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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)

2008 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 2008, together with the comparative figures for 2007, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	NOTES	**2008** **RMB'000**	2007 RMB'000 (Restated)
Turnover	2	**3,541,920**	3,358,990
Cost of sales		**(2,913,300)**	(3,002,987)
Gross profit		**628,620**	356,003
Other operating income	3	**94,941**	178,435
Selling and distribution costs		**(176,558)**	(162,073)
Administrative expenses		**(368,129)**	(238,790)
Other operating expenses		**(20,004)**	(42,055)
Finance costs	4	**(59,046)**	(66,729)
Share of results of associates		**26,405**	9,093
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 taxation		**126,229**	77,919
Taxation	5	**(7,851)**	(8,420)
Profit for the year	6	**118,378**	69,499
Attributable to:			
Equity holders of the Company		**95,324**	64,663
Minority interests		**23,054**	4,836
		118,378	69,499
Earnings per share (expressed in RMB per share)			
— basic	7	**0.0491**	0.0333
Dividend	8	**—**	—

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	NOTES	2008 RMB'000	2007 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		**2,642,474**	2,094,667
Investment properties		**16,563**	4,697
Leasehold land and land use rights		**54,270**	45,778
Intangible assets		**3,017**	4,433
Interests in associates		**366,055**	333,650
Available-for-sale investments		**24,060**	24,060
Deferred income tax assets		**1,857**	—
		3,108,296	2,507,285
Current assets			
Inventories		**708,475**	701,205
Trade and bills receivables	9	**1,195,731**	1,463,798
Other receivables, deposits and prepayments		**167,399**	448,368
Bank balances and cash		**457,415**	374,674
		2,529,020	2,988,045
Current liabilities			
Trade and bills payables	10	**559,902**	579,049
Other payables and accruals		**641,114**	235,795
Tax payables		**5,819**	4,305
Current portion of long-term payables		**3,574**	2,938
Bank borrowings — due within one year		**673,000**	962,684
		1,883,409	1,784,771
Net current assets		**645,611**	1,203,274
Total assets less current liabilities		**3,753,907**	3,710,559

Capital and reserves		
Share capital	**1,941,174**	1,941,174
Other reserves	**716,408**	1,037,316
Accumulated losses	**(366,435)**	(461,759)
Equity attributable to equity holders of the Company	**2,291,147**	2,516,731
Minority interests	**1,103,137**	1,170,758
Total equity	**3,394,284**	3,687,489
Non-current liabilities		
Bank borrowings — due after one year	**318,707**	—
Deferred income	**21,040**	1,023
Deferred income tax liabilities	**9,655**	12,797
Long-term payables	**10,221**	9,250
	359,623	23,070
	3,753,907	3,710,559

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 the available-for-sale financial assets at fair value through income statement.

Merger accounting

The Company and IRICO Electronics Glass Company Limited ("**IRICO Glass**") are both under the control of IRICO Group Corporation, and thus regarded as different entities under common control. These financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), assuming that the current structure of the Group has been in existence since the date when the Company and IRICO Glass first came under the control of the IRICO Group Corporation.

The 2007 comparative amounts of consolidated financial statements have been restated, it assumed that the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Adjustments for common control combination

The following demonstrates the effect of adopting merger accounting for common control combinations on the consolidated balance sheets:

Consolidated balance sheet as at 31 December 2008:

	Group (before adopting merger accounting)	**IRICO Glass**	**Adjustments**		**Group (after adopting merger accounting)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	313,584	—	(313,584)		—
Other assets — net	3,011,077	383,207	—		3,394,284
Net assets	3,324,661	383,207			3,394,284
Share capital	1,941,174	390,000	(390,000)		1,941,174
Other reserves	758,822	—	(42,414)		716,408
Accumulated losses	(361,712)	(6,793)		2,070	(366,435)
Minority interests	986,377	—	118,830	(2,070)	1,103,137
	3,324,661	383,207			3,394,284

Consolidated balance sheet as at 31 December 2007:

	Group (before adopting merger accounting)	IRICO Glass	Adjustments		Group (after adopting merger accounting)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	—	—	—		—
Other assets — net	3,300,147	387,342	—		3,687,489
Net assets	3,300,147	387,342			3,687,489
Share capital	1,941,174	390,000	(390,000)		1,941,174
Other reserves	766,146	—	271,170		1,037,316
Accumulated losses	(459,911)	(2,658)	—	810	(461,759)
Minority interests	1,052,738	—	118,830	(810)	1,170,758
	3,300,147	387,342			3,687,489

Note (a): The above adjustments represent the elimination of the share capital of the combining entity under common control against the investment cost. The difference has been recorded as merger reserve in the consolidated financial statements. Adjustments are also made to minority interests as a result of the combination.

Note (b): The above adjustments represent the sharing of results by the minority interests of the combining entity under common control.

Summary of the effects for common control combination

The effect of changes in accounting policies resulted from the adoption of common control combination for the current and prior year by line items are as follows:

	2008	2007
	RMB'000	*RMB'000*
Increase in administrative expenses	**(4,135)**	(2,658)
Decrease in profit for the year	**(4,135)**	(2,658)
Attributable to:		
Equity holders of the Company	**(2,875)**	(1,848)
Minority interests	**(1,260)**	(810)
	(4,135)	(2,658)

Analysis of decrease in profit for the current and prior year by line items presented according to their function:

	2008	2007
	RMB'000	*RMB'000*
Increase in administrative expenses and decrease in profit for the year	**(4,135)**	(2,658)

The effects of changes in accounting policies resulted from the adoption of common control combination on the Group's equity at 1 January 2007 are summarised below:

	As at 1 January 2007 (originally stated)	**Adjustments**	**As at 1 January 2007**
	RMB'000	*RMB'000*	*RMB'000*
			(Restated)
Accumulated losses	(526,422)	—	(526,422)
Minority interests	1,035,713	7,313	1,043,026
Total effect on equity	509,291	7,313	516,604

The effects of the adoption of common control combination on the Group's basic earnings per share for the current and prior year:

	2008	2007
	RMB'000	*RMB'000*
Reported figures before adjustments	**0.0506**	0.0343
Adjustments arising on common control combination	**(0.0015)**	(0.0010)
Restated	**0.0491**	0.0333

Application of new and revised HKFRSs

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

Hong Kong Accounting Standards ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Interpretation ("INT") 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2 Turnover and segment information

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

	2008	2007
	RMB'000	*RMB'000*
Sales of CPTs and CPT components	**3,541,920**	3,358,990

a. Business segments

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.

b. Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	2008	2007
	RMB'000	*RMB'000*
Turnover based on geographical locations:		
The PRC (excluding Hong Kong)	**3,130,593**	3,238,974
Hong Kong	**142,227**	14,738
Europe	**209,392**	70,916
Other countries	**59,708**	34,362
	3,541,920	3,358,990

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 assets are substantially located in the PRC.

3 Other operating income

	2008	2007
	RMB'000	*RMB'000*
Sales of raw materials, scraps and packaging materials	**39,869**	43,746
Government grants *(Note)*	**14,862**	25,485
Net gains on disposal of property, plant and equipment	**11,085**	—
Dividend income from available-for-sale investment	**4,510**	566
Interest income	**4,352**	5,482
Reversal of write-down of inventories	**3,831**	10,678
Gain on disposal of available-for-sale investment	**3,760**	—
Rental income	**2,914**	1,429
Amortisation of deferred income on grants received	**1,023**	3,321
Others	**8,735**	10,102
Proceeds from collection of written off trade receivables	**—**	5,138
Reversal of provision for staff welfare	**—**	72,488
	94,941	178,435

Note: The amount represented compensation received from the PRC government recognised by the Group in respect of compensation for relocation of certain factory premises of a subsidiary of the Company.

4 Finance costs

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Interest on:		
Bank borrowings wholly repayable within five years	**52,970**	50,159
Bank borrowings wholly repayable over five years	**22,332**	14,815
Amount due to ultimate holding company	**1,663**	1,755
Total borrowing costs	**76,965**	66,729
Less: amounts capitalised	**(17,919)**	—
	59,046	66,729

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 7.31% per annum (2007: Nil) to expenditure on qualifying assets.

5 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 2008 and 2007.

The provision for PRC current enterprise income tax ("EIT") is calculated based on the statutory income tax rate of 25% (2007: 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.

	2008	2007
	RMB'000	*RMB'000*
Current income tax	**12,850**	11,200
Deferred income tax	**(4,999)**	(2,780)
	7,851	8,420

6 Profit for the year

	2008	2007
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense	**2,913,300**	3,002,987
Depreciation for property, plant and equipment	**248,144**	290,087
Depreciation for investment properties	**218**	218
Amortisation of leasehold land and land use rights	**1,865**	1,887
Amortisation of intangible assets	**2,391**	7,302
Employee benefit expense (including directors' and senior management's emoluments)	**497,874**	439,220
Impairment losses on property, plant and equipment (included in administrative express)	**233**	2,630
Impairment losses on trade and other receivables (included in administrative express)	**31,447**	1,300
Net loss on disposal of property, plant and equipment	**—**	142,609
Research and development expenses	**26,579**	22,678
Write-down of inventories (included in cost of sales)	**34,288**	3,376
Write off of an intangible asset (included in administrative express)	**—**	241
Operating lease rentals in respect of land use rights	**4,055**	3,797
Operating lease rentals in respect of property, plant and equipment	**39,437**	31,380
Net exchange losses	**23,734**	17,335
Provision for warranty	**25,713**	25,348
Auditors' remuneration	**3,735**	3,671
Share of tax of associates (included in share of results of associates)	**132**	3,001

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company approximately RMB95,324,000 (2007: RMB64,663,000) and based on the weighted average of 1,941,174,000 (2007: 1,941,174,000) shares in issue.

There were no dilutive potential shares during the two years ended 31 December 2008 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 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

9 Trade and bills receivables

	2008	2007
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**270,656**	493,524
— related parties	**190,341**	239,545
	460,997	733,069
Less: impairment losses	**(43,810)**	(12,621)
Trade receivables — net	**417,187**	720,448
Trade bills receivables		
— third parties	**603,053**	426,982
— related parties	**175,491**	316,368
	778,544	743,350
Total trade and bills receivables	**1,195,731**	1,463,798

As at 31 December 2007 and 2008, the ageing of trade bills receivables 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 at the reporting date:

	2008	2007
	RMB'000	*RMB'000*
0-90 days	**329,282**	612,190
91-180 days	**50,370**	62,313
181-365 days	**32,378**	38,694
Over 365 days	**5,157**	7,251
	417,187	720,448

10 Trade and bills payables

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Trade payables		
— third parties	**389,660**	405,900
— related parties	**70,012**	103,159
	459,672	509,059
Trade bills payables		
— third parties	**62,698**	33,458
— related parties	**37,532**	36,532
	100,230	69,990
Total trade and bills payables	**559,902**	579,049

At 31 December 2008 and 2007, the ageing analysis of trade payables are as follows:

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
0-90 days	**412,329**	476,122
91-180 days	**33,346**	8,151
181-365 days	**1,466**	8,655
Over 365 days	**12,531**	16,131
	459,672	509,059

RESULTS AND DIVIDEND

The sales revenue of the Group in 2008 was RMB3,541,920,000, representing an increase of 5.45% from last year. Operating profit was RMB158,870,000, representing an increase of 73.59% as compared to last year. Gross profit margin was 17.75%, representing an increase of 7.15 percentage points as compared to the previous year (2007: 10.60%). Profits attributable to equity holders amounted to RMB95,324,000, representing an increase of 47.42% from last year.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2008, the Board resolved not to distribute any final dividend for the year ended 31 December 2008.

BUSINESS REVIEW

(1) Display Devices Businesses

- CPT and its components business

  Under the backdrop of the global financial crisis and continuous impact on flat panel display ("FPD") devices, the Group sold a total of approximately 14,809,000 units of CPT in 2008, representing a decrease of 518,000 units, or approximately 3.38% as compared to 2007. The Group's output volume of CPT increased by 2.3 percentage points in 2008, which accounted for approximately 29.6% of the total output volume of the CPT manufacturers in the People's Republic of China ("PRC"). The Group's global market share reached approximately 16.4%, representing an increase of 2.6 percentage points as compared to last year, ranking as one of the leading CPT manufacturers in the industry.

In 2008, the Group continued to intensify the strategic thinking of "reinforcing CPT and exploring new businesses". By adopting the Group's three major strategies of overall cost control, marketing-driven and technology innovation initiatives, the competitiveness in the CPT sector was further enhanced. The Group had also reinforced its cost competitiveness through measures including precise management, target cost management, technological upgrade, energy saving and emission reduction. We strengthened market forecast, sales measures and control over cost of sales, as well as initiatives to expand the international market and achieved satisfactory sales results. With regard to technological innovation, the Group has commenced volume production of our new CPT products including 54cmFS improved model and 54cmPFSS small DY model, while large scale production of 61cmWPFUS CPT has also commenced which further optimized the Group's product mix. During the reporting period, the advantage afforded by the components business of the Group became more apparent which in turn intensified the development of the relevant industries.

- FPD business

Organic light-emitting diode ("OLED") is a FPD technology with promising development prospects. With its outstanding display performance, the Board noted that the technology was recognized by the industry as a major trend in the third generation display technology, and believed that the prospect of which is wide.

On 30 December 2008, IRICO Display Devices Co., Ltd. (彩虹顯示器件股份有限公司), a subsidiary controlled by the Company, and Shenzhen Hongyang Industry & Trade Co., Ltd. (深圳虹陽工貿公司), a wholly-owned subsidiary of IRICO Group Corporation (彩虹集團公司), entered into an agreement to jointly invest in the establishment of IRICO (Foshan) Flat Panel Display Company Limited (彩虹(佛山)平板顯示有限公司) and to construct the production lines of OLED, the third generation display device. Upon completion of phase I project, a production scale of 12 million pieces of OLED display panels per annum (in terms of 2.2-inch products) is expected to be achieved. Currently, construction of the project is in progress.

In addition, the plasma display panel ("PDP") and module project jointly established by the Company and Sichuan Changhong Electrical Group Co., Ltd. (四川長虹電子集團有限公司) had progressed smoothly and batch production is expected to launch in 2009.

(2) Electronic Glass Business

During the reporting period, the Group had achieved key breakthroughs in its thin film transistor liquid crystal display ("TFT-LCD") glass substrate project. Trial production commenced in May 2008, and in September 2008, the production line was successfully put into full operation, resulting in the rolling off of the first fifth generation TFT-LCD glass substrate product in the PRC. At present, quality product ratio is rising constantly. Exchanges about product certification and technology specifications between the Group and downstream panel manufacturers had reached certain development stage. Further improvements in capacity and quality are expected to be seen in 2009.

The Group also intends to initiate construction of phase II of the TFT-LCD glass substrate project to achieve stronger economies of scale and competitiveness.

Leveraging its own glass-making resources and technological advantages, the Group invested RMB250 million in the construction of photovoltaic glass production line with an annual capacity of 5,026,000 square meters. The construction of the project commenced on 13 January 2009.

(3) Luminous Materials Business

In 2008, overseas orders of energy saving lamp plunged as a result of the financial crisis. As the energy saving lamp industry was adversely affected on a comparatively large scale, the market of energy saving lamp phosphor had shrunk by a certain degree. After employing various effective measures, the Group witnessed a minor boost in the sales of energy saving lamp phosphor. The Group's market share in the PRC increased to 23%, maintaining its leading position domestically and allowing continuous improvement in product quality. During the reporting period, client promotional work for new products such as cold cathode fluorescent lamp ("CCFL") phosphor, PDP phosphor and lithium battery powder achieved certain progress which offered potentials for further development in the future.

FINANCIAL REVIEW

(1) Overall performance

- Turnover and gross profit margin

  In 2008, the Group recorded a turnover of RMB3,541,920,000, representing a year-on-year increase of RMB182,930,000, or 5.45% from 2007. Turnover of the CPT business amounted to RMB3,079,428,000, representing a year-on-year increase RMB165,077,000 or 5.66% from 2007. Turnover of the components and materials business increased by RMB17,853,000 or 4.02% from 2007 to RMB462,492,000. The overall gross profit margin of the Group increased from 10.60% in 2007 to 17.75% in 2008. In 2008, market price of CPT basically remained stable. Gross profit margin was further increased as a result of the optimization of product mix and greater efforts of the Company on cost reduction.

- Administrative expenses

  The Group's administrative expenses in 2008 increased by RMB129,339,000, or 54.16%, to RMB368,129,000 from RMB238,790,000 of 2007. The increase in administrative expenses was mainly due to the increase in impairment in receivables and maintenance fee in 2008.

- Finance costs

  The Group's finance costs in profit and loss for 2008 recorded RMB59,046,000 (net of interest expense capitalized amounted to RMB17,919,000), representing a decrease of RMB7,683,000, or 11.51%, from RMB66,729,000 of 2007, which was mainly attributable to the decrease in loan for operating activities during the year.

(2) Net current assets and financial resources

As at 31 December 2008, the Group's cash and bank balances aggregated to RMB457,415,000, representing an increase of 22.08% from RMB374,674,000 as at 31 December 2007. For the year ended 31 December 2008, the Group's capital expenditures totaled RMB960,100,000 (as at 31 December 2007: RMB341,884,000) . Net cash from operating activities recorded RMB1,040,665,000 (as at 31 December 2007: RMB-332,400,000) , while net cash from financing activities and net cash from investing activities were RMB-54,919,000 (as at 31 December 2007: RMB-32,464,000) and RMB-902,879,000 (as at 31 December 2007: RMB276,060,000) respectively. As at 31 December 2008, the Group's borrowings totaled RMB991,707,000, of which borrowings due within one year amounted to RMB673,000,000 and borrowings with maturity beyond one year amounted to RMB318,707,000 as compared to the total borrowings of RMB962,684,000 as at 31 December 2007, which would all be due within one year.

As at 31 December 2008, the Group's short-term bank loans amounting to approximately RMB140,000,000 (as at 31 December 2007: RMB200,000,000) were secured by certain land use rights properties, plants and equipment of the Group with an aggregate net book value of approximately RMB206,093,000 (as at 31 December 2007: RMB215,925,000). As at 31 December 2008, the short-term bank loans guaranteed by the Company's ultimate holding company amounted to RMB109,000,000 (as at 31 December 2007: RMB250,500,000).

For the year ended 31 December 2008, the turnover for accounts receivables of the Group was 122 days, representing a decrease of 35 days as compared to 157 days for the year ended 31 December 2007. Decrease in accounts receivables of the Group was mainly attributable to the increased capability of the recovery of accounts receivables. For the year ended 31 December 2008, the inventory turnover for the Group was 88 days, representing an increase of 4 days from 84 days for the year ended 31 December 2007, which was mainly attributable to the slight increase in inventory as affected by the financial crisis in the last two months of the year.

(3) Capital Structure

As at 31 December 2008, 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. As at 31 December 2008, its liabilities including bank loans aggregated to RMB2,243,032,000 (as at 31 December 2007: RMB1,807,841,000) while cash and bank balances totaled RMB457,415,000 (as at 31 December 2007: RMB374,674,000) and the gearing ratio (total liabilities/total assets) was 40% (as at 31 December 2007: 33%).

(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 2008, net loss from exchange rate fluctuations increased by RMB6,399,000 to RMB23,734,000 from RMB17,335,000 in 2007.

(5) Commitments

As at 31 December 2008, capital commitments of the Group amounted to RMB11,304,000 (as at 31 December 2007: RMB168,919,000), which were mainly financed by the Group's working capital.

(6) Contingent liability

As at 31 December 2008, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2008, the Group had bank loans of approximately RMB140,000,000 (as at 31 December 2007: RMB200,000,000), secured by certain of its land use rights properties, plants and equipment with an aggregate net book value of approximately RMB206,093,000 (as at 31 December 2007: RMB215,925,000).

EVENTS AFTER THE BALANCE SHEET DATE

As mentioned above, on 30 December 2008, IRICO Display Devices Co., Ltd. ("IRICO Display", a non-wholly owned subsidiary of the Company) and Shenzhen Hongyang Industry and Trade Co., Ltd., a wholly-owned subsidiary of IRICO Group Corporation, had entered into a joint venture agreement to set up a joint venture company, IRICO (Foshan) Flat Panel Display Company Limited ("IRICO (Foshan)"), in Foshan City of Guangdong Province, the People's Republic of China. IRICO (Foshan) will be set up for principally engaged in research and development, manufacture, sale of flat panel display devices, electronic products and components. The registered capital of IRICO (Foshan) will be RMB100,000,000. Pursuant to the joint venture contract, IRICO Display will contribute RMB51,000,000, representing 51% equity interests in IRICO (Foshan), by way of cash consideration.

Upon completion of the transaction, IRICO (Foshan) will be accounted for a subsidiary of IRICO Display. During January 2009, IRICO Display had injected RMB10,200,000 in IRICO (Foshan), and the remaining consideration will be payable within two years.

FUTURE PROSPECTS

The Group is rapidly shifting its business focus to booming areas such as the new FPD devices and its components, electronic glass, luminous materials and metallic components.

The Group will strive to maintain its leading position in the CPT business. The CPT business is expected to continue to be a stable source of cash flow for the Group and thereby safeguard any further strategic transformations of the Group.

As for FPD devices, construction of the OLED project is expected to be completed in 2009 and the Group will strive to further propel the industrialization of other FPD devices.

In respect of electronic glass, production capacity and quality of TFT-LCD glass substrate products will be further enhanced. With plans for the construction of phase II expansion project to be executed, it is expected that the Group will rise as a major manufacturer of TFT-LCD glass substrate in the industry. The construction of photovoltaic glass project is expected to be completed in 2009.

With further expansion in energy saving lamp phosphor business and rapid development of new products such as CCFL phosphor, PDP phosphor and lithium battery powder, the Group's luminous materials business will be maintained in an upward trend.

PURCHASE, REDEMPTION AND SALE 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

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 23 November 2007, the People's High Court of Shaanxi (the "Court") issued the civil verdict ((2007) Shaan Min Er Chu Zi No. 10), the Court ruled that the claim made by Xingyun against the Company demanding for compensation to its losses from investments and others totaling RMB30,010,000 was not established and should be dismissed. Xingyun filed an appeal to the People's Supreme Court of the PRC which delivered the final judgment on 10 July 2008. The appeal was dismissed and previous judgment was upheld.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2008, 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 any of 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 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 2008. 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 Company's consolidated financial statements for the year ended 31 December 2008, including accounting principles adopted by the Group.

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

The 2008 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
Xing Daoqin
Chairman

Shaanxi Province, the PRC
26 March 2009

As at the date of this announcement, the Board consists of Mr. Xing Daoqin, Mr. Tao Kui and Mr. Zhang Junhua as executive Directors, Mr. Guo Mengquan, Mr. Niu Xinan, Mr. Fu Jiuquan and Mr. Zhang Weichuan as non-executive Directors, and Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua and Mr. Zhong Pengrong as independent non-executive Directors.

* *For identification purposes only*