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)

2007 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of the directors (the "**Directors**") of IRICO Group Electronics Company Limited (the "**Company**") is pleased to announce the consolidated results and financial status as at and for the year ended 31 December 2007 for the Company and its subsidiaries (together as the "**Group**").

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** *RMB'000*	2006 *RMB'000*
Turnover	2	**3,358,990**	**3,861,710**
Cost of sales	3	**(3,002,987)**	(3,356,160)
Gross profit		**356,003**	505,550
Other operating income		**178,435**	174,624
Selling and distribution costs		**(162,073)**	(150,343)
Administrative expenses		**(236,132)**	(241,113)
Other operating expenses		**(42,055)**	(38,381)
Finance costs	5	**(66,729)**	(61,849)
Share of results of associates		**9,093**	(945)
Gain on partial disposal of a subsidiary		**25,858**	—
Gain on disposal of a subsidiary		**1,969**	—
Gain on disposal of an associate		**16,208**	—

Profit before income tax		**80,577**	187,543
Taxation	6	**(8,420)**	(19,828)
Profit for the year	4	**72,157**	167,715
Attributable to:			
Equity holders of the Company		**66,511**	129,512
Minority interests		**5,646**	38,203
		72,157	167,715
Earnings per share			
(expressed in RMB per share) — basic	7	**0.03**	0.07
Dividend	8	**—**	—

CONSOLIDATED BALANCE SHEET

	Note	**2007**	2006
		Rmb'000	*Rmb'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,009,640**	2,497,428
Investment property		**4,697**	—
Leasehold land and land use rights		**45,563**	35,971
Intangible assets		**4,433**	11,615
Interests in associates		**333,650**	232,220
Available-for-sale financial assets		**24,060**	24,060
		2,422,043	2,801,294
Current assets			
Inventories		**698,490**	631,915
Trade receivables	9	**1,463,798**	1,512,292
Other receivables, deposits and prepayments		**135,922**	66,053
Bank balances and cash		**363,617**	479,503
		2,661,827	2,689,763
Total assets		**5,083,870**	5,491,057
EQUITY			
Capital and reserves			
Share capital		**1,941,174**	1,941,174
Other reserves		**766,146**	766,146
Accumulated losses		**(459,911)**	(526,422)
Equity attributable to equity holders of the Company		**2,247,409**	2,180,898
Minority interests		**1,052,738**	1,035,713
Total equity		**3,300,147**	3,216,611

LIABILITIES			
Non-current liabilities			
Deferred income		**1,023**	4,344
Deferred income tax liabilities		**12,797**	15,577
Long-term payables		**9,250**	10,572
		23,070	30,493
Current liabilities			
Trade payables	10	**575,413**	575,718
Other payables and accruals		**215,313**	726,511
Tax payables		**4,305**	6,701
Current portion of long-term payables		**2,938**	2,347
Short-term bank borrowings		**962,684**	932,676
		1,760,653	2,243,953
Total liabilities		**1,783,723**	2,274,446
Total equity and liabilities		**5,083,870**	5,491,057
Net current assets		**901,174**	445,810
Total assets less current liabilities		**3,323,217**	3,247,104

NOTES

1 Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value through income statement.

In 2007, the Group adopted the following revised HKFRS, which is relevant to its operation:

HKAS 19 (Amendment), Employee Benefits, introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the financial statements.

2. Turnover

The Group is principally engaged in the manufacturing of colour picture tubes ("CPTs") for coloured television sets, related CPT components including glass bulbs, electron guns, shadow masks and their frames, deflection yokes, frit, anode buttons, phosphor, etc and provision of related packaging, engineering and trading services.

	2007	2006
	RMB'000	*RMB'000*
Sales of CPTs and CPT components	**3,358,990**	3,861,710

The Group's revenues, expenses, assets, liabilities and capital expenditures are primarily attributable to the production and sales of CPT. The Directors consider that there is only one business segment for the Group.

The Group's principal market is Mainland China. The direct exports sales made by the Group contributed to less than 10 percent of the total revenues and results of the Group. Accordingly, no geographical segment is presented.

3. Impairment of Property, plant and equipment

The Group reviews annually whether non-financial assets have suffered any impairment in accordance with the accounting policies. The recoverable amounts are determined based on value-in-use calculations which require the use of estimates.

The Group will review whether any impairment exists in property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development.

For the year ended 31 December 2007, the Group provided for an impairment loss of RMB2,630,000 (2006: RMB67,205,000) in respect of property, plant and equipment. The items being written down to recoverable amount are due to there being business situation concerns over future profitability. The recoverable amounts of different production plants, cash generating units to which the property, plant and equipment belong, have been determined based on value-in-use calculations using cash flow projections determined by an independent professional valuer, based on financial budgets approved by senior management of the Group covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated declining rates ranging from 5% per annum to 35% per annum for different cash generating units.

4. Profit for the year

Profit for the year has been arrived at after charging:

	2007	2006
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	**3,002,987**	3,356,160
Depreciation for property, plant and equipment	**290,063**	337,461
Depreciation for investment property	**218**	—
Amortisation of leasehold land and land use rights	**1,887**	970
Amortisation of intangible assets	**7,302**	6,937
Employee benefit expense (included directors' and supervisors' emoluments)	**439,220**	473,910
Impairment losses of property, plant and equipment (included in administrative expenses; 2006 included in cost of sales)	**2,630**	67,205
Impairment losses of intangible assets	**—**	30,260
Impairment losses on trade and other receivables	**1,300**	—
Research and development expenses	**22,678**	25,917
Write-down of inventories	**3,376**	1,720
Write off of an intangible asset	**241**	—
Operating lease rentals in respect of land use rights	**3,797**	4,094
Operating lease rentals in respect of property, plant and equipment	**31,380**	37,336
Net exchange losses	**17,335**	12,216
Provision for warranty	**25,348**	11,844
Auditors' remuneration	**3,671**	5,442
Share of tax of associates (included in share of results of associates)	**3,001**	(312)

5. Finance costs

	2007	2006
	RMB'000	*RMB'000*
Interest expense on short-term bank borrowings	**50,159**	56,512
Interest expense to ultimate holding company	**1,755**	1,648
Finance charge on discounted trade bills to banks	**14,815**	3,689
	66,729	61,849

6. Taxation

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 2007 and 2006.

The provision for PRC current enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 33% (2006: 33%) of the assessable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year except for the Company and certain subsidiaries which enjoy certain tax exemption and reduction in tax rate.

	2007	2006
	RMB'000	*RMB'000*
Current income tax	**11,200**	19,949
Deferred income tax	**(2,780)**	(121)
	8,420	19,828

7. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of approximately RMB66,511,000 (2006: RMB129,512,000) and based on the weighted average of 1,941,174,000 (2006: 1,941,174,000) shares in issue.

There were no dilutive potential shares during the years ended 31 December 2006 and 2007 and accordingly no diluted earnings per share is presented.

8. Dividend

No dividend was paid or proposed during the year ended 31 December 2007, nor has any dividend been proposed since the balance sheet date (2006 : Nil).

9. Trade receivables

	2007	2006
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**493,524**	344,065
— related parties	**239,545**	335,923
	733,069	679,988
Less: provision for impairment of receivables	**(12,621)**	(11,466)
Trade receivables net	**720,448**	668,522
Trade bills receivables		
— third parties	**426,982**	220,980
— related parties	**316,368**	622,790
	743,350	843,770
	1,463,798	1,512,292

As at 31 December 2006 and 2007, the ageing of trade bills receivable are all within 180 days.

The Group allows an average credit period ranging from cash on delivery to 90 days to its trade customers. The following is an aged analysis of trade receivables net of impairment loss as at 31 December 2006 and 2007:

	2007	2006
	RMB'000	*RMB'000*
0-90 days	**612,190**	602,211
91-180 days	**62,313**	57,640
181-365 days	**38,694**	4,001
Over 365 days	**7,251**	4,670
	720,448	668,522

10. Trade payables

	2007	2006
	RMB'000	*RMB'000*
Trade payables		
— third parties	**402,399**	335,690
— related parties	**103,024**	212,241
	505,423	547,931
Trade bills payable		
— third parties	**33,458**	2,150
— related parties	**36,532**	25,637
	69,990	27,787
	575,413	575,718

At 31 December 2006 and 2007, the ageing analyses of trade payables are as follows:

	2007	2006
	RMB'000	*RMB'000*
0 - 90 days	**472,486**	497,373
91 - 180 days	**8,151**	12,237
181 - 365 days	**8,655**	17,145
Over 365 days	**16,131**	21,176
	505,423	547,931

RESULTS AND DIVIDEND

2007 marked an important year of strategic transformation for the Group. Guided by the strategic thinking of "reinforcing CPTs and exploring new businesses", the staff of the Group are determined and dedicated to their work. On the one hand, being one of the few competitive global CPT manufacturing enterprises, the Group's production yield and sales of CPTs both attained a record high, securing the Group as a domestic industry leader and providing stable cash flow for the Group. On the other hand, there was good progress made in the group's strategic transformation with new businesses such as the luminous materials contributing to a greater-extent to the Group's revenue and profits while the TFT-LCD glass substrate business is also progressing well. It is expected that the new businesses will bring about a breakthrough to the Group's business growth.

The sales revenue of the Group in 2007 was RMB3,358,990,000, a decrease of RMB502,720,000 from the previous year. Operating profit in 2007 was RMB94,178,000, representing a decrease of RMB156,159,000 as compared to the previous year. Gross profit margin was 10.60%, representing a decrease of 2.5 percentage points as compared to the previous year (2006: 13.09%). Profits attributable to equity holders amounted to RMB66,511,000 in 2007, representing a decrease of RMB63,001,000 from the previous year.

The Company's original dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2007, the Board has resolved not to distribute any final dividends.

BUSINESS REVIEW

(1) Display Devices Businesses

- CPTs and components business

In 2007, the Group managed to attain a record high in its production and sales. The Group sold 15,327,000 units of CPTs in total in 2007, representing an increase of 304,000 units, or approximately 2.03%, relative to 2006. The Group's output volume of CPTs increased by 5 percentage points in 2007 and accounted for 27.3% of the total output volume of the PRC CPT manufacturers, securing its leading position in the industry. The Group's global market share rose by 1.8 percentage points to 13.8% over last year, being the third largest globally.

In 2007, the Group continued to adopt a series of operational strategies including cost-focused, sales-driven and technology innovation initiatives to further enhance the Group's competitiveness in the CPT sector. The Group has also reinforced its cost competitiveness through measures including target cost management, technological upgrade, energy saving and emission control. We also strengthened controls over the market forecast aspects as well as initiatives to expand the international market and thereby achieving satisfactory sales results. With regard to technology innovation, we have commenced mass production of our new product of 74cmPFAK CPTS, while critical technological breakthrough has been achieved on the 54cmPFUS super slim, 61cmWPF super slim and 74cmPF slim new CPT products which are expected to commence production in 2008. As a result, the Group's product mix is further enhanced.

In 2007, the Group obtained satisfactory results in environmental protection as well as emission reduction. The Group put more emphasis on its environmental protection and emission reduction efforts, established special task force, formulated recycling and emission reduction plans and defined various policies.

- FPD business

The joint investment project on PDP production line between the Group and Sichuan Changhong Electrical Group Co., Ltd. commenced construction on 29 April 2007. Various aspects of the project were progressing smoothly. Meanwhile, the Group also takes initiatives in planning the industry development on other FPD devices.

(2) TFT-LCD Electronic Glass Substrate Business

The TFT-LCD glass substrate project commenced construction on 16 January 2007. The phase I project required investment of RMB800 million in building a production line of glass substrates for the fifth-generation TFT-LCD with an annual production capacity of 750,000 square meters. The project was initially established and concocted by IRICO Group Corporation in which the Company has entered into an equity acquisition agreement with IRICO Group Corporation in acquiring interests in Shaanxi IRICO Electronic Glass Co., Ltd. and such acquisition is close to completion.

To-date, the project is progressing smoothly. The glass furnace was ignited and heated up as scheduled on 28 December 2007 while production commenced in late March, 2008. The first unit of TFT-LCD glass substrate manufactured is expected to roll out in the first half of 2008, which will be the first unit of TFT-LCD glass substrate produced by a PRC enterprise in a self-sustained manner. Product certification and exchanges about technological specifications have attained a milestone development with the downstream panel manufacturers. The Group will become a major TFT-LCD electronic glass manufacturer.

(3) Luminous Materials Business

The Group's sales of energy saving lamp phosphors in 2007 increased by 90% over 2006, accounting for 22% of the market share in the PRC in 2007, relative to 17% in 2006, and continued to maintain the domestic leading position. In 2007, the production capacity expansion for energy saving lamp phosphors was completed, raising the annual production capacity to 1,000 tons, which will further increase our market share on energy saving lamp phosphors. After enormous efforts of and repeated testings by our technicians, CCFL phosphor had received customer recognition , realizing the first batch supply of 3.73 tons. Further, PDP phosphors and other products will experience further room of development.

(4) Metallic Components Business

The Group established a metallic components department in 2007, which had integrated the human and equipment resources of various subsidiary companies in the metallic punching and processing functions, aiming to optimize resources allocation, business expansion, competitive edge and efficiency. Currently, the Group is actively seeking development opportunities in such metallic component sectors, as vehicles, aircraft and home appliances, some of which have already attained progress.

FINANCIAL REVIEW

1) Overall performance

In 2007, the Group recorded a turnover of RMB3,358,990,000, representing a decrease of RMB502,720,000, or 13.02% from the previous year. Turnover of the CPT business amounted to RMB2,914,351,000, representing a year-on-year decrease of 12.82% from 2006. Turnover of the component business decreased by RMB444,639,000, or 14.30% to RMB74,184,000. The overall gross profit margin of the Group decreased from 13.09% of 2006 to 10.60% of 2007. In 2007, the supply of CPT in the market was greater than the demand of it resulting in falling sales price of CPT and loss in gross profit.

(2) Net current assets and financial resources

As at 31 December 2007, the Group's cash and bank balances aggregated to RMB363,617,000, representing a decrease of 24.17% from RMB479,503,000 as at 31 December 2006. As at 31 December 2007, the Group's borrowings totalled RMB962,684,000 as compared to RMB932,676,000 as at 31 December 2006. The borrowings would all be due within one year.

As at 31 December 2007, the Group's short-term bank loans amounting to approximately RMB200,000,000 (as at 31 December 2006: RMB140,000,000) were secured by the Group's properties, plants and equipment with a net book value of RMB195,538,000 (as at 31 December 2006: RMB205,027,000). As at 31 December 2007, the short-term bank loans guaranteed by the Company's ultimate holding company, amounted to RMB250,500,000 (as at 31 December 2006: RMB640,000,000).

For the year ended 31 December 2007, the turnover for accounts receivable of the Group was 157 days, representing an increase of 16 days from141 days for the year ended 31 December 2006, which was mainly attributable to a slight increase of sales towards the end of the year. This resulted in an increase in the account receivables balance overdue for three months. For the year ended 31 December 2007, the inventory turnover period for the Group was 84 days, representing an increase of 15 days from 69 days for the year ended 31 December 2006, which was mainly attributable to the more intense competition in the CPT market.

(3) Capital Structure

As at 31 December 2007, the Group's borrowings were mainly denominated in Renminbi and US dollar, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollar and US dollar. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure from time to time. As at 31 December 2007, its liabilities including bank loans aggregated to RMB1,783,723,000 with cash and bank balances totalling RMB363,617,000 and a gearing ratio (total liabilities/total assets) of 35%.

FUTURE PROSPECTS

Following the global trend of evolution of the display device technology, the Group is shifting its business focus from the traditional CPT to the thriving FPD devices and its related components. A new business structure of the Group comprising display device components, electronic glass, luminous materials and metallic components has already been formed.

The Group will soon complete the equity acquisition of the TFT-LCD glass substrate project from IRICO Group Corporation, which render the Group to become the first TFT-LCD glass substrate manufacturer in the PRC. Upon the successful launch of phase I of the project, the Group will soon initiate phase II of the project, which will make us a major TFT-LCD glass substrate manufacturer in the industry.

The Group will continue to reinforce its leading manufacturer position in the global luminous materials sector. Following further expansion in the energy saving lamp phosphors business and rapid development of new products including CCFL phosphors and PDP phosphors, the luminous materials business of the Group will be further advanced.

The Group will maintain its leading position in the CPT industry domestically and internationally. Through a series of operational strategies including sales-driven, technology innovation and cost-focused initiatives, the competitiveness of our CPT business will be continuously enhanced, bringing stable cash flow to the Company and providing a good foundation for the Group's next step of strategic transformation.

PURCHASE, SALE AND REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of its shares during the year.

MATERIAL LITIGATION

1. The dispute between Xianyang Xingyun Mechanical Company Limited ("Xingyun") and the Company

In respect of the litigation between Xingyun and the Company previously disclosed, the status is as follows.

On 11 April 2007, the Company received a writ of summons ((2007) Shaan Min Er Chu Zi No.10) from the People's High Court of Shaanxi, and was informed that Xingyun brought an action for a second time against the Company in respect of the same matter.

The Company made a written submission to the Court denying all liabilities in response to the allegations made by Xingyun. The Company believes that Xingyun's claim for litigations had no legal and factual basis, therefore its claim should be dismissed. On 23 November 2007, the People's High Court of Shaanxi issued the civil verdict ((2007) Shaan Min Er Chu Zi No.10), The Court ruled that the claim by Xingyun against the Company demanding for compensation to its investment and other losses totalling RMB30,010,000 was not established and should be dismissed. At present, Xingyun has filed an appeal to the People's Supreme Court of the PRC. The Company has received a writ of summons from the People's Supreme Court on 15 April 2008.

2. Baystar Capital II, LP et al. v. Core-Pacific Yamaichi International (HK) Ltd. et al., Case No 05 1091 ABC (CWx) (filed in the United States District Court for the Central District of California) (the "Baystar Litigation").

In respect of the litigation with Baystar previously disclosed, the status is as follows.

The Company filed a motion for summary judgment on 15 May 2006. On 9 August 2006 the Court partly dismissed the motion.

Upon completion of the discovery procedure, summary judgment commenced for Core Pacific and Baystar. The Court granted Core Pacific's motion and dismissed the rights appeal that may be implied in all the litigations of Core Pacific. Shortly thereafter, Core Pacific approached the Company and offered to dismiss the claim for damages against the Company. No payment or compensation in respect of the litigation is required from the Company. The Company accepted the offer and signed the settlement proposal with the relevant parties on 5 October, 2007. Therefore, the litigation has ended.

The result of the above litigations has no material impact on the 2007 consolidated financial statement of the Group.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2007, the Group had no designated deposits in any financial institutions in the PRC. All of the Group's bank deposits are lodged in commercial banks in the PRC, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect the time deposits upon maturity.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the documents regarding the Company's adoption of relevant corporate governance practices, and is of the opinion that the documents are in compliance with the principles and code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

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 2007. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during such period.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2007, including accounting principles adopted by the Group.

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

The 2007 Annual Report of the Company will be published on the Company's website at http://www.irico.com.cn and the website of the Hong Kong Stock Exchange in due course.

By order of the board
IRICO Group Electronics Company Limited
Chairman
Xing Daoqin

Shaanxi Province, the PRC
24 April 2008

As at the date of this announcement, the Board consists of Mr. Xing Daoqin, Mr. Tao Kui, Mr. Guo Mengquan, Mr. Zhang Shaowen, Mr. Niu Xinan and Mr. Li Shikun as executive directors, Mr. Zhang Xingxi as non-executive director, and Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua and Mr. Zhong Pengrong as independent non-executive directors.

* *for identification only*