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**IRICO**

**彩虹集團電子股份有限公司**

**IRICO GROUP ELECTRONICS COMPANY LIMITED\***

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

(Stock Code: 0438)

## **2014 INTERIM RESULTS ANNOUNCEMENT**

The board (the “**Board**”) of directors (the “**Directors**”) of IRICO Group Electronics Company Limited\* (the “**Company**”) hereby announces the unaudited condensed consolidated interim results and financial status of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2014, together with comparative figures, as follows.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<i>Notes</i>	Six months ended 30 June	
		2014 <i>RMB'000</i> (Unaudited)	2013 <i>RMB'000</i> (Unaudited)
<b>Turnover</b>	4	<b>1,069,525</b>	1,153,399
Cost of sales		<u>(1,057,805)</u>	<u>(1,129,329)</u>
<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)
<b>Income tax credit</b>	6	<u><b>370</b></u>	<u>257</u>
<b>Loss for the period</b>	7	<u><u><b>(255,505)</b></u></u>	<u><u>(236,724)</u></u>

		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income (expense):</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
	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>
<b>Loss for the period attributable to:</b>			
	Owners of the Company	(133,902)	(171,695)
	Non-controlling interests	<u>(121,603)</u>	<u>(65,029)</u>
		<u><u>(255,505)</u></u>	<u><u>(236,724)</u></u>
<b>Total comprehensive expense for the period attributable to:</b>			
	Owners of the Company	(134,753)	(174,368)
	Non-controlling interests	<u>(121,603)</u>	<u>(65,029)</u>
		<u><u>(256,356)</u></u>	<u><u>(239,397)</u></u>
<b>Loss per share - Basic and diluted</b>			
	<i>(RMB cents)</i>	9	
		<u><u>(6.00)</u></u>	<u><u>(7.69)</u></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>	<i>RMB'000</i>	<i>RMB'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>7,560,584</b>	7,753,178
Properties under development		<b>56,387</b>	56,387
Investment properties		<b>22,720</b>	23,273
Leasehold land and land use rights		<b>211,069</b>	276,079
Intangible assets		<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><u>7,931,835</u></b>	<u>8,200,487</u>
<b>Current assets</b>			
Inventories		<b>267,475</b>	259,227
Trade and bills receivables	10	<b>596,356</b>	637,957
Other receivables, deposits and prepayments		<b>1,137,747</b>	993,660
Amount due from a fellow subsidiary	11	<b>400,000</b>	—
Tax recoverable		<b>—</b>	4,178
Restricted bank balances		<b>26,279</b>	61,956
Bank balances and cash		<b>555,610</b>	821,602
		<b><u>2,983,467</u></b>	<u>2,778,580</u>

		<b>30 June 2014</b>	31 December 2013
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current liabilities</b>			
Trade and bills payables	12	<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		<b>3,694,477</b>	3,481,450
Termination benefits		<b>123,466</b>	191,533
Obligations under finance leases		<b>—</b>	34,057
		<b>5,898,424</b>	5,744,346
<b>Net current liabilities</b>		<b>(2,914,957)</b>	<b>(2,965,766)</b>
<b>Total assets less current liabilities</b>		<b>5,016,878</b>	<b>5,234,721</b>
<b>Capital and reserves</b>			
Share capital		<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>	<b>(3,592,325)</b>
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>	<b>1,353,125</b>

	<b>30 June</b>	31 December
	<b>2014</b>	2013
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>		
Bank and other borrowings - due after one year	<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
	<u><b>3,044,251</b></u>	<u>3,881,596</u>
	<u><b>5,016,878</b></u>	<u>5,234,721</u>

# 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 main board of 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 and others (“**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.
- (b) The Group reported a loss of approximately RMB255,505,000 for the six months 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 and the Company 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.



### 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 revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 Disclosures 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

### 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.

Except as described above, 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 the Group’s future results and financial position.

#### 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

	Luminous materials production and sales <i>RMB'000</i> (Unaudited)	Liquid crystal related products production and sales <i>RMB'000</i> (Unaudited)	TFT- LCD glass substrate and display devices production and sales <i>RMB'000</i> (Unaudited)	Solar photovoltaic glass production and sales <i>RMB'000</i> (Unaudited)	CPTs production and sales and others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
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 (loss) profit	<u>2,529</u>	<u>1,579</u>	<u>(88,822)</u>	<u>(12,579)</u>	<u>(49,137)</u>	(146,430)
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>(255,875)</u>

#### 4. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013

	Luminous materials production and sales <i>RMB'000</i> (Unaudited)	Liquid crystal related products production and sales <i>RMB'000</i> (Unaudited)	TFT- LCD glass substrate and display devices production and sales <i>RMB'000</i> (Unaudited)	Solar photovoltaic glass production and sales <i>RMB'000</i> (Unaudited)	CPTs production and sales and others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
REVENUE						
External sales	<u>183,182</u>	<u>644,904</u>	<u>71,139</u>	<u>144,254</u>	<u>109,920</u>	<u>1,153,399</u>
Segment (loss) profit	<u>7,956</u>	<u>(105)</u>	<u>(25,848)</u>	<u>(64,027)</u>	<u>(55,077)</u>	(137,101)
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>

#### 4. SEGMENT INFORMATION (Continued)

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

##### As at 30 June 2014

	Luminous materials production and sales <i>RMB'000</i> (Unaudited)	Liquid crystal related products production and sales <i>RMB'000</i> (Unaudited)	TFT- LCD glass substrate and display devices production and sales <i>RMB'000</i> (Unaudited)	Solar photovoltaic glass production and sales <i>RMB'000</i> (Unaudited)	CPTs production and sales and others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment assets						
At 30 June 2014 (Unaudited)	<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>
Segment assets						
At 31 December 2013 (Audited)	<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>

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

##### As at 30 June 2014

	Luminous materials production and sales <i>RMB'000</i> (audited)	Liquid crystal related products production and sales <i>RMB'000</i> (audited)	TFT- LCD glass substrate and display devices production and sales <i>RMB'000</i> (audited)	Solar photovoltaic glass production and sales <i>RMB'000</i> (audited)	CPTs production and sales and others <i>RMB'000</i> (audited)	Total <i>RMB'000</i> (audited)
Segment liabilities						
At 30 June 2014 (Unaudited)	<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>
Segment liabilities						
At 31 December 2013 (Audited)	<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>

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<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 wholly repayable over 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
	<hr/>	<hr/>
Total borrowing costs	<b>225,438</b>	234,410
Less: amounts capitalised in the cost of qualifying assets	<b>(106,099)</b>	(127,240)
	<hr/>	<hr/>
	<b>119,339</b>	107,170
	<hr/> <hr/>	<hr/> <hr/>

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 ended 30 June 2013: 6.57% per annum) to expenditure on qualifying assets.

## 6. INCOME TAX EXPENSE (CREDIT)

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

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.

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 Xi'an 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%.

## 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	<b>—</b>	6,215
Operating lease rentals in respect of lands 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>	—
Amortisation of deferred income on grants received (Reversal of) cash-settled share-based payments expenses	<b>(17,423)</b>	(27,079)
Dividend income from available-for-sale investment	<b>—</b>	(6,109)
Dividend income from held-to-maturity investments	<b>—</b>	(9,848)
Gain on disposal of property, plant and equipment	<b>(6,310)</b>	(181)
Gain on deregistration of subsidiaries ( <i>note</i> )	<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)

*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.



## 8. DIVIDEND

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

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to owners of the Group 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 approximately 2,232,349,000 (six months end 30 June 2013: 2,232,349,000) ordinary shares in issue 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. 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 and bills receivables (net of impairment losses of approximately RMB15,662,000) (at 31 December 2013: net of impairment losses of approximately RMB22,596,000) presented based on the invoice date:

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

## 11. AMOUNT DUE FROM A FELLOW SUBSIDIARY

During the current interim period, a wholly owned subsidiary, IRICO (Foshan) Flat Panel Display Co., Ltd. (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.

## 12. 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</b> <b>2014</b> <i>RMB'000</i> <b>(unaudited)</b>	31 December 2013 <i>RMB'000</i> (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
	<hr/> <b>763,202</b> <hr/>	<hr/> 807,084 <hr/>

## **13. EVENTS AFTER THE END OF REPORTING PERIOD**

### **A. Disposal of certain assets of the 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 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.

## **EXTRACT FROM INDEPENDENT REVIEW REPORT PREPARED BY INDEPENDENT AUDITORS**

The Company would like to provide an extract of the independent review report prepared by SHINEWING (HK) CPA Limited (the independent auditors) of the Group's financial information for the six months ended 30 June 2014 as set out below:

### **“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.”

### **RESULTS AND DIVIDEND**

During the reporting period, the Group recorded sales of RMB1,069,525,000, representing a decrease of 7.27% year on year. 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).

As there was no accumulated surplus in the first half of 2014, the Board resolved not to distribute any interim dividend for the six months ended 30 June 2014.

# **BUSINESS REVIEW AND OUTLOOK**

## **1. Operation Highlights**

During the reporting period, 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 obtained certain 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 its 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 as scheduled 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 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.

## **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. 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 and obligations under finance leases amounted to RMB6,308,823,000 in aggregate (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%).

### **3. 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.

#### **4. 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).

#### **5. Contingent liabilities**

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

#### **6. Pledge of 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.

### **PURCHASE, SALE OR REPURCHASE OF SHARES**

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

### **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 IRICO Display Devices Co., Ltd. (“**A Share Company**”), claims by Curtis Saunders against the Company and the A Share Company and claims by American Crago Company against the A Share Company as set out in the Company’s 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.



## **CORPORATE GOVERNANCE PRACTICES**

The Board has reviewed the relevant corporate governance documents adopted by the Company and is of the opinion that such documents are in compliance with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 six 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.

## **AUDIT COMMITTEE**

In compliance with the provisions set out in Code, 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.

## OTHERS

1. From 25 March 2014 to 14 July 2014, the Company disposed a total of 29,100,000 A shares of the 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 Corporation\* (彩虹集團公司) (“**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.

## **PUBLICATION OF THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The 2014 interim report of the Company will be published on the Company's website at <http://www.irico.com.cn> and the website of the Stock Exchange in due course.

By order of the Board  
**IRICO Group Electronics Company Limited\***  
**Chu Xiaohang**  
*Company Secretary*

Shaanxi Province, the PRC

27 August 2014

*As at the date of this announcement, the board of directors of the Company consists of Mr. Guo Mengquan and Mr. Zhang Junhua as executive directors of the Company, Mr. Si Yuncong, Mr. Huang Mingyan and Mr. Jiang Ahe as non-executive directors of the Company, and Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu and Mr. Wang Zhicheng as independent non-executive directors of the Company.*

\* *For identification purposes only*