

Mr. Feng Bing (馮兵), aged 47, is an independent non-executive Director of the Company, currently the chairman of Shanghai Dare Technologies Co., Ltd. (上海大亞科技有限公司), the chief strategy officer of Dare Group (大亞集團首席戰略官) and the chief executive officer of Homelegend, whose headquarters are located in Georgia, USA. Mr. Feng has served as an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch since 2002. He joined the Group in September 2004. He obtained 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 an executive director of and partner with China Financial and Consulting Company (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University.

Mr. Wang Jialu（王家路）, aged 53, 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. Wang Zhicheng (王志成), aged 39, is an independent non-executive director of the Company. He is a PhD in management (accounting), the head of the accounting teaching and research section of the Business Administration School under North China Electric Power University (華北電力大學), a tutor of postgraduates, and a PRC certified public accountant. He is also a distinguished visiting professor of Beijing National Accounting Institute (北京國家會計學院), an independent director of Beijing Autelan Technology Co., Ltd. (北京傲天動聯技術股份有限公司) and Bomesc Marine Engineering Co., Ltd. (博邁科海洋工程股份有限公司), and a non-executive director of Beijing Guodian SolarWe Clean Energy Technology Co., Ltd. (北京國電四維清潔能源技術有限公司). He formerly served as the manager of the enterprise risk management services department in one of the big four international accounting firms. Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

Supervisors

Zhu Yiming	51	Shareholder Supervisor, Chairman of the Supervisory Committee
Tang Haobo	54	Staff Supervisor
Zhang Heping	55	Staff Supervisor
Sun Haiying	70	Independent Supervisor
Wu Xiaoguang	56	Independent Supervisor

Mr. Zhu Yiming (朱以明), aged 51, is a shareholder supervisor and the chairperson of the Supervisory Committee of the Company and joined the Group in May 2013. Mr. Zhu graduated from Hangzhou Institute of Electronics and Engineering (杭州電子工業學院) with a master's degree in management engineering and is a senior accountant. Mr. Zhu currently serves as the assistant to the general manager of China Electronic Corporation (中國電子信息產業集團有限公司), a director, the Party secretary, the executive deputy general manager and the chief accountant of IRICO Group Corporation, the chairman of the supervisory committee of the A Share Company, and the chairman of the supervisory committee of Shanghai Languang Technology Co. Ltd. (上海藍光科技有限公司). He served as deputy general manager and general manager of the Finance and Property Management Department and general manager of the Finance Department of China Electronic Corporation, deputy chief economist of China Electronic Corporation, deputy general manager (executive) and the Party secretary of Nanjing Electronics Information Industrial Corporation (南京中電熊貓信息產業集團有限公司), the chairman of Amoi Electronics Co., Ltd. (夏新電子有限公司), and the chairman (legal representative) and provisional Party secretary of China Electronics Financial Co., Ltd. (中國電子財務有限公司).

Mr. Tang Haobo (唐浩波), aged 54, is a staff supervisor of the Company. He 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. Mr. Tang is currently the general manager of the operation management 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 the Company.

Supervisors *(Continued)*

Mr. Zhang Heping (張和平), aged 55, is a staff supervisor and joined the Group in December 1979. Mr. Zhang graduated from the Northwest University of Politics and Law with a diploma in Law (adult self-study course) and later obtained a bachelor's degree in economic management from the Party school of Shaanxi Provincial Party Committee (陝西省委黨校). Mr. Zhang is currently the deputy-secretary of the Party committee and the secretary of the disciplinary committee, the chairman of the labor union and the director of the office in charge of the Party and the masses relationship of the Company. Mr. Zhang was once the deputy manager of Phosphor Powder Factory under IRICO Group (彩虹集團公司熒光粉廠), the deputy general manager and a member of Party branch of Shaanxi IRICO Phosphor Materials Co., Ltd. (陝西彩虹熒光材料公司), the general manager of both Shenzhen Ruisheng Phosphor Material Co., Ltd. (深圳瑞盛熒光材料有限公司) and Nanjing Reide Phosphor Co., Ltd. (南京瑞德熒光材料有限公司).

Mr. Sun Haiying（孫海鷹）, aged 70, 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 and a deputy executive chairman of China Science, Technology and Finance Promation Association (中國科技金融促進會). 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 Regional Science and Technology Development 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區域科技發展專題組）in July 2003.

Ms. Wu Xiaoguang（吳曉光）, aged 56, 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. Ms. Wu 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.

Other Senior Management

Zou Changfu	55	General manager
Hong Yuan	53	Vice general manager
Han Bin	45	Vice general manager
Ma Jianchao	55	Chief Financial Controller
Chu Xiaohang	44	Company Secretary

Mr. Zou Changfu (鄒昌福), aged 55, is the general manager of the Company and joined the Group in August 1981. Mr. Zou is a bachelor's degree holder and a senior engineer. He currently serves as the chairman of Shaanxi Phosphor Materials Co., Ltd. (陝西熒光材料有限公司), the chairman of Kunshan IRICO MGG. Co., Ltd. (彩虹昆山實業有限公司), the chairman of Zhuhai Ciazhu Industrial Co., Ltd., the executive director of Xi'an Caihong Information Co., Ltd. (西安彩虹資訊有限公司), the chairman of Xi'an Cairui Display Technology Co., Ltd. (西安彩瑞顯示技術有限公司), the chairman of Xianyang IRICO Electronics Parts Co., Ltd. (咸陽彩虹電子配件有限公司), and an executive director and the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. (彩虹(合肥)光伏有限公司). He used to be the factory manager of the glass factory under IRICO Colour Picture Tube Plant (彩虹彩色顯像管總廠玻璃廠), the general manager of Hongyang (Shenzhen) Industrial and Trading Company (深圳虹陽工貿公司), the general manager of Kunshan IRICO MGG. Co., Ltd., the chairman of the board of directors of Kunshan IRICO Yingguang Electronics Limited Company (昆山彩虹櫻光電子股份公司), and the general manager of the purchase department, the assistant to the president and the vice president of the Company.

Mr. Hong Yuan (洪淵), aged 53, is a deputy general manager of the Company and joined the Group in August 1982. Mr. Hong obtained a bachelor's degree and is a senior engineer at a researcher level. Mr. Hong currently serves as the chairman of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司). He served as the vice head of the motor-driving section, head of workshop of melting and assembling, head of technical section, head of comprehensive management office of Glass Panel Technology Reform Project, assistant to the head and vice head of IRICO Glass Factory of IRICO Group Corporation, general manager of Human Resources Department of the Company, manager of Human Resources Department of IRICO Group Corporation, general manager of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd., deputy general manager of the A Share Company, head of Photovoltaic Glass Factory (光伏玻璃廠) under the Company and assistant to the president of the Company.

Ms. Han Bin (韓彬), aged 45, is the deputy general manager of the Company and joined the Group in July 1991. Ms. Han obtained a bachelor's degree and is a senior engineer. She served as the workshop manager and director of production management office of No. 2 Colour Picture Tube Factory (彩管二廠) under the A Share Company, deputy manager of the technology and quality department of IRICO Group Corporation, manager of the production technology department of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd., deputy general manager of the operation management department, general manager of technology and quality department and deputy general manager of the A Share Company.

Other Senior Management *(Continued)*

Mr. Ma Jianchao (馬建朝), aged 55, 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 major 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. Mr. Ma served as chief financial officer and deputy general manager of Royal Rainbow Hotel in Australia, chief financial officer of China National Electronics Imp. & Exp Caihong Company (中國電子進出口彩虹公司), vice director of the audit department of IRICO Group Corporation and the general manager of the financial department of the Company. Mr. Ma has experience in finance, computer, foreign trade and hotel, especially over 20 years' experience in operation and financial management.

Mr. Chu Xiaohang (褚曉航), aged 44, 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 graduated from Northwest University with a bachelor's degree in computer science. He is a senior engineer 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 Corporation 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. In November 2012, he was appointed as the sole Company Secretary.

Changes of Directors, Supervisors and Senior Management

Pursuant to the Rule 13.51B(1) of the Listing Rules, the details of the changes of Directors, Supervisors and Senior Management are set out below:

Mr. Guo Mengquan, the Director of the Company has served as the general manager of IRICO Group Corporation (a controlling shareholder of the Company) since May 2013, and the chairman of the A Share Company (a subsidiary of the Company) since July 2013.

Mr. Tang Haobo, a Supervisor of the Company, has ceased to serve as the general manager of the Legal Affairs Department of the Company since August 2013.

Mr. Zou Changfu, the general manager of the Company, has serves as the chairman of Shaanxi Phosphor Materials Co., Ltd. (a subsidiary of the Company) since December 2013, the director of Kunshan IRICO MGG. Co., Ltd. (a subsidiary of the Company) since November 2013, the chairman of Zhuhai Ciazhu Industrial Co., Ltd. (a subsidiary of the Company) since December 2013, the executive director of Xi'an Caihong Information Co., Ltd. (a subsidiary of the Company) since November 2013, the chairman of Xi'an Cairui Display Technology Co., Ltd. (a subsidiary of the Company) since February 2008, the chairman of Xianyang IRICO Electronics Parts Co., Ltd. (a subsidiary of the Company) since November 2013, and the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. (a subsidiary of the Company) since August 2013, and an executive director of which since September in the same year.

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 2013 to the Shareholders.

Principal operations

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

Results and dividend

In 2013, the Group recorded a sales of RMB2,279,758,000; operating losses were RMB182,572,000; gross profit margin was 2.88%; losses attributable to owners of the Company amounted to RMB226,352,000 and the comprehensive losses attributable to owners of the Company amounted to RMB227,021,000.

The annual results of the Group for the year ended 31 December 2013 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 57 to 173 of this annual report.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2013, the Board has decided not to distribute any final dividend for the year ended 31 December 2013.

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 174 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2013 and as of 31 December 2013 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 2013 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 8% of the total purchase amount

— five largest suppliers, accounting for 34% of the total purchase amount

Sales

— largest customer, accounting for 19% 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 34% 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.

Directors, Supervisors and Senior Management

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

Name	Positions	Date of appointment/redesignation/ resignation during the reporting period
Guo Mengquan	Executive Director and Chairman	appointed as the Chairman on 17 September 2013
Zhang Junhua	Executive Director and Vice Chairman	appointed as the Vice Chairman on 17 September 2013
Si Yuncong	Non-executive Director	appointed on 17 September 2013
Huang Mingyan	Non- executive Director	appointed on 17 September 2013
Jiang Ahe	Non- executive Director	appointed on 17 September 2013
Xu Xinzhong	Independent non-executive Director	
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Wang Zhicheng	Independent non-executive Director	appointed on 17 September 2013
Tao Kui	Executive Director and Vice Chairman	resigned on 17 September 2013
Niu Xin'an	Non- executive Director	resigned on 17 September 2013
Fu Jiuquan	Non- executive Director	resigned on 17 September 2013
Zhang Weichuan	Non- executive Director	resigned on 17 September 2013
Lv Hua	Independent non-executive Director	resigned on 17 September 2013
Zhong Pengrong	Independent non-executive Director	resigned on 17 September 2013
Zhu Yiming	Supervisor and Chairman of the Supervisory Committee	appointed on 17 September 2013
Tang Haobo	Supervisor	
Zhang Heping	Supervisor	appointed on 17 September 2013
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Wang Qi	Supervisor and Chairman of the Supervisory Committee	resigned on 17 September 2013
Fu Yusheng	Supervisor	resigned on 17 September 2013
Zou Changfu	General Manager	appointed on 17 September 2013
Hong Yuan	Deputy General Manager	appointed on 17 September 2013
Han Bin	Deputy General Manager	appointed on 17 September 2013
Ma Jianchao	Chief Financial Officer	
Chu Xiaohang	Company Secretary	
Zhang Chunning	Vice President	resigned on 17 September 2013

Brief biographical details of current Directors, supervisors and senior management are set out on pages 15 to 21.

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 2013.

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 2013, 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
Guo Mengquan	1,060,000	Director
Zhang Junhua	1,060,000	Director
Tang Haobo	400,000	Supervisor
Zhang Heping	400,000	Supervisor
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 2013.

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 2013, 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; or (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; or (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 2013, 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 2013 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

CEC, through IRICO Group Corporation, 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 629,111,389 H Shares of the Company (representing 99.71% of the H Share capital).

Guo Mengquan, Zhang Junhua, Si Yuncong, Huang Mingyan and Jiang Ahe act as the Directors of the Company. Guo Mengquan concurrently acts as the managing director of IRICO Group Corporation, Zhang Junhua, Si Yuncong, Huang Mingyan concurrently act as the deputy general managers of IRICO Group Corporation, and Jiang Ahe concurrently acts as the deputy chief accountant and the manager of the assets finance department of IRICO Group Corporation. Zhu Yiming acts as the Supervisor and Chairman of the Supervisory Committee of the Company, and he concurrently acts as the director, the executive deputy general manager and the chief accountant of IRICO Group Corporation.

Notes:

As at 31 December 2013, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 629,111,389 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 2013.

Designated deposit and overdue time deposit

As at 31 December 2013, 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 2013, the Group had 6,259▲ employees with various talents, of whom 10.5% were management and administrative personnel, 12.5% were technological personnel, 1.9% were accounting and audit personnel, 1.8% were sales and marketing personnel, and 73.3% 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. 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 2013 are as follows:

1. Continuing connected transactions during the year of 2013

For the year ended 31 December 2013, 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 Corporation, 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 Corporation. Xianyang Cailian was an associate of IRICO Group Corporation and therefore was a connected person of the Company;

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2013 *(Continued)*

(c) A Share Company, of which 12.06% equity interest was owned by IRICO Group Corporation, is also a connected person of the Company

For the year ended 31 December 2013, 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 2013** *RMB'000*	Amount incurred for Connected Transaction of 2013 *RMB'000*
(i)	IRICO Group Corporation Master Supply Agreement		
	Supply of fuel, luminous materials, solar photovoltaic glass and other materials and products to IRICO Group Corporation	**152,377**	8,883
(ii)	IRICO Group Corporation Master Purchase Agreement		
	Purchase of foam plastics, wood brackets and raw materials from IRICO Group Corporation	**138,701**	8,919
(iii)	Xianyang Cailian Master Purchase Agreement		
	Purchase of packaging materials and adhesive tapes from Xianyang Cailian	**115,800**	23,363
(iv)	Comprehensive Services Agreement		
	Purchase of utilities, social and ancillary services from IRICO Group Corporation	**539,826**	226,979
(v)	Premises Leasing Agreements		
	Rental payable to IRICO Group Corporation	**50,993**	32,749
(vi)	Land Use Rights Leasing Agreements		
	Land use rights leasing fees payable to IRICO Group Corporation	**7,419**	5,549
(vii)	Trademark Licensing Agreements		
	Trademark licensing fees payable to IRICO Group Corporation	**2,137**	654

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 circular dated 15 January 2013 and the announcement of the Company dated 14 November 2012.

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2013 *(Continued)*

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 1 March 2013 and the revised annual caps under IRICO Group Corporation 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 announcement dated 14 November 2012 and its circular dated 15 January 2013.

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 2013 *(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 disclosed in the previous announcement.

2. One-off connected transactions

(1) (i) Very substantial disposal and connected transaction in relation to the issue of new A shares by the A Share Company.; (ii) connected transaction in relation to the acquisition of further equity interest in IRICO (Foshan) Flat Panel Display Co., Ltd.* (彩虹(佛山)平板顯示有限公司)("IRICO Foshan"); (iii) discloseable transaction in relation to the capital injection into IRICO Foshan; and (iv) very substantial acquisition in relation to the capital injection into IRICO (Foshan) Flat Panel Display Glass Co., Ltd.* (彩虹(佛山)平板顯示玻璃有限公司) ("Foshan Glass"); among which, on 1 April 2011, the Company proposed to subscribe for the new A shares to be issued by the 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 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 are subject to consideration by the board of directors of the A Share Company.

Connected transactions *(Continued)*

2. One-off connected transactions *(Continued)*

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

On 28 October 2013, the board of directors of the A Share Company decided to terminate the above issue of A shares and would not issue any new A share either. In addition, the acquisition of IRICO Foshan, the capital injection in IRICO Foshan and the capital injection in Foshan Glass as mentioned above would not proceed any more.

For details, please refer to the announcement of the Company dated 28 October 2013.

(2) The project in relation to the disposal of assets by the A Share Company, including the transfer of its 5.01% equity interest ("Western Trust Interest") in Western Trust Co., Ltd.*(西部信託有限公司) ("Western Trust") (a company whose equity interest is partially owned by the A Share Company), its 51% equity interest in IRICO Foshan (a controlling subsidiary of the A share Company) and certain idle plants, lands and properties (the "Industrial Property") through open tender and auction.

On 24 December 2013, for the purpose of adjusting the industrial structure of the A Share Company and focusing on developing and strengthening the principal business so as to reduce the loss, the A Share Company entered into the Equity Transfer Agreement in relation to the disposal of the Western Trust Interest in the consideration of approximately RMB245,314,000 with IRICO Group Corporation, the successful bidder of the Western Trust tender as mentioned above; On 24 December 2013, the A Share Company entered into the Asset Transfer Agreement in relation to the disposal of the Industrial Property in the consideration of approximately RMB214,533,400 with Xianyang China Electronics Irico Group Holdings Limited*（咸陽中電彩虹集團控股有限公司）("Xianyang Electronics"), the successful bidder of the Industrial Property tender as mentioned above. As there was no interested bidder during the relevant publication period, the IRICO Foshan tender has been suspended.

CEC, through IRICO Group Corporation, holding approximately 71.74% of the Company's issued share capital, and is the controlling Shareholder of the Company. Xianyang Electronic is an indirect wholly-owned subsidiary of CEC. As such, IRICO Group Corporation and Xianyang Electronic are connected persons of the Company and the disposal of Western Trust Interest and the disposal of the Industrial Property constitute connected transactions of the Company under the Listing Rules.

Connected transactions *(Continued)*

2. One-off connected transactions *(Continued)*

For details, please refer to the announcements of the Company dated 31 July 2013, 22 August 2013, 23 August 2013 and the circular of the Company dated 26 September 2013.

In respect of each related party transaction disclosed in note 44 to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards, the Company confirms that it has complied with the relevant requirements under the Listing Rules (if applicable).

Save as disclosed above, the related party transactions set out in note 44 to the financial statements prepared in accordance with Hong Kong Financial Reporting Standards do not constitute connected transactions under the Listing Rules.

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

Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited*（江蘇永能光伏科技有限公司）

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（江蘇永能光伏科技有限公司）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 2013, details of bank loans of the Group are set out in note 34 to the financial statements.

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 2013.

Material litigation

As at 31 December 2013, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened by or against any member of the Group.

- Claims by Fanshawe College against the Company and the A Share Company

  The Company and the A Share Company, a subsidiary of the Company, received a statement of claim from the Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology ("Fanshawe College") in August 2009 and July 2009 respectively. The Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

- Claims by Curtis Saunders against the Company and the A Share Company

  In January 2010, IRICO Group Corporation, the Company and the A Share Company received a statement of class action from Vancouver Registry of the Supreme Court of British Columbia, Canada (加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處). The Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group. Please refer to the announcement of the Company dated 25 January 2010 for the details.

- Claims by American Crago Company against the A Share Company

  In January 2008, the A Share Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action brought by American Crago Company on behalf of itself and other companies for the similar issue. The Company and the A Share Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

During the reporting period, there was no latest development in the pending litigations disclosed previously. The Directors consider that such cases have no material impact on the financial statements of the Group for the year ended 31 December 2013. For details of such cases, please refer to the 2010 annual report of the Company.

Contingent liabilities

As at 31 December 2013, the Group had no significant contingent liabilities.

Code on Corporate Governance Practices

The Board has reviewed the relevant corporate governance documents adopted by the Company, 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 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.

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 2013, including accounting principles adopted by the Group.

Auditor

SHINEWING (HK) CPA Limited was reappointed as the auditor of the Company for the year of 2013 at the annual general meeting held on 18 June 2013.

The financial statements of the Company for 2013 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
Guo Mengquan
Chairman

Xianyang, the People's Republic of China
5 March 2014

* *For identification purpose only*

Report of the Supervisory Committee

In 2013, 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 2013. I hereby present the work report of 2013 as follows:

In the year of 2013, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2013, the Supervisory Committee held three meetings to review the following proposals: the 2012 work report of the Supervisory Committee, the audited financial report of 2012, the audited interim financial report for the first half of 2013 and the proposal in relation to the election of the Chairman of the third session of the Supervisory Committee. The convening of the three meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association of the Company.

In 2013, the supervisors of the Company attended Board meetings and general meetings of the Shareholders in 2013.

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
Zhu Yiming
Chairman of the Supervisory Committee

Xianyang, the People's Republic of China
5 March 2014

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. 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 addition, the Company has established the Strategy Committee.

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;

2. The Board *(Continued)*

Duties of the Board *(Continued)*

- 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;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- 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.

Composition

The Board currently comprises 9 Directors, including 2 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors, whose biographies are set out from page 15 to 21 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.

2. The Board *(Continued)*

Composition *(Continued)*

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 four 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.

In the reporting period, Wang Zhicheng, being a Director, participated in trainings: from 17 August to 21 August 2013, theory and practice of corporate internal control provided by China National Machinery Industry Corporation; on 10 November 2013, cutting-edge theory and practice of corporate internal control provided by Xiamen National Accounting Institute.

In the reporting period, the Company organized trainings in relation to the business of the Company for Directors to help them have a comprehensive understanding of the Company's business.

In the new year, the Company will provide relevant trainings to Directors in accordance with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules. 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.

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.

2. The Board *(Continued)*

The Chairman and the Chief Executive

The offices and roles of the Chairman and Chief Executive are assumed by Mr. Guo Mengquan (the Chairman and an executive Director of the Company) and Mr. Zou Changfu (general manager of the Company) respectively.

The Chairman is responsible for operation and management of the Board while the Chief Executive 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 Chief Executive 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 deputy general manager, the Chief Executive, 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 responsible to the Board for the overall operation of the Company.

The Chief Executive and the deputy general manager 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 Chief Executive 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.

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 President 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 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.

2. The Board *(Continued)*

Company Secretary *(Continued)*

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 2013, the Company Secretary participated in 60 class hours of training, including the "Fifth Session of Middle-aged and Young Cadre Training Class provided by China Electronics Corporation", 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.

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.

2. The Board *(Continued)*

Board meetings *(Continued)*

The Company held four on-site meetings of the Board, three extraordinary general meetings 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)
Guo Mengquan	Executive Director and Chairman	4/4	3/3	1/1
Zhang Junhua	Executive Director and Vice Chairman	4/4	3/3	1/1
Si Yuncong	Non-executive Director	1/1	1/1	—
Huang Mingyan	Non-executive Director	1/1	1/1	—
Jiang Ahe	Non-executive Director	1/1	1/1	—
Xu Xinzhong	Independent non-executive Director	4/4	—	—
Feng Bing	Independent non-executive Director	4/4	—	—
Wang Jialu	Independent non-executive Director	4/4	—	—
Wang Zhicheng	Independent non-executive Director	1/1	1/1	—
Tao Kui	Executive Director and Vice Chairman (resigned on 17 September 2013)	3/3	2/2	1/1
Niu Xin'an	Non-executive Director (resigned on 17 September 2013)	3/3	2/2	1/1
Fu Jiuquan	Non-executive Director (resigned on 17 September 2013)	1/3	2/2	1/1
Zhang Weichuan	Non-executive Director (resigned on 17 September 2013)	3/3	2/2	1/1
Lv Hua	Independent non-executive Director (resigned on 17 September 2013)	3/3	2/2	1/1
Zhong Pengrong	Independent non-executive Director (resigned on 17 September 2013)	1/3	2/2	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.

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.

2. The Board *(Continued)*

Nomination Committee

During the reporting period, the Nomination Committee has comprised Mr. Guo Mengquan (executive Director), Mr. Si Yuncong (non-executive Director), Mr. Xu Xinzhong (independent non-executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director), and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Guo Mengquan since 17 September 2013. From 1 January 2013 to 17 September 2013, the former Nomination Committee comprised Mr. Tao Kui (former executive Director), Mr. Guo Mengquan (former non-executive Director), Mr. Niu Xin'an (former non-executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Xu Xinzhong (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Zhong Pengrong (former independent non-executive Director), and was formerly chaired by Mr. Tao Kui. The Nomination Committee shall 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 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.

The Nomination Committee gives full consideration to the principle of Board diversity in selecting and recommending Director candidates, mainly including but not limited to gender, age, culture and educational background or professional experience, as well as the Board members' recommendations on the development of the Company in various aspects based on their professional competence in different fields.

By reference to the requirements in provisions A.4 of the Code on Corporate Governance Practices and Corporate Governance Report (the "Code") under Appendix 14 to the Listing Rules, 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 2013, the Nomination Committee convened one meeting to consider the proposal regarding the candidates for the third session of the Board of the Company. 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)**
Guo Mengquan (appointed as the chairman of the Nomination Committee on 17 September 2013)	1/1
Si Yuncong (appointed as a member of the Nomination Committee on 17 September 2013)	0/0
Feng Bing	1/1
Xu Xinzhong	1/1
Wang Jialu	1/1
Wang Zhicheng (appointed as a member of the Nomination Committee on 17 September 2013)	0/0
Tao Kui (resigned as the chairman and a member of the Nomination Committee on 17 September 2013)	1/1
Niu Xin'an (resigned as a member of the Nomination Committee on 17 September 2013)	1/1
Zhong Pengrong (resigned as a member of the Nomination Committee on 17 September 2013)	1/1

2. The Board *(Continued)*

Audit Committee

During the reporting period, since 17 September 2013, the Audit Committee has comprised three independent non-executive Directors and two non-executive Director, namely Mr. Wang Zhicheng (independent non-executive Director), Mr. Huang Mingyan (non-executive Director), Mr. Jiang Ahe (non-executive Director), Mr. Xu Xinzhong (independent non-executive Director) and Mr. Feng Bing (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. From 1 January 2013 to 17 September 2013, the former Audit Committee comprised Mr. Lv Hua (former independent non-executive Director), Mr. Xu Xinzhong (independent non-executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Zhong Pengrong (former independent non-executive Director) and Mr. Fu Jiuquan (former non-executive Director), and was formerly chaired by Mr. Lv Hua. 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. The major 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:

I. Considering the proposal in relation to the provision for fixed assets impairment of the Company for 2012;

II. Considering the proposal in relation to withholding staff resettlement costs in 2012;

III. Considering the audited financial statements of the Company for 2012 and the first half of 2013;

2. The Board *(Continued)*

Audit Committee *(Continued)*

IV. Considering the report in relation to the execution of continuing connected transactions of the Company for 2012;

V. Considering the report in relation to the audit fees of the Company for 2012;

VI. Considering the proposal for reappointment of SHINEWING (HK) CPA Limited as the Company's domestic and overseas auditor for 2013;

VII. 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)
Wang Zhicheng (appointed as the chairman of the Audit Committee on 17 September 2013)	0/0
Huang Mingyan (appointed as a member of the Audit Committee on 17 September 2013)	0/0
Jiang Ahe (appointed as a member of the Audit Committee on 17 September 2013)	0/0
Xu Xinzhong	2/2
Feng Bing	2/2
Lv Hua (resigned as the chairman and a member of the Audit Committee on 17 September 2013)	2/2
Fu Jiuquan (resigned as a member of the Audit Committee on 17 September 2013)	2/2
Zhong Pengrong (resigned as a member of the Audit Committee on 17 September 2013)	1/2

2. The Board *(Continued)*

Remuneration Committee

During the reporting period, the Remuneration Committee has comprised Mr. Wang Jialu (independent non-executive Director), Mr. Zhang Junhua (executive Director), Mr. Si Yuncong (non-executive Director), Mr. Xu Xinzhong (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu since 17 September 2013. From 1 January 2013 to 17 September 2013, the former Remuneration Committee comprised Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director), Mr. Lv Hua (former independent non-executive Director) and Mr. Guo Mengquan (former non-executive Director), and was formerly chaired by Mr. Wang Jialu.

The Board has formulated the Terms of Reference and Organisation Rules for the Remuneration Committee. 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.

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

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 2013, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2012, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2013. Details of attendance of each member of the Remuneration Committee are as follows:

Director	Meetings of Remuneration Committee (Attendances in person/supposed attendances)
Wang Jialu (chairman of Remuneration Committee)	1/1
Zhang Junhua (appointed as a member of the Remuneration Committee on 17 September 2013)	0/0
Si Yuncong (appointed as a member of the Remuneration Committee on 17 September 2013)	0/0
Xu Xinzhong (appointed as a member of the Remuneration Committee on 17 September 2013)	0/0
Wang Zhicheng (appointed as a member of the Remuneration Committee on 17 September 2013)	0/0
Guo Mengquan (resigned as a member of the Remuneration Committee on 17 September 2013)	1/1
Feng Bing (resigned as a member of the Remuneration Committee on 17 September 2013)	1/1
Lv Hua (resigned as a member of the Remuneration Committee on 17 September 2013)	1/1

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

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 2013 are as follows:

(Unit: RMB'000)

Name	Position	Remuneration and allowance	Directors' fee	Contribution to retirement benefits	Remarks
Guo Mengquan	Executive Director, Chairman	—	—	—	not receiving remuneration from the Company
Zhang Junhua	Executive Director, Vice Chairman	—	—	—	not receiving remuneration from the Company
Si Yuncong	Non-executive Director	—	—	—	not receiving remuneration from the Company
Huang Mingyan	Non-executive Director	—	—	—	not receiving remuneration from the Company
Jiang Ahe	Non-executive Director	—	—	—	not receiving remuneration from the Company
Xu Xinzhong	Independent Non-executive Director	—	100	—	
Feng Bing	Independent Non-executive Director	—	100	—	
Wang Jialu	Independent Non-executive Director	—	100	—	
Wang Zhicheng	Independent Non-executive Director	—	28.883	—	
Tao Kui	Executive Director, Vice Chairman (resigned on 17 September 2013)	—	—	—	not receiving remuneration from the Company
Niu Xin'an	Non-executive Director (resigned on 17 September 2013)	—	—	—	not receiving remuneration from the Company
Fu Jiuquan	Non-executive Director (resigned on 17 September 2013)	—	—	—	not receiving remuneration from the Company
Zhang Weichuan	Non-executive Director (resigned on 17 September 2013)	—	—	—	not receiving remuneration from the Company
Lv Hua	Independent Non-executive Director (resigned on 17 September 2013)	—	71.258	—	
Zhong Pengrong	Independent Non-executive Director (resigned on 17 September 2013)	—	71.258	—	
Total			471.399	—	

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 proportions 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 general manager of the Company 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the appendix X to the Listing Rules 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 2013 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 2013.

Internal audit

The Company has set up internal audit, 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 2013, all internal audit reports and opinions were submitted to the general manager 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 internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

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;

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

Risk management *(Continued)*

- 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 personnel of such companies.

External auditor and their remunerations

As approved in the annual general meeting held on 18 June 2013, 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 2013, the remuneration of the external auditor amounted to RMB3,100,000, all of which was for audit service and RMB150,000 for non-audit service. The audit fee has been approved by the Audit Committee of the Company and the Board.

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 of each special committee (if he is unable to attend, a member of such committee will be invited) 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 1 March 2013, the extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 17 September 2013, the extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 18 October 2013, the extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 18 June 2013, the 2012 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 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. The 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 to the Board 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 3850 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 the 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 3850) 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 17 September 2013, the Company convened a general meeting, at which the proposal for the amendments to the Articles of Association was approved. The main amendments are as follows:

Original article:

Article 97 The Company shall establish a Board, which shall comprise twelve (12) Directors, including (1) Chairman, one (1) Vice Chairman and ten (10) Directors.

The Board is independent of the controlling organizations (herein meaning those corporations, enterprises or institutions with the status of legal person which control the Company).

The external Directors (herein meaning those Directors who do not hold office in the Company) shall represent more than 50% (including 50%) of the members of the Board, of which two (2) or more shall be Independent Directors (herein meaning those Directors who are independent of the shareholders and do not hold office in the Company).

is revised as:

Article 97 The Company shall establish a Board, which shall comprise nine (9) Directors, including (1) Chairman and one (1) Vice Chairman.

The Board is independent of the controlling organizations (herein meaning those corporations, enterprises or institutions with the status of legal person which control the Company).

The external Directors (herein meaning those Directors who do not hold office in the Company) shall represent 50% or more of the members of the Board, of which two (2) or more shall be Independent Directors (herein meaning those Directors who are independent of the shareholders and do not hold office in the Company).

Interests of Shareholders and investor relations *(Continued)*

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
5 March 2014

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 59 to 173, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013 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 RMB2,965,766,000 and RMB1,566,174,000 respectively as at 31 December 2013 and the Group incurred loss of approximately RMB214,637,000 for the year ended 31 December 2013. 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
5 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
Turnover	8	**2,279,758**	2,645,213
Cost of sales		**(2,214,203)**	(2,744,232)
Gross profit (loss)		**65,555**	(99,019)
Gain on disposal of available-for-sale investment		**221,254**	—
Other operating income	10	**315,805**	87,682
Selling and distribution costs		**(84,465)**	(66,830)
Administrative expenses		**(450,912)**	(522,193)
Other operating expenses		**(5,927)**	(8,883)
Finance costs	11	**(227,029)**	(180,632)
Impairment loss recognised in respect of property, plant and equipment	18	**(22,628)**	(2,349,845)
Share of loss of associates	24	**(26,409)**	(241,296)
Loss before tax		**(214,756)**	(3,381,016)
Income tax credit (expense)	12	**119**	(24,155)
Loss for the year	13	**(214,637)**	(3,405,171)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(19)**	110
Share of exchange reserve of an associate		**(650)**	3,466
Other comprehensive (expense) income for the year		**(669)**	3,576
Total comprehensive expense for the year		**(215,306)**	(3,401,595)

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

YEAR ENDED 31 DECEMBER 2013

	NOTE	**2013** **RMB'000**	2012 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(226,352)**	(1,662,002)
Non-controlling interests		**11,715**	(1,743,169)
		(214,637)	(3,405,171)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(227,021)**	(1,658,426)
Non-controlling interests		**11,715**	(1,743,169)
		(215,306)	(3,401,595)
		RMB	*RMB*
Loss per share (basic and diluted)	17	**(0.1014)**	(0.7445)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**7,753,178**	7,467,134
Properties under development	19	**56,387**	56,358
Investment properties	20	**23,273**	19,136
Leasehold land and land use rights	21	**276,079**	298,816
Intangible assets	22	**277**	1,085
Interests in associates	24	**86,645**	113,904
Available-for-sale investment	25	**—**	24,060
Deposits paid for acquisition of property, plant and equipment		**4,648**	127,479
		8,200,487	8,107,972
Current assets			
Inventories	26	**259,227**	305,172
Trade and bills receivables	27	**637,957**	658,981
Other receivables, deposits and prepayments	28	**993,660**	1,279,068
Tax recoverable		**4,178**	—
Held-to-maturity investments	29	**—**	600,000
Restricted bank balances	30	**61,956**	66,089
Bank balances and cash	31	**821,602**	1,278,852
		2,778,580	4,188,162
Current liabilities			
Trade and bills payables	32	**807,084**	847,119
Other payables and accruals	33	**1,229,097**	1,348,482
Tax payables		**1,125**	9,498
Bank and other borrowings – due within one year	34	**3,481,450**	2,723,490
Termination benefits	35	**191,533**	158,394
Obligations under finance leases	36	**34,057**	66,090
		5,744,346	5,153,073
Net current liabilities		**(2,965,766)**	(964,911)
Total assets less current liabilities		**5,234,721**	7,143,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2013

	NOTES	**2013** **RMB'000**	2012 RMB'000
Capital and reserves			
Share capital	37	**2,232,349**	2,232,349
Other reserves	38	**1,339,514**	1,340,250
Accumulated losses		**(3,592,325)**	(3,365,921)
Equity attributable to owners of the Company		**(20,462)**	206,678
Non-controlling interests		**1,373,587**	1,435,337
Total equity		**1,353,125**	1,642,015
Non-current liabilities			
Bank and other borrowings – due after one year	34	**3,263,300**	4,893,643
Deferred income	39	**571,862**	559,831
Termination benefits	35	**38,723**	6,117
Obligations under finance leases	36	**—**	33,430
Deferred tax liabilities	40	**7,711**	8,025
		3,881,596	5,501,046
		5,234,721	7,143,061

The consolidated financial statements on pages 59 to 173 were approved and authorised for issue by the board of directors on 5 March 2014 and are signed on its behalf by:

Guo Mengquan	**Jiang Ahe**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**481,982**	476,704
Intangible assets	22	**160**	210
Investments in subsidiaries	23	**1,453,255**	1,662,450
Investments in associates	24	**89,654**	115,540
Deposits paid for acquisition of property, plant and equipment		**57**	43,753
		2,025,108	2,298,657
Current assets			
Inventories	26	**40,446**	41,851
Trade and bills receivables	27	**176,852**	184,120
Other receivables, deposits and prepayments	28	**119,657**	268,208
Tax recoverable		**3,140**	—
Restricted bank balances	30	**—**	20,742
Bank balances and cash	31	**35,183**	135,237
		375,278	650,158
Current liabilities			
Trade and bills payables	32	**454,856**	265,748
Other payables and accruals	33	**256,995**	1,029,001
Bank and other borrowings – due within one year	34	**1,095,140**	761,000
Termination benefits	35	**100,404**	76,414
Obligations under finance leases	36	**34,057**	66,090
		1,941,452	2,198,253
Net current liabilities		**(1,566,174)**	(1,548,095)
Total assets less current liabilities		**458,934**	750,562

STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2013

	NOTES	**2013 RMB'000**	2012 RMB'000
Capital and reserves			
Share capital	37	**2,232,349**	2,232,349
Other reserves	38	**797,511**	797,511
Accumulated losses		**(2,840,842)**	(2,678,822)
Total equity		**189,018**	351,038
Non-current liabilities			
Bank and other borrowings – due after one year	34	**250,000**	350,000
Deferred income	39	**12,155**	11,127
Termination benefits	35	**3,159**	365
Obligations under finance leases	36	**—**	33,430
Deferred tax liabilities	40	**4,602**	4,602
		269,916	399,524
		458,934	750,562

Guo Mengquan	**Jiang Ahe**
Director	*Director*

	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						
Exchange differences arising on translation	—	110	—	110	—	110
Share of exchange reserve of an associate	—	3,466	—	3,466	—	3,466
Other comprehensive income for the year	—	3,576	—	3,576	—	3,576
Total comprehensive income (expenses) for the year	—	3,576	(1,662,002)	(1,658,426)	(1,743,169)	(3,401,595)
Capital contribution from non-controlling interests of 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 CHANGES IN EQUITY (Continued)

YEAR ENDED 31 DECEMBER 2013

	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 2013	**2,232,349**	**1,340,250**	**(3,365,921)**	**206,678**	**1,435,337**	**1,642,015**
(Loss) profit for the year	—		(226,352)	(226,352)	11,715	(214,637)
Other comprehensive expense	—					
Exchange differences arising on translation	—	(19)	—	(19)	—	(19)
Share of exchange reserve of an associate	—	(650)	—	(650)	—	(650)
Other comprehensive expense for the year	—	(669)	—	(669)	—	(669)
Total comprehensive (expense) income for the year	—	(669)	(226,352)	(227,021)	11,715	(215,306)
Release on deregistration of a subsidiary	—	(67)	—	(67)	(70,796)	(70,863)
Dividend paid to non-controlling interest of a subsidiary	—	—	(52)	(52)	(2,669)	(2,721)
At 31 December 2013	**2,232,349**	**1,339,514**	**(3,592,325)**	**(20,462)**	**1,373,587**	**1,353,125**

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(214,756)**	(3,381,016)
Adjustments for:		
Allowance for doubtful debts of trade and other receivables	**4,355**	11,169
Allowance for inventories	**13,593**	85,308
Amortisation of deferred income on government grants received	**(37,321)**	(23,100)
Amortisation of leasehold land and land use rights and intangible assets	**5,620**	5,843
Cash-settled share-based payments expense	**645**	1,540
Depreciation for property, plant and equipment and investment properties	**125,201**	136,630
Gain on disposal of leasehold land and land use rights	**(17,025)**	—
Dividend income from available-for-sale investment	**(6,109)**	(3,164)
Finance costs	**227,029**	180,632
Gain on disposal of property, plant and equipment	**(40,550)**	(18,337)
Gain on disposal of available-for-sale investment	**(221,254)**	—
Impairment loss recognised in respect of property, plant and equipment	**22,628**	2,349,845
Bank interest income	**(16,085)**	(20,316)
Interest income from held-to-maturity investments	**(12,025)**	—
Provision for warranty	**6,255**	8,844
Gain on deregistration of a subsidiary	**(1,200)**	—
Reversal of allowance for doubtful debts of trade and other receivables	**(6,373)**	(2,451)
Share of loss of associates	**26,409**	241,296
Operating cash flows before movements in working capital	**(140,963)**	(427,277)
Decrease in inventories	**32,352**	12,359
Decrease (increase) in trade and bills receivables, other receivables, deposits and prepayments	**309,849**	(303,712)
(Decrease) increase in trade and bills payables, other payables and accruals	**(182,123)**	253,772
Increase in termination benefits	**65,745**	153,832
Increase in deferred income	**49,352**	162,977
Cash generated from (used in) operations	**134,212**	(148,049)
Income tax paid	**(12,746)**	(18,705)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**121,466**	(166,754)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(694,152)**	(1,055,457)
Placement of restricted bank balances		**(306,372)**	(335,826)
Distribution to non-controlling shareholders upon deregistration of a subsidiary		**(70,863)**	—
Increase in property under development		**(29)**	—
Deposits paid for acquisition of property, plant and equipment		**—**	(69,128)
Purchases of investment properties		**—**	(1,257)
Purchases of intangible assets		**—**	(1,165)
Acquisition of additional interests in subsidiaries		**—**	(500)
Dividend income from an associate		**200**	160
Dividend income received from available-for-sale investment		**6,109**	3,164
Removal compensation received	19	**—**	12,999
Interest received		**28,110**	20,632
Proceeds from disposal of prepaid lease payments		**33,717**	—
Proceeds from disposal of property, plant and equipment		**356,421**	38,610
Withdrawal of restricted bank balances		**310,505**	374,453
Proceeds from disposal of available-for-sale investment		**245,314**	—
Withdrawal (placement) of held-to-maturity investments		**600,000**	(600,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**508,960**	(1,613,315)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Bank and other borrowings raised	**5,853,300**	3,676,977
Dividends paid to non-controlling interests of subsidiaries	**(2,721)**	(9,807)
Repayments of obligations under finance leases	**(65,463)**	(60,723)
Loan to a non-controlling interests shareholder	**—**	(68,000)
Interest expense paid	**(147,090)**	(410,722)
Repayments of bank and other borrowings	**(6,725,569)**	(2,149,134)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,087,543)**	978,591
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(457,117)**	(801,478)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,278,852**	2,080,334
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(133)**	(4)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**821,602**	1,278,852

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.

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

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 RMB214,637,000 for the year ended 31 December 2013. The Group and the Company had net current liabilities of approximately RMB2,965,766,000 and RMB1,566,174,000 respectively as at 31 December 2013. 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 consolidated financial statements.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
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

* IFRIC represents the International Financial Reporting Interpretation Committee.

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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". 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 have been applied retrospectively, hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

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

In the current year, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised 2011) and HKAS 28 (revised 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (revised 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact on the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee if and only if has (a) power over an investee, (b) exposed, 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. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusion.

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

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time. HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the Group's consolidated statement of financial position and Company's statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on 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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKAS 19	Defined Benefit Plans - Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) * – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July 2014, except as disclosed below. Earlier application is permitted.

3 HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

4 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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 2010-2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

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 2011-2013 Cycle (Continued)

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

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 (Continued)

- 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 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

The effective date of HKFRS 9 is not yet determined. However, earlier application is 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 (e.g. the Group's investment in private equity security classified as available-for-sale investment may have to be measured at fair value at the end of subsequent reporting periods, with changes in fair value being recognised in profit or loss.)

Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that 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)

Amendments to HKAS 32 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 HKAS 32 are effective for annual periods beginning on or after 1 January 2014 with early application permitted and require retrospective application.

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit is catergorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal; and
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied, and require retrospectively application.

The directors of the Company anticipate that the application of the amendments to HKAS 36 may result in additional disclosures being made with regard to the impairment assessment on non-financial assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, 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 goods and services.

Fair value is 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 (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

An associate is an entity over which the Group has significant influence. 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. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the 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 the 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. 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 of disposal) 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.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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 asset) is included in the profit or loss in the period in which the item is derecognised.

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 are 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. Subsequent to the initial recognition, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties and properties under development (Continued)

Leasing (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 each 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).

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. Contributions to these funds are expensed as incurred. 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.

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 profit or loss and other 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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 life and amortisation method are reviewed at the end of each reporting period with the effect 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Financial assets are classified into the following specified categories: 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 other than:

a) those that the entity upon initial recognition designates as at fair value through profit or loss;

b) those that the entity designates as available for sale; and

c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment losses on financial assets below).

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).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale investment

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

Dividends on available-for-sale equity investment is 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 instrument, it is measured at cost less any identified impairment losses at the end of each 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
- 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.

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, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment losses on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the 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 an entity 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 when the financial liabilities are those designated as at fair value through profit or loss on initial recognition.

A financial liability designated as at fair value through profit or loss 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 forms 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 fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 33(2).

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, 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.

The amount recognised as a provision is the 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 the relevant 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.

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

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.

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.

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

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

Held-to-maturity investments

The directors of the Company have reviewed the Group's held-to-maturity investments 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 held-to-mature investments is approximately HK$600,000,000 (2013: nil). Details of this asset are set out in the Note 29.

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 2013, the carrying amounts of the Group's inventories and the Company's inventories are approximately RMB259,227,000 (2012: RMB305,172,000) and RMB40,446,000 (2012: RMB41,851,000) respectively, net of allowance of inventories of RMB31,855,000 (2012: RMB115,497,000) and RMB10,805,000 (2012: RMB28,956,000) respectively.

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

Key sources of estimation uncertainty (Continued)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 7c, 20 and 33 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

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 profit or loss and other comprehensive income.

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.

As at 31 December 2013, 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 RMB7,753,178,000 (2012: RMB7,467,134,000), RMB23,273,000 (2012: RMB19,136,000), RMB56,387,000 (2012: RMB56,358,000) and RMB282,643,000 (2012: RMB303,981,000) respectively, net of accumulated depreciation or amortisation and impairment of RMB4,638,976,000 (2012: RMB4,895,709,000), RMB1,869,000 (2012: RMB2,706,000), nil (2012: nil) and RMB22,882,000 (2012: RMB26,988,000) respectively.

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 2013, the carrying amounts of property, plant and equipment, of the Company are approximately RMB481,982,000 (2012: RMB476,704,000), net of accumulated depreciation and impairment of RMB972,563,000 (2012: RMB1,002,944,000).

During the year ended 31 December 2013, the Group recognised an impairment loss of approximately RMB22,628,000 (2012: RMB2,349,845,000) 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 2013 and 2012.

During the year ended 31 December 2012, the Company recognised an impairment loss of approximately RMB287,322,000 (2013: nil) 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 2013 and 2012.

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.

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 2013, the carrying amounts of Group's interests in associates and the Company's investments in associates are approximately RMB86,645,000 and RMB89,654,000 (2012: RMB113,904,000 and RMB115,540,000) respectively, net of accumulated impairment losses of nil (2012: nil) and RMB343,846,000 (2012: RMB317,960,000) respectively.

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

Key sources of estimation uncertainty (Continued)

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 profit or loss and other 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.

As at 31 December 2013, the Group's carrying amount of trade and bills receivables is approximately RMB637,957,000 (2012: RMB658,981,000), net of allowance for doubtful debts of approximately RMB22,596,000 (2012: RMB21,516,000). The Group's carrying amount of other receivables is approximately RMB49,838,000 (2012: RMB269,867,000), net of allowance for doubtful debts of approximately RMB3,440,000 (2012: RMB6,617,000).

As at 31 December 2013, the Company's carrying amount of trade and bills receivables is approximately RMB176,852,000 (2012: RMB184,120,000), net of allowance for doubtful debts of approximately RMB20,950,000 (2012: RMB18,674,000). The Company's carrying amount of other receivables is approximately RMB118,417,000 (2012: RMB244,855,000), net of allowance for doubtful debts of approximately RMB5,958,000 (2012: RMB5,570,000).

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 profit or loss and other 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 2013, the carrying amount of provision for warranty for the Group and the Company are approximately RMB9,210,000 (2012: RMB3,720,000) and nil (2012: nil) respectively.

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, net of 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% (2012: 90%). 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:

	2013	2012
	RMB'000	*RMB'000*
Total debt (a)	**6,778,807**	7,716,653
Net debt (b)	**5,957,205**	6,437,801
Total equity	**1,353,125**	1,642,015
Total capital (based on total debt) (c)	**8,131,932**	9,358,668
Net capital (based on net debt) (d)	**7,310,330**	8,079,816
Gearing ratio (based on total debt and total capital) *(%)*	**83.4**	82.5
Gearing ratio (based on net debt and net capital) *(%)*	**81.5**	79.7

(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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)				
Trade and bills receivables	**637,957**	658,981	**176,852**	184,120
Other receivables	**49,838**	269,867	**118,417**	244,855
Restricted bank balances	**61,956**	66,089	**—**	20,742
Bank balances and cash	**821,602**	1,278,852	**35,183**	135,237
	1,571,353	2,273,789	**330,452**	584,954
Held-to-maturity investments	**—**	600,000	**—**	—
Available-for-sale investment	**—**	24,060	**—**	—
Financial liabilities				
Other financial liabilities measured at amortised cost				
Trade and bills payables	**807,084**	847,119	**454,856**	265,748
Other payables and accruals	**1,211,388**	1,336,298	**248,496**	1,020,537
Bank and other borrowings	**6,744,750**	7,617,133	**1,345,140**	1,111,000
Obligations under finance leases	**34,057**	99,520	**34,057**	99,520
	8,797,279	9,900,070	**2,082,549**	2,496,805
Financial liabilities at FVTPL (included in other payables)	**8,499**	8,464	**8,499**	8,464

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 or below. 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 profit or loss and other 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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**100,955**	104,861	**9,771**	10,173
Bank balances and cash	**11,977**	58,277	**5,871**	12,243
Bank and other borrowings	**(330,818)**	(578,365)	**—**	—
	(217,886)	(415,227)	**15,642**	22,416

The Group currently does not have foreign currency hedging policy. However, the directors of the Company 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% (2012: 10%) increase and decrease in RMB against USD. 10% (2012: 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 2013, if RMB had strengthened / weakened 10% (2012: 10%) against USD, with all other variables held constant, the Group's loss for the year would have been approximately RMB16,504,000 lower / higher (2012: RMB31,142,000), 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 2013, if RMB had strengthened / weakened 10% (2012: 10%) against USD, with all other variables held constant, the Company's loss for the year would have been approximately RMB1,173,000 higher / lower (2012: RMB1,681,000), 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 directors of the Company 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 variable-rate bank balances (Note 31), variable-rate loans from parent company (Note 34 (v) and Note 44D (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)

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 (2012: 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 points (2012: 100 basis points) 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 RMB41,194,000 (2012: RMB37,006,000) and approximately RMB1,754,000 (2012: RMB2,516,000) respectively. This is mainly attributable to the Group's and Company's exposure to interest rates on its variable-rate bank balances, variable-rate bank and other borrowings and variable-rate obligations under finance leases.

Credit risk

As at 31 December 2013, 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 86% (2012: 68%) of the total trade and bills receivables as at 31 December 2013.

The Company's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 88% (2012: 84%) of the total trade and bills receivables as at 31 December 2013.

For the year ended 31 December 2013, the Group has concentration of credit risk as 3% (2012: 6%) and 6% (2012: 18%) 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 19% (2012: 14%) and 37% (2012: 37%) of total turnover respectively.

7. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

For the year ended 31 December 2013, the Company has concentration of credit risk as 10% (2012: 9%) and 20% (2012: 34%) of the total trade and bills receivables was due from the Company's largest customer from sales of solar photovoltaic products and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 9% (2012: 8%) and 35% (2012: 25%) 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's 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 2013 as the Group and the Company had net current liabilities of approximately RMB2,965,766,000 and approximately RMB1,566,174,000 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.

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.

7. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

The Group

	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 31/12/2013 *RMB'000*
2013					
Trade and bills payables	**807,084**	**—**	**—**	**807,084**	**807,084**
Other payables	**1,211,388**	**—**	**—**	**1,211,388**	**1,211,388**
Bank and other borrowings	**3,683,374**	**4,847,144**	**—**	**8,530,518**	**6,744,750**
Obligations under finance leases	**35,824**	**—**	**—**	**35,824**	**34,057**
	5,737,670	**4,847,144**	**—**	**10,584,814**	**8,797,279**

	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	847,119	—	—	847,119	847,119
Other payables	1,336,298	—	—	1,336,298	1,336,298
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
	5,387,405	5,361,375	257,736	11,006,516	9,900,070

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 31/12/2013 RMB'000
2013					
Trade and bills payables	**454,856**	**—**	**—**	**454,856**	**454,856**
Other payables	**248,496**	**—**	**—**	**248,496**	**248,496**
Bank and other borrowings	**1,105,502**	**308,264**	**—**	**1,413,766**	**1,345,140**
Obligations under finance leases	**35,824**	**—**	**—**	**35,824**	**34,057**
	1,844,678	**308,264**	**—**	**2,152,942**	**2,082,549**

	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	1,020,537	—	—	1,020,537	1,020,537
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
	2,174,462	435,426	—	2,609,888	2,496,805

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 measurement of financial instruments

(i) Fair value of the Group's and Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and 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 assets and financial liabilities are determined. (in particular, the valuation technique(s) and inputs used).

Financial liability	Fair value as at 2013 *RMB'000*	2012 *RMB'000*	Fair value hierarchy	Valuation technique and key inputs
Liabilities for cash-settled share-based payments	**8,499**	8,464	Level 2	Discounted cash flow Future cash flows are estimated based on the management's experience and historical payment record The key inputs are expected volatility (8.82% to 66.01%), expected life (1.5 years), and risk-free rate (0.31% to 1.76%)

There were no transfers into or out in level 2 in both reporting periods.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Group's consolidated financial statements and Company's financial statements approximate their fair values.

The fair values of the financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

8. TURNOVER

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

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

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 2013

	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD glass substrate and display devices production and sales	Solar photovoltaic glass production and sales	CPTs production and sales and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE						
External sales	352,136	1,219,279	152,319	389,145	166,879	2,279,758
Segment (loss) profit	9,986	(29,934)	(126,856)	(92,957)	(103,519)	(343,280)
Unallocated income						194,214
Unallocated expenses						(33,506)
Gain on disposal of available-for-sale investment						221,254
Finance costs						(227,029)
Share of loss of associates						(26,409)
Loss before tax						(214,756)

9. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2012

	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	CPTs production and sales and others RMB'000	Total RMB'000
REVENUE						
External sales	520,064	1,552,654	81,967	171,827	318,701	2,645,213
Segment (loss) profit	28,265	(11,768)	(1,997,407)	(654,709)	(245,823)	(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)

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, depreciation of investment properties, directors' salaries, share of loss of associates, 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:

9. SEGMENT INFORMATION (Continued)

Segment assets

	2013 **RMB'000**	2012 *RMB'000*
Luminous materials production and sales	**496,654**	653,884
Liquid crystal related products production and sales	**325,574**	529,132
TFT-LCD glass substrate and display devices production and sales	**7,220,147**	6,440,194
Solar photovoltaic glass production and sales	**1,795,982**	2,276,372
CPTs production and sales and others	**83,563**	222,208
Total segment assets	**9,921,920**	10,121,790
Unallocated assets	**1,057,147**	2,174,344
Consolidated total assets	**10,979,067**	12,296,134

Segment liabilities

	2013 **RMB'000**	2012 *RMB'000*
Luminous materials production and sales	**222,615**	306,561
Liquid crystal related products production and sales	**219,524**	311,930
TFT-LCD glass substrate and display devices production and sales	**1,389,605**	1,098,987
Solar photovoltaic glass production and sales	**878,816**	999,292
CPTs production and sales and others	**98,074**	179,918
Total segment liabilities	**2,808,634**	2,896,688
Unallocated liabilities	**6,817,308**	7,757,431
Consolidated total liabilities	**9,625,942**	10,654,119

9. SEGMENT INFORMATION (Continued)

Segment liabilities (Continued)

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, tax recoverable, 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.

Other segment information

For the year ended 31 December 2013

	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*	CPTs production and sales and others *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)*	1,899	4,990	517,850	227,928	—	1,380	754,047
Amortisation of leasehold land and land use rights and intangible assets	266	42	—	2,721	2,591	—	5,620
Depreciation of property, plant and equipment	8,717	2,129	68,711	41,398	3,131	—	124,086
Impairment losses recognised in respect of property, plant and equipment	—	2,569	19,795	—	264	—	22,628
Allowance for doubtful debts of trade and other receivables	1,467	8	—	—	2,880	—	4,355
Allowance for inventories	—	2,262	1,599	5,923	3,809	—	13,593
Gain on disposal of property, plant and equipment	—	(230)	—	—	(40,320)	—	(40,550)
Gain on disposal of leasehold land and land use rights	—	—	—	—	(17,025)	—	(17,025)
Reversal of allowance for doubtful debts of trade and other receivables	(698)	(4,723)	—	—	(952)	—	(6,373)
Gain on sales of raw materials, scraps and packaging materials	—	—	(8,274)	(9,394)	(1,119)	—	(18,787)

9. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2013 (Continued)

	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	CPTs production and sales and others RMB'000	Unallocated RMB'000	Total RMB'000
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	—	—	—	—	—	86,645	86,645
Share of loss of associates	—	—	—	—	—	26,409	26,409
Interest income from held–to-maturity investments	—	—	—	—	—	(12,025)	(12,025)
Bank interest income	(315)	—	—	(1,119)	(14,651)	—	(16,085)
Finance costs	23,119	8,613	39,731	2,973	—	152,593	227,029
Income tax expenses (credit)	156	124	85	(484)	—	—	(119)
Addition to properties under development	—	—	—	—	—	29	29
Depreciation of investment properties	—	—	—	—	—	1,115	1,115

9. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2012

	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*	CPTs production and sales and others *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)*	2,880	11,075	1,071,644	688,217	7,708	2,422	1,783,946
Amortisation of leasehold land and land use rights and intangible assets	258	—	623	2,720	2,053	189	5,843
Depreciation of property, plant and equipment	8,977	2,214	74,019	46,084	3,679	—	134,973
Impairment losses recognised in respect of 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	5,948	3,645	572	—	1,004	—	11,169
Allowance for inventories	8,360	49	9,476	28,120	39,303	—	85,308
Gain on disposal of property, plant and equipment	—	—	(272)	—	(18,065)	—	(18,337)
Reversal of allowance for doubtful debts of trade and other receivables	(1,776)	—	—	—	(675)	—	(2,451)
Loss (gain) on sales of raw materials, scraps and packaging materials	(41)	(77)	(368)	607	3,814	—	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
Bank interest income	(1,933)	(496)	—	(3,374)	(14,513)	—	(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 to investment properties	—	—	—	—	—	1,257	1,257
Depreciation of investment properties	—	—	—	—	—	1,657	1,657

Note: Non-current assets excluded properties under development.

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:

	2013 *RMB'000*	2012 *RMB'000*
The PRC (excluding Hong Kong)	**1,952,481**	1,791,934
Hong Kong	**138,269**	237,300
Europe	—	53,132
Other countries	**189,008**	562,847
	2,279,758	2,645,213

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 (2012: one) which individually represented over 10% of the Group's total external sales.

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

	2013 *RMB'000*	2012 *RMB'000*
Customer A[1]	**442,234**	361,628

1 Revenue from production of liquid crystal related products.

10. OTHER OPERATING INCOME

	2013 RMB'000	2012 RMB'000
Gain on disposal of property, plant and equipment	40,550	18,337
Bank interest income	16,085	20,316
Gain on disposal of leasehold land and land use rights	17,025	—
Gain on sales of raw materials, scraps and packaging materials	18,787	—
Reversal of allowance for doubtful debts of trade and other receivables	6,373	2,451
Dividend income from available-for-sale investment	6,109	3,164
Interest income from held-to-maturity investments	12,025	—
Rental income *(Note a)*	5,571	10,455
Compensation received *(Note b)*	150,000	—
Amotisation of deferred income on government grants received *(Note 39)*	37,321	23,100
Others	5,959	9,859
	315,805	87,682

Notes:

(a) The direct operating expenses from investment properties that generated rental income amounted to approximately RMB612,000 (2012: RMB1,149,000) for the year ended 31 December 2013.

(b) During the year ended 31 December 2013, the Group had received the reimbursement from CEC, in relation to termination benefits and compensation provide to employees.

11. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
Bank and other borrowings wholly repayable within five years	419,743	365,813
Bank and other borrowings wholly repayable over five years	—	2,628
Discounted trade receivables to banks	4,202	2,046
Obligations under finance leases	5,796	10,765
Amount due to parent company *(Note 44 D (iii))*	45,628	63,012
Total borrowing costs	475,369	444,264
Less: amounts capitalised in the cost of qualifying assets	(248,340)	(263,632)
	227,029	180,632

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.68% (2012: 5.49%) per annum to expenditure on qualifying assets.

12. INCOME TAX (CREDIT) EXPENSE

	2013 **RMB'000**	2012 *RMB'000*
PRC Enterprise Income Tax		
Current tax	**—**	19,325
Under provision in prior years	**195**	5,145
	195	24,470
Deferred tax liabilities *(Note 40)*	**(314)**	(315)
Income tax (credit) expense	**(119)**	24,155

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 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.

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 2013 and 2012, 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. 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% since then.

12. INCOME TAX (CREDIT) EXPENSE (Continued)

The income tax (credit) expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and comprehensive income as follows:

	2013 ***RMB'000***	2012 *RMB'000*
Loss before tax	**(214,756)**	(3,381,016)
Tax calculated at the statutory tax rate of 25% (2012: 25%)	**(53,689)**	(845,254)
Tax effect of share of loss of associates	**6,603**	60,324
Tax effect of expenses not deductible for tax purpose	**13,719**	3,407
Tax effect of income not taxable for tax purposes	**(45,305)**	(747)
Effect of tax exemptions granted to PRC subsidiaries	**—**	(1,039)
Tax effect of tax losses not recognised	**68,447**	190,671
Utilisation of tax losses previously not recognised	**—**	(867)
Under provision in prior years	**195**	5,145
Tax effect of deductible temporary differences not recognised	**9,911**	612,515
Income tax (credit) expense	**(119)**	24,155

Details of deferred taxation are shown in Note 40.

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2013 ***RMB'000***	2012 *RMB'000*
Cost of inventories recognised as an expense	**2,201,150**	2,658,924
Depreciation for property, plant and equipment	**124,086**	134,973
Depreciation for investment properties	**1,115**	1,657
Amortisation of leasehold land and land use rights	**4,646**	4,893
Amortisation of intangible assets	**974**	950
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**4,355**	11,169
Research and development costs recognised as an expense	**9,852**	18,815
Allowance for inventories (included in cost of sales)	**13,593**	85,308
Operating lease rentals in respect of leasehold land and land use rights	**18,329**	19,992
Operating lease rentals in respect of property, plant and equipment	**33,559**	42,140
Net foreign exchange losses	**2,256**	3,157
Provision for warranty *(Note 33 (i))*	**6,255**	8,844
Cash-settled share-based payments expense *(Note 33 (ii))*	**645**	1,540
Auditor's remuneration	**3,100**	3,100
Share of tax of associates (included in share of loss of associates)	**13**	338

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

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

(i) The emoluments of each director, chief executive, supervisor and senior management for the year ended 31 December 2013 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Retirement benefit contributions *RMB'000*	Performance-linked salary (Note) *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Guo Mengquan (Chief Executive) *(note 1)*	—	—	—	—	—
Mr. Tao Kui *(note 2)*	—	—	—	—	—
Mr. Zhang Junhua	—	—	—	—	—
Non-executive directors					
Mr. Si Yuncong *(note 3)*	—	—	—	—	—
Mr. Huang Mingyan *(note 3)*	—	—	—	—	—
Mr. Jiang Ahe *(note 3)*	—	—	—	—	—
Mr. Niu Xinan *(note 2)*	—	—	—	—	—
Mr. Fu Jiuquan *(note 2)*	—	—	—	—	—
Mr. Zhang Weichuan *(note 2)*	—	—	—	—	—
Independent non-executive directors					
Mr. Lv Hua *(note 2)*	**71**	—	—	—	**71**
Mr. Zhong Pengrong *(note 2)*	**71**	—	—	—	**71**
Mr. Xu Xinzhong	**100**	—	—	—	**100**
Mr. Feng Bing	**100**	—	—	—	**100**
Mr. Wang Jialu	**100**	—	—	—	**100**
Mr. Wang Zhicheng *(note 3)*	**29**	—	—	—	**29**

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

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

(i) The emoluments of each director, chief executive, supervisor and senior management for the year ended 31 December 2013 are set out below: (Continued)

Name	Fee	Salaries and allowance	Retirement benefit contributions	Performance-linked salary (Note)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors					
Ms. Wang Qi *(note 4)*	—	—	—	—	—
Mr. Fu Yusheng *(note 2)*	—	169	18	—	187
Mr. Tang Haobao	—	249	27	—	276
Mr. Sun Haiying	—	80	—	—	80
Ms. Wu Xiaoguang	—	80	—	—	80
Mr. Zhang Heping *(note 3)*	—	28	9	—	37
Mr. Zhu Yiming *(note 3)*	—	—	—	—	—
Senior management					
Mr. Zhang Chunning *(note 2)*	—	252	18	—	270
Mr. Zho Changfu	—	273	27	—	300
Mr. Chu Xiaohang	—	198	27	—	225
Mr. Lam Chun Lung	—	22	—	—	22
Mr. Ma Jianchao	—	259	27	—	286
Mr. Hong Yuan *(note 3)*	—	31	—	—	31
Ms. Han Bin *(note 3)*	—	58	9	—	67
	471	1,699	162	—	2,332

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

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

(i) The emoluments of each director, chief executive, 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 (Chief Executive)	—	—	—	—	—
Mr. Zhang Junhua	—	—	—	88	88
Non-executive directors					
Mr. Guo Mengquan	—	—	—	—	—
Mr. Niu Xinan	—	—	—	—	—
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

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

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

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

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Retirement benefit contributions *RMB'000*	Performance-linked salary (Note) *RMB'000*	Total *RMB'000*
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

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, 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 (2013: nil).

During the year ended 31 December 2013, all executive and non-executive directors (2012: except for Mr. Zhang Junhua) emoluments are borne by IRICO Group Corporation. 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.

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

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

The cash-settled share-based payments expense of each director, supervisor and senior management for the year ended 31 December 2013 and 2012 are set out below:

Name	2013 RMB'000	2012 RMB'000
Executive directors		
Mr. Guo Mengquan *(note 1)*	**40**	124
Mr. Tao Kui *(note 2)*	**40**	164
Mr. Xing Daoqin*	**70**	216
Mr. Zhang Junhua	**53**	164
Non-executive directors		
Mr. Niu Xinan *(note 2)*	**30**	124
Mr. Fu Jiuquan *(note 2)*	**35**	144
Mr. Zhang Weichuan *(note 2)*	**45**	124
Supervisors		
Mr. Fu Yusheng *(note 2)*	**15**	62
Mr. Tang Haobao	**20**	62
Senior management		
Mr. Zhang Chunning *(note 2)*	**23**	92
Mr. Zho Changfu	**30**	92
Mr. Chu Xiaohang	**18**	57
Mr. Ma Jianchao	**20**	62
	439	1,487

* 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.

Notes:

(1) Re-designated as executive director from non-executive director on 17 September 2013.

(2) Resigned on 17 September 2013.

(3) Appointed on 17 September 2013.

(4) Resigned on 5 July 2013.

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

(b) Five highest paid individuals

During the year 2013, the five individuals whose emoluments were the highest in the Group for the year include three senior management and two supervisors (2012: three senior management and two supervisors) 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 2013 and 2012, no directors, chief executive, 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, chief executive, 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', CHIEF EXECUTIVE'S, SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	2013	2012
	RMB'000	*RMB'000*
Wages and salaries	**263,870**	310,435
Retirement benefit contributions		
— pension obligations *(Note)*	**39,113**	44,600
— one-off termination benefits	**3,918**	8,592
— early retirement benefits *(Note 35)*	**53,354**	157,835
Welfare and social security costs	**78,333**	90,255
Cash-settled share-based payments expense	**206**	53
	438,794	611,770

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% (2012: 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 2013, the amount of RMB39,275,000 (2012: RMB44,738,000) of retirement benefit contributions was recognsied to profit and loss.

16. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2013, nor has any dividend been proposed since the end of the reporting period (2012: 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 2013 and 2012.

	2013	2012
Loss for the year attributable to owners of the Company *(RMB'000)*	**(226,352)**	(1,662,002)
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 2013 and 2012.

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 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)	—
Reclassification 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 and 1 January 2013	1,554,439	1,747,959	712,918	753,774	111,702	7,482,051	12,362,843
Additions	5,831	10,657	—	1,516	1,374	734,669	754,047
Reclassification upon completion	132,509	123,002	72,727	247,709	10,702	(586,649)	—
Transferred to intangible assets	—	—	—	—	—	(166)	(166)
Reclassification to investment properties	(8,514)	—	—	—	—	—	(8,514)
Reclassification from investment properties	1,490	—	—	—	—	—	1,490
Disposals	(403,798)	(108,149)	(53,810)	(143,932)	(7,565)	(292)	(717,546)
At 31 December 2013	1,281,957	1,773,469	731,835	859,067	116,213	7,629,613	12,392,154

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group (Continued)

	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
DEPRECIATION AND IMPAIRMENT							
At 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 disposals	(10,647)	(285,814)	(76,152)	(248,152)	(2,313)	—	(623,078)
At 31 December 2012 and 1 January 2013	371,938	1,635,254	632,440	43,181	76,717	2,136,179	4,895,709
Depreciation charged for the year	37,912	15,902	19,631	41,780	8,861	—	124,086
Impairment loss recognised for the year	2,062	—	—	4,116	—	16,450	22,628
Eliminated upon reclassified to investment properties	(1,772)	—	—	—	—	—	(1,772)
Eliminated on disposals	(221,016)	(89,642)	(23,379)	(64,383)	(3,255)	—	(401,675)
At 31 December 2013	189,124	1,561,514	628,692	24,694	82,323	2,152,629	4,638,976
CARRYING VALUES							
At 31 December 2013	1,092,833	211,955	103,143	834,373	33,890	5,476,984	7,753,178
At 31 December 2012	1,182,501	112,705	80,478	710,593	34,985	5,345,872	7,467,134

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 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 and 1 January 2013	463,405	549,760	264,543	43,904	158,036	1,479,648
Additions	10,193	9,497	675	—	29,034	49,399
Disposals	(23,100)	(8,637)	(40,913)	(1,852)	—	(74,502)
At 31 December 2013	450,498	550,620	224,305	42,052	187,070	1,454,545
DEPRECIATION AND IMPAIRMENT						
At 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 disposals	(74,716)	(23,219)	(35,373)	(1,149)	—	(134,457)
At 31 December 2012 and 1 January 2013	366,346	509,076	42,889	35,617	49,016	1,002,944
Depreciation charged for the year	8,777	15,680	8,059	2,490	—	35,006
Eliminated on disposals	(19,594)	(5,981)	(38,691)	(1,121)	—	(65,387)
At 31 December 2013	355,529	518,775	12,257	36,986	49,016	972,563
CARRYING VALUES						
At 31 December 2013	94,969	31,845	212,048	5,066	138,054	481,982
At 31 December 2012	97,059	40,684	221,654	8,287	109,020	476,704

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 RMB83,322,000 (2012: RMB86,180,000), RMB211,000 (2012: RMB268,000) and RMB40,553,000 (2012: RMB48,525,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The Company's depreciation charge of approximately RMB22,775,000 (2012: RMB28,503,000), RMB28,000 (2012: RMB36,000) and RMB12,203,000 (2012: RMB15,272,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The Group's buildings comprise:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Buildings situated on the land located in the PRC:		
— between 10 to 50 years	**1,088,640**	1,182,501

The official property title certificates of the Group's buildings with carrying value of approximately RMB746,502,000 (2012: RMB869,713,000) 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.

As at 31 December 2013, bank borrowings of the Group amounting to approximately RMB3,056,859,000 (2012: RMB3,312,542,000) are secured by the Group's buildings and machineries with the carrying value of approximately RMB2,131,098,000 (2012: RMB977,805,000) (Note 34(i)).

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group

During the year ended 31 December 2013, 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 RMB2,062,000 (2012: RMB49,590,000), nil (2012: RMB187,870,0000), nil (2012: RMB90,110,000) and RMB4,116,000 (2012: RMB157,353,000), nil (2012: RMB105,000) and RMB16,450,000 (2012: RMB1,864,817,000) had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013 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 2013 and 2012, 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 8.91% to 10.78% (2012: 8.82% to 10.17%), approved by senior management, depending on the management's expectation on the period the assets could generate further income.

As at 31 December 2013, the Group's machinery for electronics production, machinery for glass production, other machinery and office equipments and others with carrying value of approximately RMB211,955,000 (2012: RMB112,705,000), RMB103,143,000 (2012: RMB80,478,000), RMB824,373,000 (2012: RMB710,593,000) and RMB33,890,000 (2012: RMB34,985,000) includes an amount of approximately RMB28,184,000 (2012: RMB53,699,000), RMB48,467,000 (2012: RMB51,471,000), RMB44,904,000 (2012: RMB64,238,000) and RMB2,850,000 (2012: RMB3,454,000) respectively in respect of assets held under finance leases.

During the year ended 31 December 2013, the Group has disposed certain buildings with carrying amount of approximately RMB141,809,000 to Xianyang China Electronics Irico Group Holdings Limited, an indirect wholly-owned subsidiary of CEC, at a consideration of approximately RMB214,533,000.

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

During the year ended 31 December 2012, the Company had recognised impairment losses of approximately RMB105,323,000 (2013: nil), RMB84,253,000 (2013: nil), RMB48,730,000 (2013: nil) and RMB49,016,000 (2013: nil) in the statement of profit or loss and other comprehensive income 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.

As at 31 December 2013, the Company's machinery for electronics production, machinery for glass production, other machinery and office equipments and others with carrying value of approximately RMB94,969,000 (2012: RMB97,059,000), RMB31,845,000 (2012: RMB40,684,000), RMB212,048,000 (2012: RMB221,654,000) and RMB5,066,000 (2012: RMB8,287,000) includes an amount of approximately RMB28,184,000 (2012: RMB53,699,000), RMB48,467,000 (2012: RMB51,471,000), RMB44,904,000 (2012: RMB64,238,000) and RMB2,850,000 (2012: RMB3,454,000) 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 2013, no properties under development are expected to be realised within the next twelve months from the end of the reporting year.

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 2013 and 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 2013 and 2012.

20. INVESTMENT PROPERTIES

The Group

	RMB'000
COST	
At 1 January 2012	60,430
Additions	1,257
Reclassification to properties under development	(39,845)
At 31 December 2012 and 1 January 2013	21,842
Reclassification to property, plant and equipment	(3,442)
Reclassification from property, plant and equipment	6,742
At 31 December 2013	25,142
DEPRECIATION	
At 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 and 1 January 2013	2,706
Eliminated upon reclassified to property, plant and equipment	(1,952)
Depreciation charged for the year	1,115
At 31 December 2013	1,869
CARRYING VALUES	
At 31 December 2013	23,273
At 31 December 2012	19,136

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

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 (2013: 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 have been included in the properties under development as the cost of construction.

20. INVESTMENT PROPERTIES (Continued)

As at 31 December 2013 and 2012, 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. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	The Group	
	Level 2	Fair value as at 31 December 2013
	RMB'000	*RMB'000*
Properties located in the PRC	**23,273**	23,273

The valuation technique used in the valuating the investment properties is direct comparison method. Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.

The carrying amounts of investment properties comprise:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Buildings situated on the land located in the PRC:		
— between 10 to 50 years	**23,273**	19,136

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 2012	353,261
Reclassification to properties under development	(22,292)
At 31 December 2012 and 1 January 2013	330,969
Disposals	(25,444)
At 31 December 2013	305,525
AMORTISATION	
At 1 January 2012	22,986
Provided for the year	4,893
Elimination upon reclassified to properties under development	(891)
At 31 December 2012 and 1 January 2013	26,988
Provided for the year	4,646
Elimination upon disposals	(8,752)
At 31 December 2013	22,882
CARRYING VALUES	
At 31 December 2013	282,643
At 31 December 2012	303,981

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

	2013 **RMB'000**	2012 *RMB'000*
Leasehold land located in the PRC between 10 to 50 years:	**282,643**	303,981
Analysed for reporting purposes as:		
— current asset (included in other receivables, deposits and prepayments)	**6,564**	5,165
— non-current asset	**276,079**	298,816
	282,643	303,981

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 (2013: 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 have been included in the properties under development as the cost of construction.

As at 31 December 2013, bank borrowings of the Group amounting to approximately RMB3,056,859,000 (2012: RMB3,312,542,000) and other borrowings of the Group amounting to approximately RMB50,000,000 (2012: RMB50,000,000) are secured by the Group's leasehold land and land use rights with the carrying value of approximately RMB156,943,000 (2012: RMB136,017,000) (Note 34(i) and Note 34(iii)).

22. INTANGIBLE ASSETS

The Group

	Licences for technical knowledge *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
COST			
At 1 January 2012	367,175	3,419	370,594
Additions	113	1,052	1,165
At 31 December 2012 and 1 January 2013	367,288	4,471	371,759
Transferred from construction in progress	—	166	166
At 31 December 2013	367,288	4,637	371,925
AMOTISATION			
At 1 January 2012	366,375	3,349	369,724
Provided for the year	442	508	950
At 31 December 2012 and 1 January 2013	366,817	3,857	370,674
Provided for the year	442	532	974
At 31 December 2013	367,259	4,389	371,648
CARRYING VALUES			
At 31 December 2013	29	248	277
At 31 December 2012	471	614	1,085

22. INTANGIBLE ASSETS (Continued)

The Company

	Licences for technical knowledge *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
COST			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	80,824	3,013	83,837
AMOTISATION			
At 1 January 2012	80,564	2,956	83,520
Provided for the year	50	57	107
At 31 December 2012 and 1 January 2013	80,614	3,013	83,627
Provided for the year	50	—	50
At 31 December 2013	80,664	3,013	83,677
CARRYING VALUES			
At 31 December 2013	160	—	160
At 31 December 2012	210	—	210

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 RMB670,000 (2012: RMB646,000) has been included in cost of sales and approximately RMB304,000 (2012: RMB304,000) has been included in the administrative expenses.

The Company's amortisation of approximately RMB50,000 (2012: RMB50,000) has been included in cost of sales and nil (2012: RMB57,000) 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

	2013 RMB'000	2012 RMB'000
Investments, at cost :		
Shares in a listed company in the PRC	**553,636**	552,831
Unlisted equity interest	**1,291,928**	1,501,928
Less: impairment loss on unlisted equity investments	**(392,309)**	(392,309)
	1,453,255	1,662,450
Market value of listed shares in the PRC	**1,356,113**	906,065

As at 31 December 2013, the Group's shares in a listed company in the PRC represent a 22.40% (2012: 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 RMB1,356,113,000 (2012: RMB906,065,000) and RMB1,973,383,000 (2012: RMB1,936,426,000) respectively.

As at 31 December 2013 and 2012, 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: Directly	Indirectly	Principal activities
A Share Company	RMB736,757,688	22.40% (2012: 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 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.	RMB 1,023,000,000	—	97.75%	Development of advanced thin film TFT-LCD glass substrate production line project
IRICO (Heifei) Photovoltaic Co., Ltd.	RMB405,000,000 *(Note (ii))*	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.	RMB 1,820,000,000	—	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%	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
IRICO Group Electronics (Hong Kong) Company Limited	HK$260,000	100%	—	Investment holding
Shaanxi IRICO Electronics Glass Company Limited	RMB 3,984,357,537	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

23. INVESTMENTS IN SUBSIDIARIES (Continued)

Except for A Share Company had issued debt securities amounted to RMB800,000,000 during the year ended 31 December 2012 (2013: nil) 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. During the year ended 31 December 2013, RMB800,000,000 debt securities redeemed on maturity date.

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.

During the year ended, the Group has acquired RMB234,798 share capital in A Share Company from an independent third party, the equity interest held by the Group increased from 22.36% to 22.40%.

(ii) 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 approximately RMB100,000,000 (Note 34 (iii)).

On 5 December 2013, the pledged 70,000,000 unrestricted tradable shares in A Share Company to CFET was released.

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of incorporation and principal place of business	Proportion ownership interest and voting power held by the non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
					RMB'000	*RMB'000*	*RMB'000*
A Share Company	PRC	**77.60%**	77.64%	**23,297**	(1,743,719)	**1,374,572**	1,424,586
Individually immaterial subsidiaries with non-controlling interests				**(636)**	550	**9,961**	10,751
				22,661	(1,743,169)	**1,384,533**	1,435,337

23. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 31 December 2013, A Share Company is listed on the stock exchange of Shanghai Stock Exchange of the PRC. Although the Group has only 22.40% (2012: 22.36%) ownership in A Share Company, the directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of A Share Company on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by other shareholders. The 77.60% ownership interests in A Share Company are owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 1%.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

A Share Company	**2013** *RMB'000*	2012 *RMB'000*
Current assets	**914,963**	1,265,546
Non-current assets	**6,428,754**	6,837,386
Current liabilities	**(2,236,080)**	(1,527,345)
Non-current liabilities	**(3,134,254)**	(4,539,161)
Equity attributable to owners of the Company	**598,811**	511,840
Non-controlling interests	**1,374,572**	1,424,586

A Share Company	**2013** *RMB'000*	2012 *RMB'000*
Turnover	**213,839**	212,512
Expenses	**(183,833)**	(2,458,415)
Profit (loss) for the year	**30,006**	(2,245,903)
Profit (loss) attributable to owners of the Company	**6,709**	(502,184)
Profit (loss) attributable to non-controlling interests	**23,297**	(1,743,719)
Profit (loss) for the year and total comprehensive income (expense) for the year	**30,006**	(2,245,903)
Net cash inflow (outflow) from operating activities	**198,469**	(64,894)
Net cash inflow (outflow) from investing activities	**604,806**	(1,447,543)
Net cash (outflow) inflow from financing activities	**(989,421)**	933,591
Net cash outflow	**(186,146)**	(578,846)

24. INTERESTS IN ASSOCIATES / INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of investment in associates – unlisted equity interests in the PRC	**435,100**	435,100	**433,500**	433,500
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(348,455)**	(321,196)	**—**	—
	86,645	113,904	**433,500**	433,500
Less: provision for impairment loss on investments in associates	**—**	—	**(343,846)**	(317,960)
	86,645	113,904	**89,654**	115,540

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 2013 and 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 RMB25,886,000 was recognised for the year ended 31 December 2013 (2012: RMB317,960,000).

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

As at 31 December 2013 and 2012, the Group had interests in the following associates, all of which were established and operated in the PRC.

Name	Registered / paid in capital *RMB'000*	Proportion ownership interest and voting power held by the Company		Principal activities
		Directly	Indirectly	
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	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.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Information of the associates that are not individually material, the aggregated financial information of associates is summarised as below:

	2013 *RMB'000*	2012 *RMB'000*
The Group's share of loss for the year	**(26,409)**	(241,296)
The Group's share of other comprehensive (expense) income for the year	**(650)**	3,466
The Group's share of loss for the year and total comprehensive expense for the year	**(27,059)**	(237,830)
Carrying amount of the Group's interests in the associates	**86,645**	113,904

25. AVAILABLE-FOR-SALE INVESTMENT

The Group

	2013	2012
	RMB'000	*RMB'000*
Unlisted investments	—	30,000
Impairment loss	—	(5,940)
	—	24,060

As at 31 December 2012, 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 as at 31 December 2012 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.

During the year ended 31 December 2013, the Group has disposed of the entire equity interests in WTI to IRICO Group at a consideration of approximately RMB245,314,000.

26. INVENTORIES

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**75,568**	141,789	**6,783**	30,199
Work in progress	**21,879**	41,352	**—**	593
Finished goods	**160,831**	225,355	**32,989**	38,858
Consumables	**32,804**	12,173	**11,479**	1,157
	291,082	420,669	**51,251**	70,807
Allowance of inventories	**(31,855)**	(115,497)	**(10,805)**	(28,956)
	259,227	305,172	**40,446**	41,851

27. TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
— third parties	**455,850**	456,592	**155,361**	169,652
— related parties *(Note 44G)*	**34,956**	69,923	**20,697**	14,935
— subsidiaries of the Company	**—**	—	**—**	2,401
	490,806	526,515	**176,058**	186,988
Less: allowance for doubtful debts	**(22,596)**	(21,516)	**(20,950)**	(18,674)
Trade receivables – net	**468,210**	504,999	**155,108**	168,314
Trade bills receivables				
— third parties	**169,747**	153,951	**21,744**	15,806
— related parties *(Note 44G)*	**—**	31	**—**	—
	169,747	153,982	**21,744**	15,806
Total trade and bills receivables	**637,957**	658,981	**176,852**	184,120

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.

27. TRADE AND BILLS RECEIVABLES (Continued)

The Group allows an average credit period of 90 days (2012: 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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 to 90 days	**530,485**	473,347	**151,075**	124,511
91 to 180 days	**96,528**	152,154	**18,521**	52,979
181 to 365 days	**8,950**	24,021	**7,118**	6,474
Over 365 days	**1,994**	9,459	**138**	156
	637,957	658,981	**176,852**	184,120

Included in the Group's and the Company's trade receivables are debtors (see below for aged analysis) with aggregate carrying amount of approximately RMB98,220,000 (2012: RMB107,328,000) and RMB61,157,000 (2012: RMB59,209,000) 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.

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
91 to 180 days	**60,881**	73,758	**53,901**	52,579
181 to 365 days	**29,111**	24,021	**7,118**	6,474
Over 365 days	**8,228**	9,459	**138**	156
Total	**98,220**	107,238	**61,157**	59,209

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.

27. TRADE AND BILLS RECEIVABLES (Continued)

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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**21,516**	24,680	**18,674**	21,724
Impairment losses recognised on trade receivables	**2,284**	7,057	**2,669**	358
Written-off	**(79)**	(8,381)	**(79)**	(2,608)
Amounts recovered during the year	**(1,125)**	(1,840)	**(314)**	(800)
At 31 December	**22,596**	21,516	**20,950**	18,674

Included in the allowance for doubtful debts of the Group and the Company are individually impaired trade receivables with an aggregated balance of approximately RMB22,596,000 (2012: RMB21,516,000) and RMB20,950,000 (2012: RMB18,674,000) respectively which have either been placed under liquidation or in severe financial difficulties.

Included in trade receivables are factored debtors amounting to approximately RMB20,686,000 (2012: RMB167,279,000) and nil (2012: nil) 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 2013, the Group and the Company has approximately RMB100,955,000 (2012: RMB104,861,000) and approximately RMB9,771,000 (2012: RMB10,173,000) of trade receivables were denominated in USD respectively while the remaining were denominated in RMB.

27. TRADE AND BILLS RECEIVABLES (Continued)

Transfers of financial assets

The following were the Group's financial assets as at 31 December 2013 that were transferred to banks 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

Trade receivables discounted to bank with full recourse

	2013 ***RMB'000***	2012 *RMB'000*
Carrying amount of transferred assets	**20,686**	161,279
Carrying amount of associated liabilities	**(2,191)**	(111,081)
Net position	**18,495**	50,198

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		**The Company**	
	2013 ***RMB'000***	2012 *RMB'000*	**2013** ***RMB'000***	2012 *RMB'000*
Other receivables	**53,278**	140,795	**42,768**	32,526
Amounts due from subsidiaries	**—**	—	**81,607**	85,120
Amount due from parent company *(Note 44 D (ii))*	**—**	135,689	**—**	132,779
	53,278	276,484	**124,375**	250,425
Less: allowance for doubtful debts	**(3,440)**	(6,617)	**(5,958)**	(5,570)
	49,838	269,867	**118,417**	244,855
Prepayments	**112,276**	149,983	**1,240**	2,879
Value-added tax recoverables	**831,546**	859,218	**—**	20,474
	993,660	1,279,068	**119,657**	268,208

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**6,617**	3,116	**5,570**	5,662
Impairment losses recognised on other receivables	**2,071**	4,112	**388**	—
Amounts recovered during the year	**(5,248)**	(611)	**—**	(92)
At 31 December	**3,440**	6,617	**5,958**	5,570

Included in the allowance for doubtful debts of the Group and the Company are individually impaired other receivables with an aggregated balance of approximately RMB3,440,000 (2012: RMB6,617,000) and RMB5,958,000 (2012: RMB5,570,000) respectively which have been placed in severe financial difficulties.

29. HELD-TO-MATURITY INVESTMENTS

	The Group	
	2013	2012
	RMB'000	*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% per annum, payable monthly, and had matured during period from January 2013 to July 2013. 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.

During the year ended 31 December 2013, the restricted bank balances held by the Company was released.

As at 31 December 2013, the fixed interest rates on restricted bank balances, with maturities from 3 months to 1 year (2012: from 3 months to 1 year), are ranging from 1.91% to 3.08% (2012: 1.91% to 3.08%) per annum.

31. BANK BALANCES AND CASH

	The Group		**The Company**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Time deposits	**26,620**	69,322	**—**	—
Other bank balances and cash	**794,982**	1,209,530	**35,183**	135,237
	821,602	1,278,852	**35,183**	135,237

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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD	**11,997**	58,277	**5,871**	12,243

(b) The effective interest rates on time deposits, with initial terms mature from 90 days to 365 days (2012: 90 days to 365 days), are ranging from 1.91% to 2.86% (2012: 1.71% to 3.08%) per annum.

The effective interest rate on other bank balances was at 0.34% per annum (2012: 0.35%).

(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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables				
— third parties	**549,717**	571,636	**257,584**	87,893
— related parties *(Note 44G)*	**91,271**	39,900	**20,864**	30,288
— subsidiaries of the Company	**—**	—	**168,877**	110,354
	640,988	611,536	**447,325**	228,535
Trade bills payables				
— third parties	**161,096**	234,525	**2,531**	37,213
— related parties *(Note 45G)*	**5,000**	1,058	**5,000**	—
	166,096	235,583	**7,531**	37,213
Total trade and bills payables	**807,084**	847,119	**454,856**	265,748

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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 to 90 days	**509,022**	559,379	**200,110**	150,115
91 to 180 days	**95,152**	114,079	**58,417**	63,218
181 to 365 days	**46,044**	35,977	**130,613**	12,600
Over 365 days	**156,866**	137,684	**65,716**	39,815
	807,084	847,119	**454,856**	265,748

The average credit period on purchases of goods is 90 days (2012: 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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due to parent company (Note 44 D (ii))	**52,614**	101,401	**11,989**	101,401
Loans from parent company *(Note 44 D (iii))*	**20,000**	20,000	**—**	—
Amounts due to subsidiaries	**—**	—	**116,100**	110,256
Provision of warranty *(Note (i))*	**9,210**	3,720	**—**	—
Liabilities for cash-settled share-based payments *(Note (ii))*	**8,499**	8,464	**8,499**	8,464
Others *(Note (iii))*	**1,138,774**	1,214,897	**120,407**	808,880
	1,229,097	1,348,482	**256,995**	1,029,001

Notes:

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

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**3,720**	2,875	**—**	869
Charged to the consolidated statement of profit or loss and other comprehensive income *(Note 13)*	**6,255**	8,844	**—**	2,337
Utilised during the year	**(765)**	(7,999)	**—**	(3,206)
At 31 December	**9,210**	3,720	**—**	—

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 2013 and 2012 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 2013, the expiry dates of the outstanding SARs are one and three years for the SARs granted under the 2008 Scheme and 2010 Scheme respectively.

No SARs granted during the year ended 31 December 2013.

At 31 December 2013, the Group and the Company has recorded liabilities of approximately RMB8,499,000 (2012: RMB8,464,000) and recorded total expenses of approximately RMB645,000 (2012: RMB1,540,000) for the year then ended. During the year ended 31 December 2013, the total payment for the SARs scheme amounted to RMB RMB610,000 (2012: RMB276,000). 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%, (2012: 8.82% to 66.01%) risk free rates of 0.31% to 1.76% (2012: 0.31% to 1.76%) and zero dividend yield. At 31 December 2013, the total intrinsic value of the vested SARs of the Group and the Company was approximately RMB821,000 (2012: RMB1,835,000).

(iii) Included in the Group's other payables and accruals is an amount due to a fellow subsidiary of nil (2012: RMB9,000) as at 31 December 2013. The amount is interest-free, unsecured and repayable on demand (Note 44E).

34. BANK AND OTHER BORROWINGS

		The Group		The Company	
		2013	2012	**2013**	2012
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans – secured	(i)	**3,390,812**	3,655,333	**—**	36,000
Bank loans – unsecured	(ii)	**1,298,558**	1,578,300	**239,760**	160,000
Other loans – secured	(iii)	**50,000**	265,000	**—**	215,000
Other loans – unsecured	(iv)	**1,405,380**	200,000	**905,380**	200,000
Bank loans – unguaranteed	(v)	**600,000**	1,118,500	**200,000**	500,000
Debt securities – unsecured	(vi)	**—**	800,000	**—**	—
		6,744,750	7,617,133	**1,345,140**	1,111,000

34. BANK AND OTHER BORROWINGS (Continued)

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount repayable:				
On demand or within one year	**3,481,450**	2,723,490	**1,095,140**	761,000
More than one year, but not exceeding two years	**814,932**	1,515,282	**250,000**	100,000
More than two years, but not more than five years	**2,448,368**	3,130,760	**—**	250,000
More than five years	**—**	247,601	**—**	—
	6,744,750	7,617,133	**1,345,140**	1,111,000
Less: Amounts shown under current liabilities	**(3,481,450)**	(2,723,490)	**(1,095,140)**	(761,000)
Amounts shown under non-current liabilities	**3,263,300**	4,893,643	**250,000**	350,000

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

Notes:

(i) The Group's secured bank loans represented specific loans of RMB100,000,000 (2012: RMB150,000,000) and RMB3,288,621,000 (2012: RMB3,394,252,000) 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 2013, the Group's secured bank borrowings of approximately RMB3,056,859,000 (2012: RMB3,312,542,000) are secured by certain leasehold land and land use rights (Note 21) and buildings and machineries of the Group (Note 18) and in which RMB1,503,872,000 (2012: RMB2,946,710,000) are guaranteed by the parent company. In addition to the above securities, a secured bank borrowing of approximately RMB330,818,000 (2012: RMB195,710,000) are also secured by 800,734,000 (2012: 800,734,000) of the issued shares of the Company held by parent company as at 31 December 2013 and 2012. Included in the secured bank loans are approximately RMB1,503,872,000 (2012: RMB2,946,710,000) are guaranteed by parent company. Included in the secured bank loans are approximately RMB330,818,000 (2012: RMB36,000,000) are secured by certain land and buildings of parent company.

34. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(i) (Continued)

Included in the secured bank loans are advanced from banks of approximately RMB2,191,000 (2012: RMB111,081,000) on discounted trade receivables of approximately RMB20,686,000 (2012: RMB167,279,000) 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 2012, included in the secured bank borrowings of approximately RMB36,000,000 (2013: nil) are secured by certain land and buildings of the parent company.

(ii) The Group's unsecured bank loans represented specific loans of approximately RMB509,920,000 (2012: RMB582,800,000) and RMB125,958,000 (2012: RMB217,500,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass and organic light-emitting diode respectively. Included in the unsecured bank loans are approximately RMB36,000,000 in 2012 (2013: nil) are secured by certain land and buildings of parent company. The remaining balances are used for general working capital of the Group. The unsecured bank loans are guaranteed by parent company, the Company and A Share Company.

(iii) As at 31 December 2013, included in the Group's secured other loans represented a specific loan of approximately RMB50,000,000 (2012: 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).

As at 31 December 2012, included in the Group's and the Company's secured other loans are general loans of approximately RMB215,000,000 (2013: nil) from independent third party financial institutions, in which approximately RMB100,000,000 (2013: nil) are pledged with 70,000,000 unrestricted tradable share in A Share Company, a subsidiary of the Company and approximately RMB115,000,000 (2013: nil) are secured by all 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 in 2012 (2013: nil) of general loan from bank. The remaining balance of the Group's and the Company's unguaranteed bank loans represented entrusted loans from 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 were carried fixed interest at 2.5857% per annum and have been 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.

34. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2013, the Group has approximately RMB333,818,000 (2012: RMB578,365,000) 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 2013 and 2012, 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:

	2013	2012
Effective interest rates:		
Short term bank borrowings at fixed rate	**2.47%–6.65%**	2.38%–6.60%
Short term bank borrowings at floating rate	**6.15%–6.70%**	6.30%–7.22%
Long term bank borrowings at fixed rate	**6.55%–7.53%**	6.15%–8.00%
Long term bank borrowings at floating rate	**3.51%–6.72%**	3.51%–6.72%
Long term other borrowings at floating rate	**5.71%**	5.71%

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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**164,511**	10,679	**76,779**	1,551
Charged to consolidated statement of profit or loss and other comprehensive income *(Note 15)*	**72,128**	157,835	**32,219**	76,441
Payments made during the year	**(6,383)**	(4,003)	**(5,435)**	(1,213)
At 31 December	**230,256**	164,511	**103,563**	76,779
Less: Amounts shown under current liabilities	**(191,533)**	(158,394)	**(100,404)**	(76,414)
Amounts shown under non-current liabilities	**38,723**	6,117	**3,159**	365

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

	2013 **RMB'000**	2012 RMB'000
Analysied for reporting purposes as:		
Current liabilities	**34,057**	66,090
Non-current liabilities	**—**	33,430
	34,057	99,520

The Group had 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 3 years lease term. The carrying amount of the leasehold assets is RMB124,405,000 (2012: RMB172,862,000) as at year ended 31 December 2013.

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 obligations under finance leases for the year ended 31 December 2013 is 7.008% (2012: 7.063%) per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2013 **RMB'000**	2012 RMB'000	**2013** **RMB'000**	2012 RMB'000
Amounts payable under finance leases				
Within one year	**35,824**	71,259	**34,057**	66,090
More than one year but less than two years	**—**	35,824	**—**	33,430
	35,824	107,083	**34,057**	99,520
Less: future finance charges	**(1,767)**	(7,563)	**N/A**	N/A
Present value of obligations under finance leases	**34,057**	99,520		99,520
Less: amount due for settlement with 12 months (shown under current liabilities)			**(34,057)**	(66,090)
Amount due for settlement after 12 months			**—**	33,430

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 2012 and 31 December 2012, 1 January 2013 and 31 December 2013	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 RMB'000 (Note (i))	Statutory surplus reserve RMB'000 (Note (ii))	Merger reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1 January 2012	1,356,368	23,530	(42,414)	(8,198)	1,329,286
Exchange difference arising on translation	—	—	—	110	110
Share of exchange reserve of an associate	—	—	—	3,466	3,466
Other comprehensive expense for the year	—	—	—	3,576	3,576
Acquisition of additional equity interests in subsidiaries	7,388	—	—	—	7,388
At 31 December 2012 and 1 January 2013	**1,363,756**	**23,530**	**(42,414)**	**(4,622)**	**1,340,250**
Exchange difference arising on translation	**—**	**—**	**—**	**(19)**	**(19)**
Share of exchange reserve of an associate	**—**	**—**	**—**	**(650)**	**(650)**
Other comprehensive income for the year	**—**	**—**	**—**	**(669)**	**(669)**
Release on deregistration of a subsidiary	**(67)**	**—**	**—**	**—**	**(67)**
At 31 December 2013	**1,363,689**	**23,530**	**(42,414)**	**(5,291)**	**1,339,514**

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 2012 and 31 December 2012 and 1 January 2013 and 31 December 2013	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 amortised to the consolidated statement of profit or loss and other 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 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 and 1 January 2013	134,687	369,398	23,094	12,462	20,190	559,831
Additions	15,483	32,667	—	1,202	—	49,352
Amortised during the year *(Note 10)*	(4,589)	(26,850)	(790)	(2,879)	(2,213)	(37,321)
At 31 December 2013	145,581	375,215	22,304	10,785	17,977	571,862

The Company

	Government grants related to acquisition of property, plant and equipment *RMB'000*
At 1 January 2012	6,797
Additions	4,800
Amortised during the year	(470)
At 31 December 2012 and 1 January 2013	11,127
Additions	1,458
Amortised during the year	(430)
At 31 December 2013	12,155

40. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2012: 25%) except for certain subsidiaries mentioned in Note 12 which are subject to tax concession to pay income tax at 15% (2012: 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 2012	(8,340)	(4,602)
Credit to the consolidated statement of profit or loss and other comprehensive income	315	—
At 31 December 2012 and 1 January 2013	(8,025)	(4,602)
Credit to the consolidated statement of profit or loss and other comprehensive income	314	—
At 31 December 2013	(7,711)	(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 RMB1,897,433,000 (2012: RMB1,623,645,000) 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 2018 (2012: 2017).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB4,275,413,000 (2012: RMB4,235,769,000). 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. MAJOR NON-CASH TRANSCATIONS

(i) During the year ended 31 December 2012, the secured bank loans obtained from factoring of trade receivables in amount of RMB312,171,000 (2013: nil) 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. The Group does not enter into any other joint operation agreement during the year ended 31 December 2013.

42. 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 2013 and 2012.

42. 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 2013 and 2012.

(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 cases did not have any material impact on the Group's consolidated financial statements for the years ended 31 December 2013 and 2012.

43. COMMITMENTS

Capital expenditure

	The Group		The Company	
	2013	2012	**2013**	2012
	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	**—**	—
— Construction of photovoltaic glass production line	**93,639**	656,049	**—**	125,882
— Construction of LCD glass substrate and display devices production lines	**—**	365,288	**—**	—
	93,639	1,170,253	**—**	125,882
Authorised but not contracted for in the consolidated financial statements in respect of construction of luminous materials production line:	**8,000**	—	**—**	—

43. 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**5,496**	6,381	**4,917**	60,838	**4,869**	6,100	**3,432**	42,946
In the second to fifth years inclusive	**7,654**	12,550	**11,229**	12,133	**7,133**	12,199	**—**	—
	13,150	18,931	**16,146**	72,971	**12,002**	18,299	**3,432**	42,946

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 23.9% (2012: 23.8%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 6 years (2012: next 1 year to 7 years).

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within one year	**4,508**	2,296
In the second to fifth years inclusive	**1,727**	1,829
After five years	**387**	500
	6,622	4,625

44. 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 2013 and 2012 and balances as at 31 December 2013, 31 December 2012 and 1 January 2012 with related party transactions.

The following transactions were carried out with related parties:

A. Sales of goods

	2013	2012
	RMB'000	*RMB'000*
Sales of goods to the IRICO Group (Note)		
— IRICO Group Labor Service Company	**36**	62
— Shaanxi IRICO Photoelectric Materials Co., Ltd	**1,866**	9,709
— Parent company	**1,240**	12,468
— Xianyang IRICO Pyroelectric Co., Ltd.	**51**	127
— IRICO Color Picture Tube General Factory	**113**	425
— Xianyang IRICO Digital Display Co., Ltd.	**3,211**	14,672
— Xianyang Caiqin Electronic Devices Co., Ltd.	**—**	529
— Shanghai Epilight Technology Co., Ltd	**2,366**	1,252
	8,883	39,244
Other state-owned enterprises	**58,478**	47,197

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

44. RELATED-PARTY TRANSACTIONS (Continued)

B. Purchases of goods and provision of services

	2013 **RMB'000**	2012 RMB'000
Purchases of goods from the IRICO Group *(Note (i))*		
— IRICO Group Labor Service Company	**739**	3,491
— Xianyang Cailian Packaging Materials Co., Ltd.	**23,363**	13,076
— Hongyang (Shenzhen) Industrial and Trading Co.	**2,871**	13,469
— Xianyang IRICO Electronic Materials Co., Ltd.	**—**	228
— Xianyang IRICO Digital Display Co., Ltd.	**3,718**	7,033
— Xianyang IRICO Pyroelectric Co., Ltd.	**15**	1
— Shaanxi IRICO Photoelectric Materials Co., Ltd	**40**	22
— Xianyang Caiqin Electronic Devices Co., Ltd	**—**	464
— IRICO Color Picture Tube General Factory	**108**	348
— Rui Bo Electronics (Hong Kong) Co. Ltd.	**1,428**	—
	32,282	38,132
Other state-owned enterprises	**192,487**	193,884
Provision of services from the IRICO Group *(Note (i))*		
— Rental expense to parent company *(Note (ii))*	**38,298**	45,722
— Rental expense to Xianyang Cailian Packaging Materials Co., Ltd.	**400**	400
— Rental expense to Hongyang (Shenzhen) Industrial and Trading Co.	**76**	—
— Trademark license fee to parent company *(Note (iii))*	**654**	729
— Network fee to parent company	**292**	336
— IRICO Hospital	**963**	364
— Utility and other charges to IRICO Color Picture Tube General Factory	**223,366**	223,372
— Utility charges to the utilities plant of the Xianyang IRICO Pyroelectric Co., Ltd.	**534**	1,191
— Miscellaneous charges to IRICO Color Picture Tube General Factory	**1,348**	610
	265,931	272,724
Other state-owned enterprises	**—**	—

44. RELATED-PARTY TRANSACTIONS (Continued)

B. Purchases of goods and provision of services (Continued)

Notes:

(i) Purchases 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 (2012: RMB14.5) per square metre per annum for the use of land use rights and RMB9.5 (2012: RMB RMB9.5) and nil (2012: 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 2013 amounted to approximately RMB38,298,000 (2012: RMB45,722,000).

(iii) License fee for using the trademark owned by 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 2013. On 14 November 2012, the Group entered renewal agreement with IRICO Group for a term of three years up to 31 December 2015.

C. Disposal of assets

(i) During the year ended 31 December 2013, the Group has disposed certain buildings to Xianyang China Electronics Irico Group Holdings Limited, an indirect wholly-owned subsidiary of CEC, at a consideration of approximately RMB214,533,000.

(ii) During the year ended 31 December 2013, the Group has disposed of the entire equity interests in WTI to IRICO Group at a consideration of approximately RMB245,314,000.

D. Balance with parent company

(i) Amount due from parent company

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables, deposits and prepayments				
Parent company	—	135,689	—	132,779

The balance is unsecured, non-interest bearing and repayable on demand. The amount due from parent company was fully settled during the year ended 31 December 2013.

44. RELATED-PARTY TRANSACTIONS (Continued)

D. Balance with parent company (Continued)

(ii) Amount due to parent company

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
Parent company	**52,614**	101,401	**11,989**	101,401

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

(iii) Loans from parent company – Group

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**1,120,000**	820,000
Loan borrowed	**856,000**	700,000
Repayments	**865,628**	(463,012)
Interest expense *(Note 11)*	**45,628**	63,012
At 31 December	**1,156,000**	1,120,000

The loans from 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% (2012: 5.86% to 6.56%) per annum.

(iv) Director's emolument born by parent company

During the year ended 31 December 2013, all the executive and non-executive directors emoluments (2012: except for Mr. Zhang Junhua) were borne by IRICO Group Corporation.

(v) Guarantees granted or assets pledged by parent company

As at 31 December 2013 and 2012, 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 2013, parent company had pledged its 800,734,000 (2012: 800,734,000) equity shares in the Company for certain bank borrowings granted to the Group (Note 34(i)).

44. RELATED-PARTY TRANSACTIONS (Continued)

E. Amount due to a fellow subsidiary

	The Group		The Company	
	2013	2012	**2013**	2012
	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.

F. Key management compensation

	2013	2012
	RMB'000	*RMB'000*
Short-term benefits	**1,699**	899
Post-employment benefits	**162**	138
Performance-linked salary	**—**	1,472
Cash-settled share-based payments expense	**439**	1,487
	2,300	3,996

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.

44. RELATED-PARTY TRANSACTIONS (Continued)

G. Year-end balances arising from sales / purchases of goods / provision of services

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables from related parties				
The IRICO Group				
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	**21,732**	22,909	**7,548**	71
— Shanghai Epilight Technology Co., Ltd.	**—**	3,510	**—**	—
— IRICO Group Labor Service Company	**2**	—	**—**	—
— Parent company	**21**	20	**1**	—
— IRICO Color Picture Tube General Factory	**—**	161	**—**	—
— Xianyang Caiqin Electronic Devices Co., Ltd.	**299**	499	**246**	446
— Hongyang (Shenzhen) Industrial and Trading Co.	**—**	76	**—**	—
— Xianyang IRICO Digital Display Co., Ltd.	**78**	12,955	**78**	8,158
— Rui Bo Electronics (HongKong) Co., Ltd.	**—**	11,672	**—**	—
	22,132	51,802	**7,873**	8,675
Other state-owned enterprises	**12,824**	18,152	**12,824**	6,260
	34,956	69,954	**20,697**	14,935
Representing:				
Trade receivables *(Note 27)*	**34,956**	69,923	**20,697**	14,935
Trade bills receivables *(Note 27)*	**—**	31	**—**	—
	34,956	69,954	**20,697**	14,935

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 2013 and 2012.

44. RELATED-PARTY TRANSACTIONS (Continued)

G. Year-end balances arising from sales / purchases of goods / provision of services (Continued)

	The Group		The Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables from related parties				
The IRICO Group				
— IRICO Group Labor Service Company	**—**	1,394	**—**	4
— Xianyang Cailian Packaging Materials Co., Ltd.	**6,424**	8,420	**556**	7,801
— Hongyang (Shenzhen) Industrial and Trading Co	**3,509**	5,695	**—**	509
— Parent company	**17,120**	2,601	**—**	572
— Shannxi IRICO Photoelectric Materials Co., Ltd.	**—**	60	**—**	10
— Xianyang IRICO Digital Display Co., Ltd	**90**	1,767	**—**	1,169
— IRICO Color Picture Tube General Factory	**28,481**	5	**—**	—
— Xianyang Caiqin Electronice Devices Co., Ltd.	**4,740**	4,740	4,740	4,740
— 咸陽彩虹勞保用品有限公司	**—**	4	**—**	—
— 咸陽彩虹商貿飲食有限公司	**1**	—	**—**	—
— 合肥鑫虹光電科技有限公司	**195**	—	**—**	—
— 中國電子系統工程第三建設有限公司	**14,821**	—	**—**	—
	75,381	24,686	**5,296**	14,805
Other state-owned enterprises	**20,890**	16,272	**20,568**	15,483
	96,271	40,958	**25,864**	30,288
Representing:				
Trade payables *(Note 32)*	**91,271**	39,900	**20,864**	30,288
Trade bills payables *(Note 32)*	**5,000**	1,058	**5,000**	—
	96,271	40,958	**25,864**	30,288

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 2013 and 2012.

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				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Turnover	**2,279,758**	2,645,213	3,270,348	2,717,770	2,097,251
(Loss) profit before tax	**(214,756)**	(3,381,016)	(655,445)	43,982	(1,559,849)
Income tax credit (expenses)	**119**	(24,155)	(27,523)	(5,277)	(4,834)
(Loss) profit before non-controlling interests	**(214,637)**	(3,405,171)	(682,968)	38,705	(1,564,683)
Profit (loss) attributable to non-controlling interests	**11,715**	(1,743,169)	(429,930)	9,630	(451,669)
(Loss) profit attributable to owners of the Company	**(226,352)**	(1,662,002)	(253,038)	29,075	(1,113,014)
Assets, liabilities and non-controlling interests	**21,978,596**	24,385,590	24,780,969	19,574,769	8,912,936
Total assets	**10,979,067**	12,296,134	13,319,388	10,844,522	5,052,153
Total liabilities	**9,625,942**	10,654,119	8,267,210	5,106,823	3,150,959
Non-controlling interests	**1,373,587**	1,435,337	3,194,371	3,623,424	709,824

EXECUTIVE DIRECTORS

Guo Mengquan	Chairman
Zhang Junhua	Vice Chairman

NON-EXECUTIVE DIRECTORS

Si Yuncong
Huang Mingyan
Jiang Ahe

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xu Xinzhong
Feng Bing
Wang Jialu
Wang Zhicheng

AUDIT COMMITTEE

Wang Zhicheng
Huang Mingyan
Jiang Ahe
Xu Xinzhong
Feng Bing

CHIEF FINANCIAL CONTROLLER

Ma Jianchao

COMPANY SECRETARY

Chu Xiaohang

AUTHORIZED REPRESENTATIVES

Zhang Junhua
Chu Xiaohang

Corporate Profile (Continued)

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