



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)*

## **2014** Interim Report

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\* For identification purpose only

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## I. RESULTS HIGHLIGHTS

<i>(RMB'000)</i>	<b>First half of 2014</b>	First half of 2013	Increase/ (decrease)	Percentage change (%)
Turnover	<b>1,069,525</b>	1,153,399	(83,874)	(7.27)
Gross profit	<b>11,720</b>	24,070	(12,350)	(51.31)
Operating loss	<b>(127,535)</b>	(114,910)	12,625	10.99
Loss before income tax	<b>(255,875)</b>	(236,981)	18,894	7.97
Loss for the period	<b>(255,505)</b>	(236,724)	18,781	7.93
Attributable to:				
Owners of the Company	<b>(133,902)</b>	(171,695)	(37,793)	(22.01)
Non-controlling interests	<b>(121,603)</b>	(65,029)	56,574	87.00
Total comprehensive expenses for the period	<b>(256,356)</b>	(239,397)	16,959	7.08
Attributable to:				
Owners of the Company	<b>(134,753)</b>	(174,368)	(39,615)	(22.72)
Non-controlling interests	<b>(121,603)</b>	(65,029)	56,574	87.00
Gearing ratio	<b>82%</b>	89%	(7%)	—

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### (I) Conditions of the Industry

#### 1. Solar Photovoltaic Glass

During the reporting period, the European markets, particularly the market in Germany, were sluggish due to the reduction of subsidies, while the global photovoltaic market, driven by the markets in the PRC, Japan and UK, maintained growth as a whole.

Domestically, the advancement of distributed photovoltaic power generation nationwide was slower than expectations. The overall situation of the domestic photovoltaic market will be better with the continuous promulgation of national support policies.

Looking into 2014, the global photovoltaic market will maintain a two-digit growth. In respect of photovoltaic glass, there will be certain price pressure due to the resumption of production of the idle production capacity and the contradiction of oversupply will be eased with the gradual growth of market demands.

## **2. Luminous Materials and Other New Materials**

During the reporting period, under the impact of the real estate market and LED lighting, the energy saving lamp phosphors industry was in a down trend.

As for lithium battery anode materials, benefiting from the dual drive of policy and market, the new energy automobile market will usher in a rapid development. The market demand space of lithium battery anode materials will be broad.

As to electronic silver paste, the future market development space will be large due to the increase in demand for silver paste of emerging industries represented by solar cell.

## **3. LCD Glass Substrate**

During the reporting period, the global LCD panels industry presented the situation of monopolization by overseas products and reliance on import. With the continuous expansion of the production capacity of domestic LCD panels, the market demand for domestic LCD panels was still strong.

## (II) Business Review

### 1. Operation Highlights

During the reporting period, IRICO Group Electronics Company Limited\* (the "Company") and its subsidiaries (collectively, the "Group") achieved a better growth in the solar photovoltaic glass business as compared with the corresponding period of last year; as for the business of luminous materials and other new materials, the sales volume of energy saving lamp phosphors continued to decline, while the sales volume of new materials such as electronic silver paste and lithium battery cathode materials increased; the LCD glass substrates business made some progress. In the first half of 2014, the Group recorded sales of RMB1,069,525,000, representing a year-on-year decrease of 7.27%. The loss attributable to owners of the Company was RMB133,902,000, representing a year-on-year decrease in loss of 22.01% (loss attributable to owners of the Company for the first half of 2013 was RMB171,695,000).

## 2. Business Achievements

### (1) Solar Photovoltaic Glass Business

During the reporting period, the Group's solar photovoltaic glass business was greatly promoted and the sales income increased by approximately 47% over the corresponding period of last year. The Group continuously improved the Company's operation capacity of solar photovoltaic glass business through improving the output of kiln, yield rate, etc. The Xianyang Phase II and IV Projects of the Group were in stable operation; the yield of Xianyang Phase I Project was stably enhanced after being put into trial production in March 2014 after cold repair; the photovoltaic project in Hefei will be put into operation at due time in accordance with the market conditions. Meanwhile, the Group will proactively develop the upstream and downstream businesses of photovoltaic glass.

### (2) Luminous Materials and Other New Materials Business

During the reporting period, as for energy saving lamp phosphors, against the continuous decline in the market demand, the Group strengthened production and marketing management and control and the sales volume of energy saving lamp phosphors was basically flat as compared with the corresponding period of last year. In respect of emerging industries, the sales volume of battery materials and electronic silver paste recorded growths of different extents as compared with the corresponding period of last year. Furthermore, the Group is proactively developing the field of new materials.

(3) TFT-LCD Glass Substrate Business

During the reporting period, the Group tackled key technical problems at its full stretch and achieved major breakthrough in the sixth generation production lines of LCD glass substrate. At the same time, the Group proactively carried out product certification and strove to exploit markets. In addition, the Group is proceeding with the launch of new production lines and the promotion of production certification of new varieties.

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

During the reporting period, through strengthening production management and sales, the Group ensured steady operation of the trading of liquid crystal related products.

### (III) Financial Review

#### 1. Overall performance

The overall gross profit margin of the Group for the first half of 2014 was 1.10% and the gross profit margin for the first half of 2013 was 2.09%. The decrease in the gross profit margin was mainly attributable to the provision for allowance of inventories amounting to RMB17,793,000 for the TFT-LCD glass substrate business during the reporting period. The loss attributable to owners of the Company for the first half of 2014 decreased by 22.01% to RMB133,902,000, as compared with a loss attributable to owners of the Company of RMB171,695,000 for the first half of 2013, which was mainly attributable to the enhancement of profitability of solar photovoltaic glass.



## 2. Business results

### 1) Unaudited profit and loss

<i>(RMB'000)</i>	For the six months ended 30 June			
	2014	2013	Increase/ (decrease)	Percentage change (%)
Turnover	<b>1,069,525</b>	1,153,399	(83,874)	(7.27)
Sales of luminous materials	<b>150,388</b>	183,182	(32,794)	(17.90)
Sales of liquid crystal related products	<b>636,859</b>	644,904	(8,045)	(1.25)
Sales of solar photovoltaic glass	<b>211,429</b>	144,254	67,175	46.57
Sales of TFT-LCD glass substrate and display devices	<b>61,604</b>	71,139	(9,535)	(13.40)
Sales of CPTs and others	<b>9,245</b>	109,920	(100,675)	(91.59)
Cost of sales	<b>(1,057,805)</b>	(1,129,329)	(71,524)	(6.33)
Gross profit	<b>11,720</b>	24,070	(12,350)	(51.31)
Operating expenses				
Administrative expenses	<b>(131,910)</b>	(154,408)	(22,498)	(14.57)
a) General administrative expenses	<b>(129,797)</b>	(151,018)	(21,221)	(14.05)
b) Research and development expenses	<b>(2,113)</b>	(3,390)	(1,277)	(37.67)
Selling and distribution costs	<b>(38,165)</b>	(38,435)	(270)	(0.70)
Other operating expenses	<b>(22,951)</b>	(587)	22,364	3,809.88
Operating loss	<b>(127,535)</b>	(114,910)	12,625	10.99
Finance costs	<b>(119,339)</b>	(107,170)	12,169	11.35
Loss for the period	<b>(255,505)</b>	(236,724)	18,781	7.93
Attributable to:				
Owners of the Company	<b>(133,902)</b>	(171,695)	(37,793)	(22.01)
Non-controlling interests	<b>(121,603)</b>	(65,029)	56,574	87.00
Total comprehensive expenses for the period	<b>(256,356)</b>	(239,397)	16,959	7.08



## 2) Turnover

## Turnover by product

Name (RMB'000)	For the six months ended 30 June			
	2014	2013	Increase/ (decrease)	Percentage change (%)
Luminous materials	<b>150,388</b>	183,182	(32,794)	(17.90)
Liquid crystal related products	<b>636,859</b>	644,904	(8,045)	(1.25)
Solar photovoltaic glass	<b>211,429</b>	144,254	67,175	46.57
TFT-LCD glass substrate and display device	<b>61,604</b>	71,139	(9,535)	(13.40)
CPTs and others	<b>9,245</b>	109,920	(100,675)	(91.59)
Total	<b><u>1,069,525</u></b>	<u>1,153,399</u>	<u>(83,874)</u>	<u>(7.27)</u>

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

#### 1) Turnover and gross profit margin

In the first half of 2014, the Group recorded a turnover of RMB1,069,525,000, representing a decrease of RMB83,874,000, or 7.27% as compared with the corresponding period in 2013. Of which, turnover from luminous materials amounted to RMB150,388,000, representing a decrease of RMB32,794,000 or 17.90% as compared with the corresponding period in 2013; turnover from liquid crystal related products amounted to RMB636,859,000, representing a decrease of RMB8,045,000 or 1.25% as compared with the corresponding period in 2013; turnover from solar photovoltaic glass amounted to RMB211,429,000, representing an increase of RMB67,175,000 or 46.57% as compared with the corresponding period in 2013; turnover from TFT-LCD glass substrate and display device amounted to RMB61,604,000, representing a decrease of RMB9,535,000 or 13.40% over the corresponding period in 2013; and turnover of the CPTs and others amounted to RMB9,245,000, representing a decrease of RMB100,675,000 or 91.59% as compared with the corresponding period in 2013. The Group's overall gross profit margin was 1.10% for the first half of 2014 as compared with the gross loss margin of 2.09% for the first half of 2013, which was mainly attributable to the provision for allowance of inventories amounting to RMB17,793,000 for the TFT-LCD glass substrate business during the reporting period.

2) Administrative expenses

The Group's administrative expenses for the first half of 2014 decreased by RMB22,498,000, or approximately 14.57%, to RMB131,910,000 from RMB154,408,000 for the corresponding period in 2013. The decrease in administrative expenses was mainly attributable to the decrease in loss arising from the shut-down of Xianyang Phase I Project of solar photovoltaic glass for cold repair and the actual effects of expenses management and control strengthened by the Group.

3) Finance costs

The Group's finance costs for the first half of 2014 was RMB119,339,000 (net of interest expense capitalised amounting to RMB106,099,000), representing an increase of RMB12,169,000, or approximately 11.35% as compared with RMB107,170,000 for the corresponding period in 2013. The increase in finance cost was mainly attributable to increase in interest expenses charged into profit and loss during the reporting period.

#### 4. Current assets and financial resources

As at 30 June 2014, the Group's cash and bank balances amounted to RMB555,610,000, representing a decrease of RMB265,992,000, or 32.37% from RMB821,602,000 as at 31 December 2013. For the half year ended 30 June 2014, the Group's capital expenditures amounted to RMB143,886,000 in total (30 June 2013: RMB363,528,000). Net cash from operating activities amounted to RMB43,233,000 (30 June 2013: RMB(56,404,000)), while net cash from financing activities and net cash from investing activities were RMB(203,931,000) (30 June 2013: RMB(307,313,000)) and RMB(105,480,000) (30 June 2013: RMB18,108,000) respectively.

As at 30 June 2014, the Group's total borrowings amounted to RMB6,308,823,000, of which borrowings due within one year amounted to RMB3,694,477,000 and borrowings with maturity beyond one year amounted to RMB2,614,346,000. As at 31 December 2013, the Group's total borrowings amounted to RMB6,744,750,000, of which borrowings due within one year amounted to RMB3,481,450,000 and borrowings with maturity beyond one year amounted to RMB3,263,300,000. As at 30 June 2014, the Group's bank loans amounting to approximately RMB2,895,411,000 (31 December 2013: RMB3,056,859,000) were secured by certain land and land use rights, buildings, equipments and trade receivables of the Group.

For the half year ended 30 June 2014, the turnover period for accounts receivable of the Group was 100 days, representing a decrease of 13 days from 113 days for the half year ended 30 June 2013. The decrease in the turnover days for accounts receivable was mainly attributable to the shortened collection period of trade receivables as a results of increased efforts of collection. For the half year ended 30 June 2014, the inventory turnover days of the Group decreased by 9 days to 46 days from 55 days for the half year ended 30 June 2013, which was mainly attributable to the effective measures taken by the Group to strengthen inventory control, sales-based production and scientific arrangement of procurement and production, as well as to reduce capital locked by inventories.

## 5. Capital structure

As at 30 June 2014, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intended to maintain an appropriate ratio of share capital to liabilities, so as to ensure that an effective capital structure is maintained from time to time. As at 30 June 2014, its total liabilities including bank borrowings amounted to RMB6,308,823,000 (as at 31 December 2013: RMB6,744,750,000), obligations under finance leases had been paid off (as at 31 December 2013: RMB34,057,000), its cash and bank balances amounted to RMB555,610,000 in aggregate (as at 31 December 2013: RMB821,602,000) and its gearing ratio (i.e. total liabilities divided by total assets) was 81.93% (as at 31 December 2013: 87.68%).

## 6. Interim dividend

As there was no accumulated surplus in the first half of 2014, the Board resolved not to distribute any interim dividends.

## 7. Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollars. For the six months ended 30 June 2014, the operating costs of the Group increased by RMB670,000 as a result of exchange rate fluctuations (as at 30 June 2013: decreased by RMB370,000). The exchange rate fluctuations did not have any material impact on the Group's working capital or liquidity.

**8. Commitments**

As at 30 June 2014, the capital commitments of the Group amounted to RMB173,511,000 (as at 31 December 2013: RMB93,639,000).

**9. Contingent liabilities**

As at 30 June 2014, the Group had no material contingent liability.

**10. Pledged assets**

As at 30 June 2014, the bank loans of the Group amounted to approximately RMB2,895,411,000, which were secured by certain leasehold land and land use rights, buildings and equipments of the Group.

As at 31 December 2013, the bank loans of the Group amounted to approximately RMB3,056,859,000, which were secured by certain leasehold land and land use rights, buildings and equipments of the Group.

## **11. Significant investments and capital assets acquisition plan and related financing arrangement**

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

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

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

The above matter is to be further confirmed up to now.



## 12. Shares pledged by controlling shareholder

As at 30 June 2014, IRICO Group Corporation (“IRICO Group”), being the Company’s controlling shareholder, was interested in 1,601,468,000 domestic shares of the Company. IRICO Group has pledged 800,734,000 domestic shares of the Company held by it (i.e. 50% of the issued domestic shares of the Company and approximately 35.87% of the total number of issued shares of the Company as at 30 June 2014) to China Development Bank to secure: (i) an eight-year loan facility commenced from 9 May 2008 for an amount of USD32,000,000 granted by China Development Bank to IRICO Group and Shaanxi IRICO Electronics Glass Company Limited (“IRICO Glass”), which is a non-wholly-owned subsidiary of the Company; and (ii) an eight-year loan facility commenced from 2 June 2008 for an amount of RMB100,000,000 granted by China Development Bank to IRICO Group and IRICO Glass. The purpose of the above two loans is to facilitate the import of equipments and raw materials for TFT-LCD glass substrate industrialization project to construct a fifth generation TFT-LCD glass substrate production line with a designed production capacity of 750,000m<sup>2</sup> per annum.

### III. OTHER INFORMATION

#### (I) Share Appreciation Rights Plan

Pursuant to the Share Appreciation Rights Plan of the Company (details of which were set out in the Company's prospectus dated 8 December 2004), as at 30 June 2014, details of the share appreciation rights of the Company held by the directors of the Company (the "Directors"), the supervisors of the Company (the "Supervisors") and the senior management of the Company are set out as follows:

Name	Number of the Share Appreciation Rights <i>(shares)</i>	Note
Guo Mengquan	400,000	Director
Zhang Junhua	530,000	Director
Tang Haobo	200,000	Supervisor
Zou Changfu	300,000	Senior Management
Ma Jianchao	200,000	Senior Management
Chu Xiaohang	200,000	Senior Management

**(II) Interests and Short Positions of Directors, Supervisors and Chief Executive**

Save as disclosed in (I) above, as at 30 June 2014, none of the Directors, Supervisors or chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of such Directors, Supervisors or chief executive was deemed or taken to have under such provisions of the SFO), or which was otherwise required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor or chief executive of the Company, had an interest or short position in the shares of the Company (the "Shares") or underlying Shares (as the case may be) as at 30 June 2014 and as entered in the register required to be kept under section 336 of the SFO:

China Electronic Corporation, through IRICO Group, had interests in 1,601,468,000 domestic Shares of the Company (representing 100% of the domestic share capital), whereas HKSCC (Nominees) Limited had interests in 628,376,389 H Shares of the Company (representing 99.60% 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, Zhang Junhua, Si Yuncong, Huang Mingyan concurrently act as the deputy general managers of IRICO Group, and Jiang Ahe concurrently acts as the deputy chief accountant and the manager of the assets finance department of IRICO Group. 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.

*Notes:*

*As at 30 June 2014, based on the information available to the Directors and so as far as the Directors are aware, HKSCC (Nominees) Limited held 628,376,389 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 tranche of H Shares by virtue of their direct or indirect control of Baystar Capital II, L.P.*

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

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

**(IV) Audit Committee**

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

The Board adopted all contents set out in code provision C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which included the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014.

The interim financial report has been reviewed by the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

**(V) Independent Non-executive Directors**

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

**(VI) Corporate Governance Practices**

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

The Directors are not aware of any circumstances that would reasonably indicate the non-compliance of the Company or any of the Directors regarding the Code at any time during the 6 months ended 30 June 2014. The Board considers that the Company has fully complied with the code provisions set out in the Code during the reporting period.

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

For the six-month period ended 30 June 2014, the Company has adopted a model code for securities transactions by Directors and Supervisors which is no less exacting than the required standard set out in the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

**(VIII) Purchase, Sale or Redemption of Shares**

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

**(IX) Employees**

As at 30 June 2014, the Group had a total of 5,062\* employees with various talents, of which, approximately 11.1% were management and administrative personnel, 12.7% were technical personnel, 1.8% were financial and audit personnel, 1.8% were sales and marketing personnel and 72.6% were production workers.

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

\* *Excluding service despatch workers*

**(X) Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the percentage of Shares in public hands at all times during the reporting period was in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

**(XI) Significant Investments**

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



**(XII) Material Acquisition and Disposal**

- (1) During the period from 25 March 2014 to 14 July 2014, the Company disposed a total of 29,100,000 A Shares of IRICO Display Devices Co., Ltd. (“A Share Company”) on the Shanghai Stock Exchange, representing approximately 3.95% of the total issued A Shares of the A Share Company, at a total consideration of approximately RMB218,141,600 in aggregate by way of block trade (the “On-market Disposals”). As a result of the On-market Disposals, the shareholding interest of the Company in the A Share Company has decreased from approximately 22.4% to approximately 18.45%. The Company confirmed that, following the On-market Disposals, since the Company still maintains de facto control on the A Share Company, the A Share Company continues to be treated as a subsidiary of the Company and the financial results of the A Share Company is still consolidated into the accounts of the Company. For details, please refer to the announcements of the Company dated 27 May 2014, 28 May 2014, 30 May 2014, 2 July 2014 and 14 July 2014.

- (2) On 30 May 2014, (i) the Company entered into an agreement with Xianyang Zhongdian IRICO Group Holdings Ltd.\* (咸陽中電彩虹集團控股有限公司) (“Xianyang IRICO”) in relation to the disposal of the Company’s entire 100% equity interest in Xi’an IRICO Zixun Co., Ltd\* (西安彩虹資訊有限公司) to Xianyang IRICO, at a consideration of RMB187.86 million; (ii) the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd\* (咸陽彩虹電子網版有限公司) (“IRICO Shadow Mask”) entered into an agreement with Xianyang IRICO in relation to the disposal of the 90% equity interest in Kunshan IRICO Industrial Co., Ltd\* (昆山彩虹實業有限公司) by the Company and IRICO Shadow Mask to Xianyang IRICO, at a consideration of RMB82.74 million; (iii) the Company entered into an agreement with Xianyang IRICO in relation to the disposal of the Company’s entire 75% equity interest in Xi’an Cairui Display Technology Co., Ltd\* (西安彩瑞顯示技術有限公司) to Xianyang IRICO, at a consideration of RMB30.51 million; and (iv) the Company entered into an agreement with IRICO Group in relation to the disposal of the Company’s entire 20% equity interest in Sichuan Century Shuanghong Display Device Co., Ltd.\* (四川世紀雙虹顯示器件股份有限公司) to IRICO Group, at a consideration of RMB90.95 million. The above-mentioned disposals constitute connected and very substantial disposals of the Company and were approved by independent shareholders of the Company on 19 August 2014. For details, please refer to the announcements of the Company dated 30 May 2014 and 19 August 2014.

During the reporting period, save as disclosed in this report, the Company did not have any other material acquisition or disposal of subsidiaries and associated companies.

### **(XIII) Material Litigations**

As at 30 June 2014, the Directors were not aware of any new litigation or claim of material importance pending or threatened against any member of the Group save as the claims brought by Fanshawe College against the Company and the A Share Company, claims by Curtis Saunders against the Company and the A Share Company and claims by American Crago Company against the A Share Company as set out in the Company's 2013 annual report.

During the reporting period, there was no update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases did not have any material impact on the Group's interim financial statements for the six months ended 30 June 2014. For details of such cases, please refer to the Company's 2013 annual report published on 11 April 2014.

## IV. CORPORATE INFORMATION

### **Executive Directors**

Guo Mengquan	<i>Chairman</i>
Zhang Junhua	<i>Vice Chairman</i>

### **Non-executive Directors**

Si Yuncong  
Huang Mingyan  
Jiang Ahe

### **Independent Non-executive Directors**

Xu Xinzhong  
Feng Bing  
Wang Jialu  
Wang Zhicheng

### **Chief Financial Controller**

Ma Jianchao

### **Company Secretary**

Chu Xiaohang

### **Authorized Representatives**

Zhang Junhua  
Chu Xiaohang

### **Legal address in the PRC**

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Postal code: 712021

**Place of business in Hong Kong**

6/F, Nexus Building  
No. 41 Connaught Road Central  
Hong Kong

**Company website**

[www.irico.com.cn](http://www.irico.com.cn)

**Legal advisers**

Baker & McKenzie  
14th Floor, Hutchison House  
10 Harcourt Road, Hong Kong

**Auditor**

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

**Registrar of H Shares**

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716, 17th Floor, Hopewell Center  
183 Queen's Road East  
Hong Kong

**Investor and media relations**

Wonderful Sky Financial Group Limited  
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No. 41 Connaught Road Central  
Hong Kong

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



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

## INDEPENDENT REVIEW REPORT

### To the Board of Directors of IRICO Group Electronics Company Limited

*(incorporated in the People's Republic of China with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 80, which comprises the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **INDEPENDENT REVIEW REPORT *(Continued)***

### **SCOPE OF REVIEW**

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

### **CONCLUSION**

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



**INDEPENDENT REVIEW REPORT (Continued)****EMPHASIS OF MATTER**

Without qualifying our review conclusion, we draw attention to the condensed consolidated financial statements which indicate that the Group incurred a net loss of RMB255,505,000 for the six months ended 30 June 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB2,914,957,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

**SHINEWING (HK) CPA LIMITED**

*Certified Public Accountants*

**Lo Wa Kei**

Practising certificate number: P03427

Hong Kong  
27 August 2014

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTES	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>Turnover</b>	4	<b>1,069,525</b>	1,153,399
Cost of sales		<b>(1,057,805)</b>	(1,129,329)
<b>Gross profit</b>		<b>11,720</b>	24,070
Other operating income		<b>53,771</b>	54,450
Selling and distribution costs		<b>(38,165)</b>	(38,435)
Administrative expenses		<b>(131,910)</b>	(154,408)
Other operating expenses		<b>(22,951)</b>	(587)
Finance costs	5	<b>(119,339)</b>	(107,170)
Share of loss of associates		<b>(9,001)</b>	(14,901)
<b>Loss before tax</b>		<b>(255,875)</b>	(236,981)
Income tax credit	6	<b>370</b>	257
<b>Loss for the period</b>	7	<b>(255,505)</b>	(236,724)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Other comprehensive income (expense)</b>		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation	186	(38)
Share of exchange reserve of an associate	<u>(1,037)</u>	<u>(2,635)</u>
Other comprehensive expense for the period	<u>(851)</u>	<u>(2,673)</u>
Total comprehensive expense for the period	<u><u>(256,356)</u></u>	<u><u>(239,397)</u></u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	NOTE	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<b>Loss for the period attributable to:</b>			
Owners of the Company		(133,902)	(171,695)
Non-controlling interests		(121,603)	(65,029)
		<u>(255,505)</u>	<u>(236,724)</u>
<b>Total comprehensive expense for the period attributable to:</b>			
Owners of the Company		(134,753)	(174,368)
Non-controlling interests		(121,603)	(65,029)
		<u>(256,356)</u>	<u>(239,397)</u>
<b>Loss per share — Basic and diluted (RMB cents)</b>	9	<u>(6.00)</u>	<u>(7.69)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2014

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>7,560,584</b>	7,753,178
Properties under development		<b>56,387</b>	56,387
Investment properties	10	<b>22,720</b>	23,273
Leasehold land and land use rights	10	<b>211,069</b>	276,079
Intangible assets	10	<b>290</b>	277
Interests in associates		<b>76,607</b>	86,645
Deposits paid for acquisition of property, plant and equipment		<b>4,178</b>	4,648
		<b>7,931,835</b>	8,200,487
<b>Current assets</b>			
Inventories		<b>267,475</b>	259,227
Trade and bills receivables	11	<b>596,356</b>	637,957
Other receivables, deposits and prepayments	12	<b>1,137,747</b>	993,660
Amount due from a fellow subsidiary	13	<b>400,000</b>	—
Tax recoverable		—	4,178
Restricted bank balances		<b>26,279</b>	61,956
Bank balances and cash		<b>555,610</b>	821,602
		<b>2,983,467</b>	2,778,580

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Continued)*

AS AT 30 JUNE 2014

		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>NOTES</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Current liabilities</b>			
Trade and bills payables	14	<b>763,202</b>	807,084
Other payables and accruals		<b>1,316,909</b>	1,229,097
Tax payables		<b>370</b>	1,125
Bank and other borrowings			
- due within one year	15	<b>3,694,477</b>	3,481,450
Termination benefits		<b>123,466</b>	191,533
Obligations under finance leases		—	34,057
		<b>5,898,424</b>	5,744,346
<b>Net current liabilities</b>		<b>(2,914,957)</b>	(2,965,766)
<b>Total assets less current liabilities</b>		<b>5,016,878</b>	5,234,721

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(Continued)*

AS AT 30 JUNE 2014

		<b>30 June 2014</b>	31 December 2013
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Audited)
<b>Capital and reserves</b>			
Share capital	16	<b>2,232,349</b>	2,232,349
Other reserves		<b>1,499,296</b>	1,339,514
Accumulated losses		<b>(3,726,227)</b>	(3,592,325)
Equity attributable to owners of the Company		<b>5,418</b>	(20,462)
Non-controlling interests		<b>1,967,209</b>	1,373,587
<b>Total equity</b>		<b>1,972,627</b>	1,353,125
<b>Non-current liabilities</b>			
Bank and other borrowings - due after one year	15	<b>2,614,346</b>	3,263,300
Deferred income		<b>384,821</b>	571,862
Termination benefits		<b>37,852</b>	38,723
Deferred tax liabilities		<b>7,232</b>	7,711
		<b>3,044,251</b>	3,881,596
		<b>5,016,878</b>	5,234,721



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2014 (Audited)	<b>2,232,349</b>	<b>1,339,514</b>	<b>(3,592,325)</b>	<b>(20,462)</b>	<b>1,373,587</b>	<b>1,353,125</b>
Loss for the period	—	—	(133,902)	(133,902)	(121,603)	(255,505)
Other comprehensive expense for the period	—	(851)	—	(851)	—	(851)
Total comprehensive expense for the period	—	(851)	(133,902)	(134,753)	(121,603)	(256,356)
Partial disposal of a subsidiary (note 1)	—	(148,581)	—	(148,581)	291,781	143,200
Deemed capital contribution arising from the disposal of a subsidiary to its parent company (note 2)	—	311,770	—	311,770	438,403	750,173
Release on deregistration of subsidiaries	—	—	—	—	(546)	(546)
Further acquisition of a subsidiary	—	(2,556)	—	(2,556)	(12,044)	(14,600)
Dividend paid	—	—	—	—	(2,369)	(2,369)
Balance at 30 June 2014 (Unaudited)	<b><u>2,232,349</u></b>	<b><u>1,499,296</u></b>	<b><u>(3,726,227)</u></b>	<b><u>5,418</u></b>	<b><u>1,967,209</u></b>	<b><u>1,972,627</u></b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

Notes:

- 1) During the six months ended 30 June 2014, the Group has disposed of 19,000,000 equity shares in aggregate, which represented 2.58% of the total issued shares in IRICO Display Device Co., Ltd. (彩虹顯示器件股份有限公司) ("A Share Company") through the open market at aggregated considerations of RMB143,200,000.
- 2) During the the six months ended 30 June 2014, the Group has disposed of the entire interest in a subsidiary, 彩虹(佛山)平板顯示有限公司 to its parent company at consideration of RMB1.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from (used in) operating activities	<b>43,233</b>	(56,404)
Investing activities		
Withdrawal of held-to-maturity investments	—	300,000
Purchases of property, plant and equipment	<b>(143,416)</b>	(332,797)
Other investing activities	<b>37,936</b>	50,905
Net cash (used in) from investing activities	<b>(105,480)</b>	18,108
Net cash used in financing activities	<b>(203,931)</b>	(307,313)
Net decrease in cash and cash equivalents	<b>(266,178)</b>	(345,609)
Cash and cash equivalents at 1 January	<b>821,602</b>	1,278,852
Effect of foreign exchange rate changes	<b>186</b>	(38)
Cash and cash equivalents at 30 June represented by bank balances and cash	<b>555,610</b>	933,205

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***FOR THE SIX MONTHS ENDED 30 JUNE 2014***1. GENERAL INFORMATION**

IRICO Group Electronics Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 December 2004. The address of its registered office and principal place of business are No.1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in the manufacturing and trading of colour picture tubes (“CPTs”), luminous materials, liquid crystal related products, thin film transistor liquid crystal display (“TFT-LCD”) glass substrate and display devices and solar photovoltaic glass.

The directors of the Company consider that IRICO Group Corporation is the Company’s parent company. Its ultimate holding company is China Electronics Corporation.

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

**2. BASIS OF PREPARATION**

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 2. BASIS OF PREPARATION (Continued)

- (b) The Group recorded a loss of approximately RMB255,505,000 for the period ended 30 June 2014. The Group had net current liabilities of approximately RMB2,914,957,000 as at 30 June 2014. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:
- (i) IRICO Group Corporation, the parent company of the Company will provide financial support to the Group to meet the Group's liabilities and commitments as and when it falls due; and
  - (ii) the directors of the Company anticipate that the Group will maintain adequate cash flows for its operations and existing investments or financing needs.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (International Financial Reporting Interpretation Committee) - Interpretation 21	Levies

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### **HK (IFRIC) - Int 21 Levies**

HK (IFRIC) - Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The adoption of this amendment does not have material impact on the Group.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new and revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as at 30 June 2014. The directors of the Company anticipate that the adoption of the New HKFRSs will have no material impact on the condensed consolidated financial statements.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

**4. SEGMENT INFORMATION**

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

**Six months ended 30 June 2014**

	Liquid crystal materials production and sales RMB'000 (Unaudited)	TFT- LCD glass substrate and display products production and sales RMB'000 (Unaudited)	Solar photovoltaic glass production and sales RMB'000 (Unaudited)	CPTs production and sales and others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
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**REVENUE**

External sales	<u>150,388</u>	<u>636,859</u>	<u>61,604</u>	<u>211,429</u>	<u>9,245</u>	<u>1,069,525</u>
Segment profit (loss)	<u>2,529</u>	<u>1,579</u>	<u>(88,822)</u>	<u>(12,579)</u>	<u>(49,137)</u>	<u>(146,430)</u>
Unallocated income						20,181
Unallocated expenses						(1,286)
Finance costs						(119,339)
Share of loss of associates						<u>(9,001)</u>
Loss before tax						<u><u>(255,875)</u></u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 4. SEGMENT INFORMATION (Continued)

#### Six months ended 30 June 2013

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 4. SEGMENT INFORMATION (Continued)

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

		TFT-				
	Liquid	LCD glass		Solar	CPTs	
	crystal	substrate		photovoltaic	production	
	related	and display		glass	and sales	
	products	devices		production	and others	Total
	production	production		and sales		
	and sales	and sales		and sales		
	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<hr/>						
At 30 June 2014						
(Unaudited)						
Segment assets	<u>586,249</u>	<u>407,342</u>	<u>7,290,503</u>	<u>1,806,914</u>	<u>77,527</u>	<u>10,168,535</u>
At 31 December 2013						
(Audited)						
Segment assets	<u>496,654</u>	<u>325,574</u>	<u>7,220,147</u>	<u>1,795,982</u>	<u>83,563</u>	<u>9,921,920</u>
<hr/>						

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 4. SEGMENT INFORMATION (Continued)

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

	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
<b>At 30 June 2014</b>						
<b>(Unaudited)</b>						
Segment liabilities	<u>185,998</u>	<u>205,825</u>	<u>1,402,624</u>	<u>748,618</u>	<u>66,240</u>	<u>2,609,305</u>
<b>At 31 December 2013</b>						
<b>(Audited)</b>						
Segment liabilities	<u>222,615</u>	<u>219,524</u>	<u>1,389,605</u>	<u>878,816</u>	<u>98,074</u>	<u>2,808,634</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on:		
Bank and other borrowings		
wholly repayable within five years	<b>194,567</b>	131,008
Bank and other borrowings not		
wholly repayable within five years	—	61,616
Discounted trade receivables to banks	<b>167</b>	799
Obligations under finance leases	<b>1,170</b>	3,499
Amount due to IRICO		
Group Corporation	<b>29,534</b>	37,488
	<b>225,438</b>	234,410
Total borrowing costs	<b>225,438</b>	234,410
Less: amounts capitalised in the cost		
of qualifying assets	<b>(106,099)</b>	(127,240)
	<b>119,339</b>	107,170

Borrowing costs capitalised during the period arose on general borrowings pool and are calculated by applying a capitalisation rate of 6.26% per annum (six months end 30 June 2013: 6.57% per annum) to expenditure on qualifying assets.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 6. INCOME TAX EXPENSE (CREDIT)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax expense (credit):		
PRC Enterprise Income Tax	<b>109</b>	(100)
Deferred tax	<b>(479)</b>	(157)
	<b>(370)</b>	(257)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both periods ended 30 June 2014 and 2013.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
***(Continued)****FOR THE SIX MONTHS ENDED 30 JUNE 2014***6. INCOME TAX EXPENSE (CREDIT) *(Continued)***

Companies are entitled to the preferential tax treatment for Opening Up of Western China ("OUWC Policy") if they are engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in year 2000) and Guiding Catalogue for Industrial Structure Adjustment (2011), as their principal business and the revenue from the principal operations account for over 70% of their total revenue. The applicable reduced preferential EIT rate under the OUWC Policy is 15%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the OUWC Policy, and accordingly, EIT has been provided at 15% since then.

The operations of IRICO Luminous Material Co., Ltd and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the six months ended 30 June 2014 and 2013, and accordingly, EIT has also been provided at 15%.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 7. LOSS FOR THE PERIOD

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible assets	<b>43</b>	134
Amortisation of leasehold land and land use rights	<b>2,936</b>	3,587
Depreciation of property, plant and equipment	<b>73,566</b>	65,568
Depreciation of investment properties	<b>553</b>	540
Cost of inventories recognised as an expense	<b>1,039,979</b>	1,128,411
Employee benefit expenses	<b>42,734</b>	170,806
Research and development costs	<b>2,113</b>	3,390
Provision for warranty	<b>1,344</b>	1,460
Impairment losses on trade and other receivables	—	6,215
Operating lease rentals in respect of leasehold land and land use right	<b>7,346</b>	6,695
Operating lease rentals in respect of property, plant and equipment	<b>18,153</b>	16,808
Allowance of inventories (included in cost of sales)	<b>17,826</b>	918
Share of tax of associates (included in share of loss of associates)	<b>13</b>	—

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 7. LOSS FOR THE PERIOD (Continued)

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of deferred income on grants received	<b>(17,423)</b>	(27,079)
(Reversal of) cash-settled share-based payments expenses	<b>(4,114)</b>	327
Dividend income from available-for-sale investment	—	(6,109)
Dividend income from held-to-maturity investments	—	(9,848)
Gain on disposal of property, plant and equipment	<b>(6,310)</b>	(181)
Gain on deregistration of subsidiaries (note)	<b>(6,861)</b>	(1,200)
Reversal of impairment losses on trade and other receivables	<b>(3,673)</b>	(2,736)
Bank interest income	<b>(5,517)</b>	(6,143)
	<b><u>          </u></b>	<b><u>          </u></b>

Note: During the six months ended 30 June 2014, the Group has deregistered two (2013: one) subsidiaries. Gain on deregistration of subsidiaries represented the written-back of other payables.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 8. DIVIDEND

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

### 9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Company for the six months ended 30 June 2014 of approximately RMB133,902,000 (six months end 30 June 2013: RMB171,695,000) and the weighted average number of ordinary shares in issue of approximately 2,232,349,000 (six months end 30 June 2013: 2,232,349,000) during the period.

As there were no dilutive potential shares during both periods ended 30 June 2014 and 2013, the diluted loss per share is the same as basic loss per share for both periods.

### 10. CAPITAL EXPENDITURE

During the current interim period, the Group spent approximately RMB143,886,000 (six months ended 30 June 2013: RMB363,528,000) on additions of property, plant and equipment.

Included in the additions to property, plant and equipment, the Group spent approximately RMB16,583,000 (six months ended 30 June 2013: RMB307,449,000) and RMB127,303,000 (six months ended 30 June 2013: RMB45,185,000) on the production line of TFT-LCD and display devices and solar photovoltaic glass respectively.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 10. CAPITAL EXPENDITURE (Continued)

During the current interim period, the Group received cash proceeds of approximately RMB7,872,000 (six months ended 30 June 2013: RMB1,849,000) on disposal of property, plant and equipment with carrying values of approximately RMB1,562,000 (six months ended 30 June 2013: RMB1,668,000).

During the current interim period, the Group did not transfer any property (six months ended 30 June 2013: RMB6,742,000) from property, plant and equipment to investment properties.

### 11. TRADE AND BILLS RECEIVABLES

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

The following is an aged analysis of trade receivables (net of accumulated impairment losses of approximately RMB15,662,000) (at 31 December 2013: net of accumulated impairment losses of approximately RMB22,596,000) presented based on the invoice date, which approximately the revenue recognition date, at the end of the reporting period:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 11. TRADE AND BILLS RECEIVABLES (Continued)

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
0 to 90 days	498,945	530,485
91 to 180 days	87,556	96,528
181 to 365 days	7,851	8,950
Over 365 days	2,004	1,994
	<u>596,356</u>	<u>637,957</u>

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Other receivables	75,861	53,278
Less: allowance for doubtful debts	<u>(3,440)</u>	<u>(3,440)</u>
	72,421	49,838
Prepayments	173,447	112,276
Value-added tax recoverables	<u>891,879</u>	<u>831,546</u>
	<u>1,137,747</u>	<u>993,660</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 13. AMOUNT DUE FROM A FELLOW SUBSIDIARY

During the current interim period, a wholly owned subsidiary, 彩虹(佛山)平板顯示有限公司 was disposed to IRICO Group Corporation. The amount due from a fellow subsidiary carries interest of 6.15% per annum, unsecured and repayable within one year.

### 14. TRADE AND BILLS PAYABLES

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
0 to 90 days	<b>461,788</b>	509,022
91 to 180 days	<b>100,556</b>	95,152
181 to 365 days	<b>46,777</b>	46,044
Over 365 days	<b>154,081</b>	156,866
	<b><u>763,202</u></b>	<u>807,084</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 15. BANK AND OTHER BORROWINGS

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Bank loans - secured	<b>2,290,288</b>	3,390,812
Bank loans - unsecured and guaranteed	<b>2,123,512</b>	1,298,558
Other loans - secured	—	50,000
Other loans - unsecured and guaranteed	<b>1,695,023</b>	1,405,380
Bank loans - unguaranteed and unsecured	<b>200,000</b>	600,000
	<b><u>6,308,823</u></b>	<b><u>6,744,750</u></b>
Carrying amount repayable:		
On demand or within one year	<b>3,694,477</b>	3,481,450
More than one year, but not exceeding two years	<b>300,000</b>	814,932
More than two years, but not more than five years	<b>2,314,346</b>	2,448,368
	<b>6,308,823</b>	6,744,750
Less: Amounts shown under current liabilities	<b><u>(3,694,477)</u></b>	<u>(3,481,450)</u>
Amounts shown under non-current liabilities	<b><u>2,614,346</u></b>	<u>3,263,300</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 15. BANK AND OTHER BORROWINGS (Continued)

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB510,053,000 (30 June 2013: RMB419,093,000) and repayment of borrowings amounting to approximately RMB689,188,000 (30 June 2013: RMB453,459,000). For the six months ended 30 June 2014, the bank and other borrowings carry interests ranging from 3.01% to 8.00% per annum (at 31 December 2013: 2.47% to 7.53% per annum), which were used to finance the operations and used for general working capital of the Group.

### 16. SHARE CAPITAL

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

	Domestic shares		H shares		Total	
	Number of		Number of		Number of	
	shares	Amount	shares	Amount	shares	Amount
	'000	RMB'000	'000	RMB'000	'000	RMB'000
Registered, issued and fully paid:						
At 1 January 2013 (audited), 31 December 2013 (audited) and 30 June 2014 (unaudited)	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 16. SHARE CAPITAL (Continued)

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

### 17. RELATED PARTY TRANSACTIONS

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and jointly controlled entities (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influences, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during the six months ended 30 June 2014 and 2013 and balances as at 30 June 2014 and 31 December 2013 with related party transactions.

The following transactions were carried out with related parties:

#### (a) Sales of goods

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods to the IRICO Group (Note)		
— Xianyang IRICO		
Pyroelectric Co., Ltd.	22	38
— IRICO Group Labor Service Company	16	12
— Shannxi IRICO Photoelectric Materials Co., Ltd.	10	1,453
— Parent company	115	45
— IRICO Color Picture Tube General Factory	25	70
— Shanghai Epilight Technology Co., Ltd.	64	976
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	2	3,144
— Xianyang Cailian Packaging Materials Co., Ltd.	14	7
— 彩虹(合肥)液晶玻璃有限公司	6	—
	<b>274</b>	<b>5,745</b>
Other state-owned enterprises	<b>23,573</b>	<b>45,495</b>

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Purchases of goods and provision of services

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Purchases of goods from the IRICO Group (Note i)		
— Shannxi IRICO Photoelectronic Materials Co., Ltd.	15	—
— IRICO Group Labor Service Company	212	351
— Xianyang Cailian Packaging Materials Co., Ltd.	10,864	13,576
— Hongyang (Shenzhen) Industrial and Trading Co.	—	1,374
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	738	2,676
— Xianyang IRICO Pyroelectric Co., Ltd.	—	298
— IRICO Color Picture Tube General Factory	6	—
	<u>11,835</u>	<u>18,275</u>
Other state-owned enterprises	<u>81,516</u>	<u>88,746</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Provision of services provided from the IRICO Group (Note i)		
— Utility charges to IRICO Color Picture Tube General Factory	122,295	110,542
— Utility charges to the utilities plant of the Xianyang IRICO Pyroelectric Co., Ltd.	268	—
— Utility charges to the utilities plant of the Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	109	—
— Utility charges to the utilities plant of the Xianyang Cailian Packaging Materials Co., Ltd.	891	—
— Network fee to parent company	26	161
— Rental expense to parent company (Note ii)	—	22,649
— Rental expense to 咸陽中電彩虹控股有限公司	8,884	—
— Rental expense to Xianyang Cailian Packaging Materials Co., Ltd.	200	—
— Trademark license fee to parent company (Note iii)	229	303
— Miscellaneous charges to IRICO Color Picture Tube General Factory	534	706

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
— Interest expense paid to parent company	29,534	37,488
— Purchase of fixed assets to Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	20	—
— Purchase of fixed assets to Hongyang (Shenzhen) Industrial and Trading Co.	10	—
— IRICO Hospital	18	—
	<u>163,018</u>	<u>171,849</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

- (i) Purchases of goods and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.
- (ii) From 1 January 2010, the Group is required to pay RMB14.5 (six months end 30 June 2014: nil) per square metre per annum for the use of land use rights and RMB9.5 for the six month ended 30 June 2013 (six months end 30 June 2014: nil) per square metre per month for the use of buildings in Xianyang, pursuant to the Premises Leasing Agreement. Accordingly, rental charges for the six months ended 30 June 2013 amounted to approximately RMB22,649,000 (six months end 30 June 2014: nil).
- (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 the end on 31 December 2006. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed for a term of 3 years up to 31 December 2012. On 14 November 2012, the Group entered into a rental agreement with IRICO Group for a terms of three years up to 31 December 2015.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balance with parent company

- (i) Amount due to parent company

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Included in other payables and accruals	<b><u>67,792</u></b>	<u>52,614</u>

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

- (ii) Loans from parent company

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Interest bearing loan	<b><u>1,300,870</u></b>	<u>1,156,000</u>

The interest bearing loan from parent company is unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. As at 30 June 2014, the effective interest rate is ranging from 5.86% to 6.56% (31 December 2013: 5.86% to 6.56%) per annum.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
***(Continued)****FOR THE SIX MONTHS ENDED 30 JUNE 2014***17. RELATED PARTY TRANSACTIONS *(Continued)*****(c) Balance with parent company *(Continued)*****(ii) Loans from parent company *(Continued)***

For the six months ended 30 June 2014, interest expense payable to parent company of approximately RMB67,223,000 (six months ended 30 June 2013: RMB19,938,000) had been waived by the parent company. The amount was credited to capital reserve as contribution from shareholders.

**(iii) Directors' emolument born by parent company**

For the period ended 30 June 2014 and 2013, the emoluments of all non-executive directors executive directors were borne by IRICO Group Corporation.

**(iv) Guarantees granted or assets pledged by parent company**

At 30 June 2014, parent company pledged certain of its land and buildings and granted a guarantee of amount RMB3,830,538,000 (31 December 2013: RMB3,830,538,000) for certain bank borrowings with carrying amounts of RMB2,895,411,000 (31 December 2013: RMB3,056,859,000) to the Group.

As at 30 June 2014 and 31 December 2013, parent company had pledged its 800,734,000 domestic shares of equity interests, in the Company for certain bank borrowings granted to the Group.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

#### (d) Amount due to a fellow subsidiary

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Included in other payables and accruals		
Rui Bou Electronics (Hong Kong) Co., Ltd	<b>9</b>	<b>9</b>

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

#### (e) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2014 RMB'000 (Unaudited)</b>	2013 RMB'000 (Unaudited)
Short-term benefits	<b>646</b>	1,537
Retirement benefit contributions	<b>91</b>	80
Cash-settled share-based payments (income) expense	<b>(4,114)</b>	327
	<b>(3,377)</b>	1,944

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Trade receivables from related parties:		
The IRICO Group		
— Shaanxi IRICO Photoelectric Materials Co., Ltd.	21,724	21,732
— Shanghai Epilight Technology Co., Ltd.	63	—
— IRICO Group Labor Service Company	—	2
— IRICO Color Picture Tube General Factory	23	—
— Parent Company	20	21
— Xianyang Caiqin Electronic Devices Co., Ltd.	299	299
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	—	78
	<u>22,129</u>	<u>22,132</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

(f) Closing balances arising from sales/purchases of goods/  
provision of services (Continued)

	30 June 2014 <i>RMB'000</i> (Unaudited)	31 December 2013 <i>RMB'000</i> (Audited)
Other state-owned enterprises	<u>25,658</u>	<u>12,824</u>
	<u><b>47,787</b></u>	<u><b>34,956</b></u>
Representing:		
Trade receivables	<u><b>47,787</b></u>	<u><b>34,956</b></u>

The balance with other state-owned enterprise and its fellow subsidiaries only accounted for less than 11% (31 December 2013: 5%) of the Group's trade and bills receivables as at 30 June 2014.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

(f) Closing balances arising from sales/purchases of goods/  
provision of services (Continued)

	30 June 2014 <b>RMB'000</b> (Unaudited)	31 December 2013 <b>RMB'000</b> (Audited)
Trade payables to related parties (Note):		
The IRICO Group		
— IRICO Group Labor Service Company	<b>148</b>	—
— Xianyang Cailian Packaging Materials Co., Ltd.	<b>6,438</b>	6,424
— Hongyang (Shenzhen) Industrial and Trading Co.	<b>678</b>	3,509
— Parent company	<b>4,929</b>	17,120
— Xianyang IRICO Solar Photovoltaic Technology Co., Ltd.	<b>541</b>	90
— IRICO Color Picture Tube General Factory	<b>45,921</b>	28,481
— Xianyang Caiqin Electronic Devices Co., Ltd.	<b>4,740</b>	4,740

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 17. RELATED PARTY TRANSACTIONS (Continued)

(f) Closing balances arising from sales/purchases of goods/  
provision of services (Continued)

	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
— 咸陽彩虹商貿飲食 有限公司	—	1
Other state-owned enterprises	<b>42,846</b> <b>113,575</b>	60,365 35,906
	<b>156,421</b>	96,271
Representing:		
Trade payables	<b>156,421</b>	91,271
Trade bills payables	—	5,000
	<b>156,421</b>	96,271

The balance with other state-owned enterprises and its fellow subsidiaries only accounted for less than 11% (5%) of the Group's trade payable as at 30 June 2014 and 31 December 2013.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 18. COMMITMENTS

#### Capital expenditure

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
--	---	---

Contracted for but not provided  
in the condensed consolidated  
financial statements:

Construction of photovoltaic  
glass production line

<b>173,511</b>	<b>93,639</b>
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	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
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Authorised but not contracted for  
in the condensed consolidated  
financial statements:

Construction of luminous  
materials production lines

<b>—</b>	<b>8,000</b>
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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 18. COMMITMENTS (Continued)

#### Operating leases

As lessee

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within one year	<b>9,168</b>	10,413
In the second to fifth years inclusive	<b>2,155</b>	18,883
	<b>11,323</b>	29,296

Operating lease payments represent rentals payable by the Group for certain of its land use rights and leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 18. COMMITMENTS (Continued)

#### Operating leases (Continued)

As lessor

Property held for earning rental income is expected to generate rental yields of 6.7% (six months ended 30 June 2013: 6.2%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 8 years (six months ended 30 June 2013: 1 year to 9 years).

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

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Within one year	<b>11,707</b>	4,508
In the second to fifth years inclusive	<b>18,127</b>	1,727
Over five years	<b>—</b>	387
	<b><u>29,834</u></b>	<b><u>6,622</u></b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30/6/2014 (unaudited)	31/12/2013 (audited)		
Liabilities for cash settled share based payments	<b>RMB4,385,000</b>	RMB8,499,000	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.

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

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 risks of counterparties.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 20. PLEDGE OF ASSETS

At 30 June 2014, certain assets of the Group were pledged to secure bank borrowings granted to the Group as follows:

	<b>30 June 2014 RMB'000 (Unaudited)</b>	31 December 2013 RMB'000 (Audited)
Property, plant and equipment	<b>1,836,756</b>	2,131,098
Leasehold land and land use rights	<b>132,736</b>	156,943
	<b><u>1,969,492</u></b>	<b><u>2,288,041</u></b>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. MATERIAL LITIGATION

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

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

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

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

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's unaudited condensed consolidated financial statements for the period ended 30 June 2014 and audited consolidated financial statements for the year ended 31 December 2013.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

**21. MATERIAL LITIGATION (Continued)****(ii) The litigation of The Fanshawe College of Applied Arts and Technology (hereafter referred as "Fanshawe College") against A Share Company**

As set out in the announcement published on the Shanghai Stock Exchange on 7 July 2009 by A Share Company, A Share Company received a statement of claim from Ontario Superior Court of Justice Canada in respect of the litigation brought by Fanshawe College.

Fanshawe College, the plaintiff, accused approximately 30 global CRT manufacturers, including A Share Company, of a conspiracy to maintain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and enter into agreements raising the price of CRT products to an unreasonable level. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Ontario Superior Court of Justice Canada has accepted this claim but there is no judgement or ruling yet.

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

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's condensed consolidated financial statements for the period ended 30 June 2014 and audited consolidated financial statements for the year ended 31 December 2013.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 21. MATERIAL LITIGATION (Continued)

#### (iii) The litigation of American Crago Company against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 30 January 2008 by A Share Company, A Share Company received a statement of claim from the U.S. District Court, Northern District of California in respect of the litigation brought by American Crago Company.

American Crago Company, the plaintiff, accused a various CRT manufacturing enterprises, including A Share Company, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. U.S. District Court, Northern District of California has accepted this claim but there is no judgement or ruling yet.

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

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's condensed consolidated financial statements for the period ended 30 June 2014 and audited consolidated financial statements 31 December 2013.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)***FOR THE SIX MONTHS ENDED 30 JUNE 2014***22. EVENTS AFTER THE END OF REPORTING PERIOD****A. Disposal of A Share Company**

On 1 July 2014 and 14 July 2014, the Company disposed of a total of 6,500,000 and 3,600,000 IRICO Display Shares on the Shanghai Stock Exchange, representing approximately 0.88% and 0.49% of the total issue A shares of IRICO Display, at a total consideration of approximately RMB46,930,000 and RMB28,012,000 respectively, by way of block trade.

**B. Disposal of subsidiaries and an associate**

On 30 May 2014, the Company entered into three disposal agreements with its related party, Xianyang Zhongdian IRICO Group Holdings Ltd, subject to and upon the terms and conditions of these disposal agreements, the Company has conditionally agreed to dispose of the 100%, 90% and 75% equity interest of three of the subsidiaries, IRICO Zixun Co., Ltd, Kunshan IRICO Industrial Co., Ltd, Xi'an Cairui Display Technology Co., Ltd at cash considerations of RMB187,860,000, RMB82,740,000 and RMB30,510,000 respectively. In addition, the Company entered into another disposal agreement with its immediate holding company, IRICO Group Corporation, subject to and upon the terms and conditions of this disposal agreement, the Company has conditionally agreed to dispose of the 20% equity interest of its associate, Sichuan Century Shuanghong Display Device Co., Ltd at cash considerations of RMB90,950,000. (the "Proposed Disposal")

The above Proposed Disposal was approved in the extraordinary general meeting held on 19 August 2014.