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 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of IRICO Group Electronics Company Limited* (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014, together with the comparative figures for 2013, as follows. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement are consistent with the amounts set out in the audited consolidated financial statements of the Group for the same year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014** RMB'000	2013 RMB'000
Turnover	4	**2,218,276**	2,279,758
Cost of sales		**(2,263,015)**	(2,214,203)
Gross (loss) profit		**(44,739)**	65,555
Gain on disposal of available-for-sale investment		**—**	221,254
Gain on disposal of subsidiaries		**119,396**	
Gain on disposal of an associate		**81,864**	—
Other operating income	6	**96,079**	315,805
Selling and distribution costs		**(80,695)**	(84,465)
Administrative expenses		**(420,024)**	(450,912)
Other operating expenses		**(37,139)**	(5,927)
Finance costs	7	**(276,938)**	(227,029)
Impairment loss recognised in respect of property, plant and equipment		**(1,110,645)**	(22,628)
Share of loss of associates		**(18,208)**	(26,409)
Loss before tax		**(1,691,049)**	(214,756)
Income tax (expense) credit	8	**(1,293)**	119
Loss for the year	9	**(1,692,342)**	(214,637)
Loss for the year attributable to:			
Owners of the Company		**(814,280)**	(226,352)
Non-controlling interests		**(878,062)**	11,715
		(1,692,342)	(214,637)

	NOTES	2014 RMB'000	2013 RMB'000
Other comprehensive income (expense)			
Exchange differences arising on translation		**185**	(19)
Share of exchange reserve of an associate		**(239)**	(650)
Other comprehensive expense for the year		**(54)**	(669)
Total comprehensive expense for the year		**(1,692,396)**	(215,306)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(814,334)**	(227,021)
Non-controlling interests		**(878,062)**	11,715
		(1,692,396)	(215,306)
		RMB	*RMB*
Loss per share (basic and diluted)	11	**(0.36)**	(0.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**6,488,813**	7,753,178
Properties under development		**—**	56,387
Investment properties		**10,194**	23,273
Leasehold land and land use rights		**206,200**	276,079
Intangible assets		**28**	277
Interests in associates		**72,040**	86,645
Deposits paid for acquisition of property, plant and equipment		**267**	4,648
		6,777,542	8,200,487
Current assets			
Inventories		**232,121**	259,227
Trade and bills receivables	12	**544,165**	637,957
Other receivables, deposits and prepayments		**945,783**	993,660
Tax recoverable		**3,140**	4,178
Restricted bank balances		**12,400**	61,956
Bank balances and cash		**255,862**	821,602
		1,993,471	2,778,580
Non-current assets classified as held for sale		**3,663**	—
		1,997,134	2,778,580

	NOTES	2014 RMB'000	2013 RMB'000
Current liabilities			
Trade and bills payables	13	**694,325**	807,084
Other payables and accruals		**716,488**	1,229,097
Tax payables		**1,001**	1,125
Bank and other borrowings			
— due within one year		**4,096,603**	3,481,450
Current portion of termination benefits		**56,187**	191,533
Obligations under finance leases		**—**	34,057
		5,564,604	5,744,346
Net current liabilities		**(3,567,470)**	(2,965,766)
Total assets less current liabilities		**3,210,072**	5,234,721
Capital and reserves			
Share capital		**2,232,349**	2,232,349
Other reserves		**1,565,585**	1,339,514
Accumulated losses		**(4,399,939)**	(3,592,325)
Equity attributable to owners of the Company		**(602,005)**	(20,462)
Non-controlling interests		**1,238,581**	1,373,587
Total equity		**636,576**	1,353,125
Non-current liabilities			
Bank and other borrowings			
— due after one year		**2,096,906**	3,263,300
Deferred income		**396,789**	571,862
Termination benefits		**72,569**	38,723
Deferred tax liabilities		**7,232**	7,711
		2,573,496	3,881,596
Total equity plus non-current liabilities		**3,210,072**	5,234,721

1. GENERAL

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

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

The directors of the Company consider that IRICO Group Corporation is the Company's parent company and the ultimate holding company is China Electronics Corporation ("**CEC**"), a state-owned enterprise established in the PRC.

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

2. BASIS OF PREPARATION

The Group recorded a loss of approximately RMB1,692,342,000 for the year ended 31 December 2014. The Group and the Company had net current liabilities of approximately RMB3,567,470,000 and RMB1,245,664,000 respectively as at 31 December 2014. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group to fulfill its liabilities and commitments as and when it falls due; and

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

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

Application of new and revised standards and interpretations

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

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 (IFRS Interpretations Committee) ("**HK(IFRIC)**") — Int 21	Levies

Amendments to HKFRS 10, HKFRS 12 and HKAS 27

The Group has applied amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

As the Company is not an investment entity, the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

The Group has applied amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKAS 32 clarify requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has evaluated that whether its financial assets and financial liabilities are qualified for offset in accordance with the amendments and confirmed that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("**CGU**") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The Group is required to make additional disclosures:

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

The amendments have been applied retrospectively. The directors of the Company consider that the application of the amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 introduce an exception to the requirements for the discontinuation of hedge accounting if specific conditions are met. The amendments state that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. Pursuant to relevant amendments, the novation of a hedging instrument is not be considered an expiration or termination if the novation (a) is required by laws or regulations; (b) results in a central counterparty or an entity acting in a similar capacity becoming the new counterparty to each of the parties to the novated derivative and (c) does not result in changes to the terms of the original over-the-counter derivatives other than the changes directly attributable to the novation. For all other novations outside the scope of the exemption, an entity should assess if they meet the derecognition criteria and the conditions for continuation of hedge accounting.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) — Int 21, Levies

The Group has applied HK(IFRIC) — Int 21 Levies for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by government. 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.

HK(IFRIC) — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[2] *(Note)*
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendment to HKAS 1	Disclosure Initiative[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 Effective for annual periods beginning on or after 1 July 2014.

2 Effective for annual periods beginning on or after 1 January 2016.

3 Effective for annual periods beginning on or after 1 January 2017.

4 Effective for annual periods beginning on or after 1 January 2018.

The directors of the Company anticipate that, except as described below, the application of the new and revised standards, amendments and interpretations will have no material impact on the consolidated financial statements.

Note: HKFRS 14 only applies to first time adopters of HKAS, not relevant to existing HKFRS adopters.

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

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

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

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

Annual Improvement to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in its provisions for changing from one of the disposal methods of an asset (or a selling group) (i.e. disposal through sale or disposal through distribution to owners (or vice versa), or held-for-distribution accounting discontinued) to the other. The amendment apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure — Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, further amendment to HKFRS 9 was made which included new requirements for general hedge accounting. Another version of the amendment to HKFRS 9 was issued in 2014, which mainly included a) requirements in relation to impairment of financial assets, and b) amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets.

Key requirements of HKFRS 9 (2014) are described as follows:

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

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

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will be effective for annual periods beginning on or after 1 January 2017. The directors of the Company anticipate no material effect on the Group.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

— at cost;

— in accordance with HKFRS 9 (or HKAS 39); or

— using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

4. TURNOVER

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

5. SEGMENT INFORMATION

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

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

1. Luminous materials production and sales

2. Liquid crystal related products production and sales

3. TFT-LCD glass substrate and display devices production and sales

4. Solar photovoltaic glass production and sales

5. CPTs production and sales and others

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the year ended 31 December 2014

	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	CPTs production and sales and others *RMB'000*	Total *RMB'000*
REVENUE	**277,418**	**1,349,269**	**146,208**	**424,924**	**20,457**	**2,218,276**
Segment (loss) profit	**(14,330)**	**5,387**	**(752,483)**	**(407,994)**	**(15,443)**	**(1,184,863)**
Unallocated income						**136,073**
Unallocated expenses						**(548,373)**
Gain on disposal of subsidiaries						**119,396**
Gain on disposal of an associate						**81,864**
Finance costs						**(276,938)**
Share of loss of associates						**(18,208)**
Loss before tax						**(1,691,049)**

For the year ended 31 December 2013

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

Segment loss/profit represents the loss from/profit earned by each segment without allocation of central administration costs, depreciation of investment properties, directors' salaries, share of loss of associates, rental income, dividend income from available-for-sale investment, interest income and finance costs, gain on disposal of associates and subsidiaries, interest income from held-to-maturity investments and available-for-sale investment. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

(b) Segment assets and liabilities

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

Segment assets

	2014	2013
	RMB'000	*RMB'000*
Luminous materials production and sales	**402,742**	496,654
Liquid crystal related products production and sales	**278,823**	325,574
TFT-LCD glass substrate and display devices production and sales	**5,636,766**	7,220,147
Solar photovoltaic glass production and sales	**1,549,563**	1,795,982
CPTs production and sales and others	**67,097**	83,563
Total segment assets	**7,934,991**	9,921,920
Unallocated assets	**839,685**	1,057,147
Consolidated total assets	**8,774,676**	10,979,067

Segment liabilities

	2014	2013
	RMB'000	*RMB'000*
Luminous materials production and sales	**151,391**	222,615
Liquid crystal related products production and sales	**167,533**	219,524
TFT-LCD glass substrate and display devices production and sales	**1,452,156**	1,389,605
Solar photovoltaic glass production and sales	**609,345**	878,816
CPTs production and sales and others	**54,032**	98,074
Total segment liabilities	**2,434,457**	2,808,634
Unallocated liabilities	**5,703,643**	6,817,308
Consolidated total liabilities	**8,138,100**	9,625,942

For the performance among monitoring segments and allocation of resources:

— All assets are allocated to reportable segments other than unallocated assets including interests in certain associates, investment properties, properties under development, restricted bank balances, bank balances and cash and certain unallocated head office assets. Assets jointly used by operating segments are allocated on the basis of the operating revenues earned by each segment; and

— All liabilities are allocated to operating segments other than tax payables, deferred tax liabilities and unallocated liabilities including bank and other borrowings, obligations under finance leases, liabilities for shares paid in cash and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in accordance with the asset ratio of each segment.

Geographical information

The Group's operation is mainly located in the PRC (country of domicile).

Information about the Group's revenue from external customers is presented based on the location of the operations as below:

	2014	2013
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**1,901,876**	1,952,481
Hong Kong	**134,225**	138,269
Other countries	**182,175**	189,008
	2,218,276	2,279,758

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's total assets are located in the PRC.

Information about major customers

The Group has identified one customer (2013: one) which individually represented over 10% of the Group's total trading sales for the year ended 31 December 2014.

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

	2014	2013
	RMB'000	*RMB'000*
Customer A[1]	**394,117**	442,234

[1] Revenue from sales of liquid crystal related products.

6. OTHER OPERATING INCOME

	2014	2013
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment	**16,969**	40,550
Interest income	**12,925**	16,085
Gain on disposal of leasehold land and land use rights	**—**	17,025
Gain on sales of raw materials, scraps and packaging materials	**19,137**	18,787
Reversal of allowance for doubtful debts of trade and other receivables	**4,812**	6,373
Dividend income from available-for-sale investment	**—**	6,109
Interest income from held to maturity investments	**—**	12,025
Rental income *(Note a)*	**9,250**	5,571
Compensation received *(Note b)*	**—**	150,000
Amortisation of deferred income on government grants received	**21,861**	37,321
Others	**11,125**	5,959
	96,079	315,805

Notes:

(a) The direct operating expenses from investment properties that generated from rental income amounted to approximately RMB662,000 (2013: RMB612,000) during the year.

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

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	**328,743**	417,956
Financial costs from discounted trade bills to banks	**491**	4,202
Termination benefits	**4,216**	1,787
Obligations under finance leases	**1,767**	5,796
Interests amount due to parent company wholly repayable within five years	**31,905**	45,628
Total borrowing costs	**367,122**	475,369
Less: amounts capitalised in the cost of qualifying assets	**(90,184)**	(248,340)
	276,938	227,029

Borrowing costs capitalised during the year arose on the general borrowing pool and were calculated by applying a capitalisation rate of 6.40% (2013: 5.68%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Current tax	**1,772**	—
Under provision in prior years	**—**	195
	1,772	195
Deferred income tax	**(479)**	(314)
Income tax expense (credit)	**1,293**	(119)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for the two years ended 31 December 2014 and 2013.

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

Companies are entitled to the preferential tax treatment for Opening Up of Western China ("**OUWC Policy**") if they are engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in year 2000) as their principal business and the revenue from the principal operations accounts 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 two years ended 31 December 2014 and 2013, and accordingly, EIT has also been provided at 15%.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**2,263,015**	2,201,150
Depreciation for property, plant and equipment	**176,583**	124,086
Depreciation for investment properties	**1,493**	1,115
Amortisation of leasehold land and land use rights	**2,616**	4,646
Amortisation of intangible assets	**188**	974
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**3,972**	4,355
Research and development costs	**5,272**	9,852
Allowance for inventories (included in other operating expenses)	**32,821**	13,593
Operating lease rentals in respect of land use rights	**19,316**	18,329
Operating lease rentals in respect of property, plant and equipment	**34,871**	33,559
Net foreign exchange losses	**402**	2,256
Provision for warranty	**8,857**	6,255
Cash-settled share-based payments expense	**123**	645
Auditor's remuneration	**2,645**	3,100
Share of tax of associates (included in share of loss of associates)	**15**	13

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the two years ended 31 December 2014 and 2013.

	2014	2013
Loss for the year attributable to owners of the Company *(RMB'000)*	**(814,280)**	(226,352)
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

(b) Diluted

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2014 and 2013.

12. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**419,907**	455,850
— related parties	**30,906**	34,956
	450,813	490,806
Less: allowance for doubtful debts	**(9,735)**	(22,596)
Trade receivables — net	**441,078**	468,210
Trade bills receivables		
— third parties	**103,087**	169,747
— related parties	**—**	—
	103,087	169,747
Total trade and bills receivables	**544,165**	637,957

The Group does not have any borrowings secured by trade and bills receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The Group allows an average credit period ranging from cash on delivery to 90 days (2013: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**367,481**	530,485
91 to 180 days	**140,592**	96,528
181 to 365 days	**32,444**	8,950
Over 365 days	**3,648**	1,994
	544,165	637,957

13. TRADE AND BILLS PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables		
— third parties	**580,340**	549,717
— related parties	**53,939**	91,271
	634,279	640,988
Trade bills payables		
— third parties	**55,046**	161,096
— related parties	**5,000**	5,000
	60,046	166,096
Total trade and bills payables	**694,325**	807,084

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

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**439,933**	509,022
91 to 180 days	**43,884**	95,152
181 to 365 days	**144,102**	46,044
Over 365 days	**66,406**	156,866
	694,325	807,084

The average credit period on purchases of goods is 90 days (2013: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

EXTRACT FROM INDEPENDENT AUDIT REPORT PREPARED BY INDEPENDENT AUDITORS

The Company would like to provide an extract of the independent audit report prepared by SHINEWING (HK) CPA Limited (the independent auditors) of the Group's annual financial statements for the year ended 31 December 2014 as set out below:

"Emphasis of matter

Without qualifying our opinion, we draw attention to the consolidated financial statements which indicates that the Group and the Company had net current liabilities of approximately RMB3,567,470,000 and RMB1,245,664,000 respectively as at 31 December 2014. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. In addition, the Group incurred loss of approximately RMB1,692,342,000 for the year ended 31 December 2014."

RESULTS AND DIVIDEND

During the reporting period, based on the operational guidelines of "optimization and adjustment to focus on main business", the Group accomplished certain achievements by proactively adjusting and optimizing the asset structure and staff structure, which have improved the Company's operating standard. The operating situation of solar photovoltaic glass business improved fundamentally by lowering the cost and enhancing efficiency; for luminous materials, the production and sales volume both decreased under the impact of the LED lighting; for lithium battery anode materials and other new electronic materials, industrialization was carried out steadily.

In 2014, the Group recorded sales of RMB2,218,276,000, representing a decrease of RMB61,482,000 as compared to the corresponding period of last year. Operating losses were RMB1,597,163,000, representing an increase of RMB1,414,591,000 as compared to the corresponding period of last year. Gross loss margin was 2.02%, representing a decrease of 4.9% as compared to that of the previous year (2013: a gross profit margin of 2.88%). Losses attributable to equity owners amounted to RMB814,280,000 compared to losses of RMB226,352,000 for the same period of last year. The losses in 2014 were mainly attributable to the lower-than-expected business progress of the A Share Company, a subsidiary of the Company, and the provision for impairment.

The Company's dividend policy remained unchanged. In light of the absence of accumulated surplus in 2014, the Board has decided not to distribute any final dividend for the year ended 31 December 2014, which is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

BUSINESS REVIEW

During the reporting period, the Group spared no effort to promote the adjustment and optimization in respect of the corporate structure and asset structure, mainly including transferring equity in certain non-principal or non-profitable companies, shutting down and liquidation of certain non-production and non-profitable enterprises, disposal of idle assets and inefficient assets, timely withdrawal of idle plants and land.

During the reporting period, the Group made adjustment to and optimization on the personnel structure, promote personnel arrangement vigorously and properly, resulting in reduction of approximately 33% personnel.

During the reporting period, the Group actively strengthened solar photovoltaic glass and new electronic materials business, which further outstood the main business.

- **Solar Photovoltaic Glass Business**

  During the reporting period, the Group accomplished the cold repair and reconstruction of PV Glass Phase I Production Line in Xianyang, coating renovation and automatoin renovation of PV Glass Phase IV and the increase in four new toughened coating production lines, which achieved the whole coating of photovoltaic products. By taking several measures such as increasing the output of furnace, tackling technical problems, reducing costs and improving production efficiency, resulting in the substantial improvement of the operating condition of the photovoltaic glass business.

- **New Electronic Materials Business**

  During the reporting period, the performance of the energy saving lamp phosphors business of the Group declined. Meanwhile, the business of lithium battery anode materials and electronic silver paste continued to improve steadily.

- **TFT-LCD Glass Substrate Business**

  During the reporting period, the CH03 production line of glass substrate was accepted and transferred into fixed assets in the first half of the year. The CH01, CH02 and CH03 production lines were carried out cold repair, renovation and put into production. The G5 and G6 production lines were operated orderly. Yield rate of fine products improved continuously.

- **Trading and Others**

  During the reporting period, the trading and other businesses of the Group operated steadily.

FINANCIAL REVIEW

(1) Overall performance

- ***Turnover and gross profit margin***

  In 2014, the Group recorded a sales of RMB2,218,276,000, representing a decrease of RMB61,482,000, or 2.70% from the same period of 2013. In particular, sales of luminous materials amounted to RMB277,418,000, representing a decrease of RMB74,718,000 or 21.22% from the same period of 2013; sales of liquid crystal related products amounted to RMB1,349,269,000, representing an increase of RMB129,990,000 or 10.66% from the same period of 2013; sales of solar photovoltaic glass amounted to RMB424,924,000, representing an increase of RMB35,779,000 or 9.19% from the same period of 2013; sales of TFT-LCD glass substrate and display devices amounted to RMB146,208,000, representing a decrease of RMB6,111,000 or 4.01% from the same period of 2013; and sales of CPTs and others amounted to RMB20,457,000, representing a decrease of RMB146,422,000 or 87.74% from the same period of 2013. The overall gross profit margin of the Group decreased from a gross profit margin of 2.88% in 2013 to a gross loss margin of 2.02% in 2014, which was mainly attributable to the increase in selling costs of glass substrate during the year.

- ***Administrative expenses***

  The Group's administrative expenses for 2014 decreased by RMB30,888,000, or 6.85%, to RMB420,024,000 from RMB450,912,000 in the corresponding period of 2013. The decrease in administrative expenses was mainly due to the actual progress made in enhancing expanse management and control by the Company.

- ***Finance costs***

  The Group's finance costs included in profit and loss for 2014 was RMB276,938,000 (net of interest expense capitalised amounting to RMB90,184,000), representing an increase of RMB49,909,000, or 21.98%, from RMB227,029,000 in the corresponding period of 2013. The increase in finance costs was mainly attributable to suspension of capitalization for interest expenses of part of the projects during the year.

(2) Current assets and financial resources

As at 31 December 2014, the Group's cash and bank balances amounted to RMB255,862,000, representing a decrease of 68.86% from RMB821,602,000 as at 31 December 2013. As at 31 December 2014, the Group's total borrowings were RMB6,193,509,000, of which borrowings due within one year amounted to RMB4,096,603,000 and borrowings due beyond one year amounted to RMB2,096,906,000. As at 31 December 2013, the total borrowings were RMB6,744,750,000, of which borrowings due within one year amounted to RMB3,481,450,000 and borrowings due beyond one year amounted to RMB3,263,300,000.

As at 31 December 2014, the Group's bank loans amounting to approximately RMB2,224,554,000 (31 December 2013: RMB3,056,859,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net carrying amount of approximately RMB2,732,001,000 (31 December 2013: RMB2,288,041,000). As at 31 December 2014, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB557,765,000 (31 December 2013: RMB683,593,000).

For the year ended 31 December 2014, the turnover days for trade receivables of the Group was 90 days, representing a decrease of 12 days as compared to 102 days for the year ended 31 December 2013, which was mainly attributable to the enhancement of the recovery of bills receivable by the Company so as to accelerate the return of funds. For the year ended 31 December 2014, the inventory turnover days of the Group was 37 days, representing a decrease of 6 days from 43 days for the year ended 31 December 2013, which was mainly attributable to the management and control of inventory by the Company to consume stock, and reasonably carrying out materials procurement, thus the scale of inventory was effectively controlled.

(3) Capital structure

As at 31 December 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 intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2014, the liabilities (including bank borrowings and finance lease commitments) of the Group totalled RMB6,193,509,000 (31 December 2013: RMB6,778,807,000); cash and bank balances were RMB255,862,000 (31 December 2013: RMB821,602,000); and the gearing ratio (i.e. total liabilities divided by total assets) was 92.75% (31 December 2013: 87.68%).

(4) Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the 12 months ended 31 December 2014, the operating cost of the Group increased by RMB402,000 (31 December 2013: RMB2,256,000) as a result of exchange rate fluctuations.

(5) Commitments

As at 31 December 2014, capital expenditure commitments of the Group amounted to RMB1,003,936,000 (31 December 2013: RMB93,639,000), which were mainly financed by the Group's working capital.

(6) Contingent liabilities

As at 31 December 2014, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2014, the bank loans amounted to approximately RMB2,224,554,000 (31 December 2013: RMB3,056,859,000), which were secured by certain properties, plants, equipment, land use rights and inventories of the Group with a net carrying amount of approximately RMB2,732,001,000 (31 December 2013: RMB2,288,041,000).

FUTURE PROSPECTS

Look into 2015, the Group will continue to adjust assets and personnel structure, among which, the Company proposed to transfer 13.5% A shares in IRICO Display Devices Co., Ltd.* (彩虹顯示器股份有限公司) ("**A Share Company**"), currently a subsidiary of the Company. Upon the completion of the transfer, the results of the A Share Company will no longer be consolidated into the accounts of the Company.

The Group will further focus on its main businesses of new energy and new electronic materials. In respect of solar photovoltaic industry, the operation of the Hefei photovoltaic project will commence, which is expected to result in a significant increase in the scale of the Group's photovoltaic glass production. Meanwhile, the Group is expected to extend its production chain of solar photovoltaic glass to the upper and lower streams proactively. In 2015, the Group is expected to promote 12 MW solar photovoltaic power station construction project in Hefei and project of quartz sand in Hanzhong. In respect of new electronic materials business, the Group is expected to promote 1,000 tonnes expansion and renovation project of anode material of lithium battery so as to accelerate the new electronic materials business.

PURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

MATERIAL LITIGATION

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

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

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

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

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

- **Claims by American Crago Company against the A Share Company**

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

During the reporting period, there was no latest development in the pending litigations disclosed previously. The Directors consider that such cases have no material impact on the financial statements of the Group for the year ended 31 December 2014. For details of such cases, please refer to the 2010 annual report of the Company issued on 11 April 2011.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2014, the Group had no designated deposit in any financial institutions in China. All of the Group's bank deposits are placed with commercial banks in China, and are in compliance with the relevant applicable laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

CORPORATE GOVERNANCE CODE

The Board has reviewed the relevant corporate governance documents adopted by the Company, and is of the opinion that the documents are in compliance with the code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of its Directors with the Code at any time in the year ended 31 December 2014. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2014, including the accounting principles adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

(1) Proposed disposal of 13.5% A shares in the A Share Company

On 6 February 2015, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Xianyang IRICO**") entered into an agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 A shares in the A Share Company, representing approximately 13.5% of the issued share capital of the A Share Company, at a cash consideration of RMB897,129,200 (i.e. RMB9.02 per A share) (the "**Proposed Disposal**"). Upon completion of the Proposed Disposal, the Company will hold 36,444,798 A shares in the A Share Company, representing approximately 4.95% of the issued share capital of the A Share Company, and the A Share Company will cease to be a subsidiary of the Company. China Electronics Corporation* (中國電子信息產業集團有限公司) ("**CEC**") and IRICO Group are the controlling shareholders of the Company and thus connected persons of the Company. Xianyang IRICO, which is directly held as to 74% by CEC and 26% by IRICO Group, respectively, is an associate of CEC and IRICO Group and thus a connected person of the Company. The Proposed Disposal constitutes connected and major disposal of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. The Proposed Disposal has not been completed. For details, please refer to the announcement of the Company dated 6 February 2015.

(2) Possible change of controlling shareholder of the A Share Company

The Company was notified by IRICO Group that on 6 February 2015, IRICO Group and Xianyang IRICO entered into an agreement, pursuant to which IRICO Group agreed to sell, and Xianyang IRICO agreed to acquire, 81,800,000 A shares in the A Share Company, representing approximately 11.1% of the issued share capital of the A Share Company, at a cash consideration of RMB737,836,000 (i.e. RMB9.02 per A share) (the "**IRICO Group Disposal**"). The IRICO Group Disposal is subject to approval by State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Upon completion of the IRICO Group Disposal, IRICO Group will no longer directly hold any A shares in the A Share Company, while CEC will remain as the de facto controller of the A Share Company. The IRICO Group Disposal has not been completed. For details, please refer to the announcement of the Company dated 6 February 2015.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE

The 2014 Annual 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 of Hong Kong Limited in due course.

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

Shaanxi Province, the PRC
12 March 2015

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 purpose only*