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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)

2009 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 2009, together with the comparative figures for 2008, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009**	2008
		RMB'000	*RMB'000*
			(Restated)
Turnover	2	**2,097,251**	3,541,920
Cost of sales		**(2,188,395)**	(2,913,300)
Gross (loss) profit		**(91,144)**	628,620
Other operating income	3	**106,432**	86,438
Selling and distribution costs		**(95,047)**	(176,558)
Administrative expenses		**(422,267)**	(368,698)
Impairment losses on property, plant and equipment		**(995,706)**	(233)
Other operating expenses		**(17,743)**	(11,501)
Finance costs	4	**(39,690)**	(59,046)
Share of (loss) profit of associates		**(4,684)**	26,405
(Loss) profit before taxation		**(1,559,849)**	125,427
Taxation	5	**(4,834)**	(7,851)
(Loss) profit for the year	6	**(1,564,683)**	117,576
Other comprehensive expense			
Exchange differences arising on translation		**148**	(126)
Share of exchange reserve of an associate		**(8,221)**	—
Other comprehensive expense for the year (net of tax)		**(8,073)**	(126)
Total comprehensive (expense) income for the year		**(1,572,756)**	117,450

	NOTE	**2009**	2008
		RMB'000	*RMB'000*
			(Restated)
(Loss) profit for the year attributable to:			
Owners of the Company		**(1,113,014)**	94,908
Minority interests		**(451,669)**	22,668
		(1,564,683)	117,576
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,121,087)**	94,782
Minority interests		**(451,669)**	22,668
		(1,572,756)	117,450
		RMB	RMB
(Loss) earnings per share (basic and diluted)	7	**(0.5734)**	0.0489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	NOTES	**2009**	2008
		RMB'000	*RMB'000*
			(Restated)
Non-current assets			
Property, plant and equipment		**1,718,922**	2,642,509
Investment properties		**17,513**	16,563
Leasehold land and land use rights		**161,044**	54,270
Intangible assets		**1,383**	3,017
Interests in associates		**350,366**	366,055
Available-for-sale investments		**24,060**	24,060
Deferred income tax assets		**—**	1,857
Deposits paid for acquisition of property, plant and equipment		**100,652**	—
		2,373,940	3,108,331
Current assets			
Inventories		**486,343**	708,475
Trade and bills receivables	9	**906,489**	1,195,731
Other receivables, deposits and prepayments		**207,720**	167,993
Bank balances and cash		**1,077,661**	556,606
		2,678,213	2,628,805
Current liabilities			
Trade and bills payables	10	**400,152**	559,902
Other payables and accruals		**809,328**	641,736
Tax payables		**2,204**	5,819
Current portion of long-term provisions		**2,815**	3,574
Bank borrowings — due within one year		**1,221,949**	673,000
		2,436,448	1,884,031
Net current assets		**241,765**	744,774
Total assets less current liabilities		**2,615,705**	3,853,105

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Capital and reserves		
Share capital	**1,941,174**	1,941,174
Other reserves	**730,061**	768,328
Accumulated losses	**(1,479,865)**	(366,851)
Equity attributable to owners of the Company	**1,191,370**	2,342,651
Minority interests	**709,824**	1,150,831
Total equity	**1,901,194**	3,493,482
Non-current liabilities		
Bank borrowings — due after one year	**593,502**	318,707
Deferred income	**104,801**	21,040
Deferred income tax liabilities	**7,960**	9,655
Long-term provisions	**8,248**	10,221
	714,511	359,623
	2,615,705	3,853,105

NOTES

1 Basis of preparation and accounting policies

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

On 17 August 2007, the Company and IRICO Group Corporation entered into an acquisition agreement for the purchase of 69.5308% equity interests in Shaanxi IRICO Electronics Glass Company Limited ("**IRICO Glass**"), a limited liability company established in the PRC, for which 69.5308% equity interests was held by IRICO Group Corporation prior to the acquisition. On 19 June 2008, approval was obtained from the State-owned Assets Supervision and Administration Commission ("**SASAC**") at a consideration of RMB313,583,900. The transaction was completed on 24 July 2008 and IRICO Glass became a non-wholly owned subsidiary of the Company.

On 17 September 2009, IRICO Group Corporation, IRICO Glass, a subsidiary of the Company, and other independent third parties, entered into agreements pursuant to which, IRICO Glass agreed to inject RMB500 million and RMB15 million capital into IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. ("**IRICO (Zhangjiagang)**") and IRICO (Hefei) LCD Glass Company Limited ("**IRICO (Hefei)**"), respectively (the "**Capital Injections**").

IRICO (Zhangjiagang) was established in October 2008 with paid-up capital of RMB23 million and IRICO Group Corporation held 60% equity interest before the Capital Injections.

IRICO (Hefei) was established in August 2009 with paid-up capital of RMB5 million and IRICO Group Corporation held 100% equity interest before the Capital Injections.

The Capital Injections were completed on 24 December 2009. Upon the completion of the Capital Injections, IRICO Glass owns 95.6% and 75% of the enlarged capital of IRICO (Zhangjiagang) and IRICO (Hefei), respectively, and the Group has effective interest of 52.40% and 41.11% in IRICO (Zhangjiagang) and IRICO (Hefei), respectively. Details of the Capital Injections were set out in the circular of the Company dated 13 November 2009.

The above Capital Injections were accounted for using merger accounting under common control combination. The Company, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) are all 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, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) first came under the control of IRICO Group Corporation.

Application of new and revised HKFRSs

In the current year, the Group has applied a number of new and revised standards, amendments to standards and interpretations ("**new and revised HKFRSs**") issued by the HKICPA.

Hong Kong Accounting Standard ("**HKAS**") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation ("**Int**") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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 consolidated financial statements.

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Merger accounting

The Company, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) 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, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) first came under the control of the IRICO Group Corporation.

The 2008 comparative amounts of consolidated financial statements have been restated, it assumed that the entities or businesses had been combined at the previous reporting 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 statements of financial position:

Consolidated statement of financial position as at 31 December 2009:

	Group (before adopting merger accounting for the Capital Injections)	IRICO (Zhangjiagang) and IRICO (Hefei)	Adjustments		Group (after adopting merger accounting for the Capital Injections)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	515,000	—	(515,000)		—
Other assets — net	1,364,853	536,341			1,901,194
Net assets	1,879,853	536,341			1,901,194
Share capital	1,941,174	543,000	(543,000)		1,941,174
Other reserves	730,061	—			730,061
Accumulated losses	(1,474,258)	(6,659)		1,052	(1,479,865)
Minority interests	682,876	—	28,000	(1,052)	709,824
	1,879,853	536,341			1,901,194

Consolidated statement of financial position as at 31 December 2008:

	Group (before adopting merger accounting for the Capital Injections)	IRICO (Zhangjiagang)	Adjustments		Group (after adopting merger accounting for the Capital Injections)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	—	—			—
Other assets — net	3,394,284	99,198			3,493,482
Net assets	3,394,284	99,198			3,493,482
Share capital	1,941,174	100,000	(100,000)		1,941,174
Other reserves	716,408	—	51,920		768,328
Accumulated losses	(366,435)	(802)		386	(366,851)
Minority interests	1,103,137	—	48,080	(386)	1,150,831
	3,394,284	99,198			3,493,482

Note (a): The above adjustments represent the elimination of the share capital of the combining entities 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:

	2009	2008
	RMB'000	*RMB'000*
Increase in administrative expenses	**(5,857)**	(802)
Increase in loss for the year	**(5,857)**	(802)
Attributable to:		
Owners of the Company	**(4,805)**	(416)
Minority interests	**(1,052)**	(386)
	(5,857)	(802)

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

	2009	2008
	RMB'000	*RMB'000*
Increase in administrative expenses and decrease in profit for the year	**(5,857)**	(802)

The effects on the Group's entity at 1 January 2008 are summarised below:

	As at 1 January 2008 (originally stated)	**Adjustments**	**As at 1 January 2008 (restated)**
	RMB'000	*RMB'000*	*RMB'000*
Accumulated losses	(461,759)	94,908	(366,851)
Minority interests	1,170,758	22,668	1,193,426
Total effect on equity	708,999	117,576	826,575

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

	2009	2008
Expressed in RMB per share	***RMB***	*RMB*
Reported figures before adjustments	**(0.5709)**	0.0491
Adjustments arising on common control combination	**(0.0025)**	(0.0002)
Restated	**(0.5734)**	0.0489

2 Turnover and segment information

The Group is principally engaged in CPT production and sales and trading and assembly of glass related products.

	2009	2008
	RMB'000	*RMB'000*
CPT production and sales	**1,687,894**	3,356,035
Trading and assembly of glass related products	**409,357**	185,885
	2,097,251	3,541,920

a. Business segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer. In contrast, the predecessor Standard (HKAS 14 Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The Group's primary reporting format was business segment and the Group's revenues, expenses, assets, liabilities and capital expenditures are primarily attributable to the production and sales of CPT. The directors consider that the application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed solely on the basis of production and sales of CPT. However, information reported to Chief Executive Officer is more specifically focused on the category of operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Production and sales of CPT ("**CPT production and sales**")

2. Trading and assembly of glass related products ("**Trading and assembly of glass related products**")

3. Development of other advanced glass products ("**Development of others**")

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenues and results

An analysis of the Group's turnover, which represents sales of goods, and results by reportable segments is as follows:

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2009				
TURNOVER	1,687,894	409,357	—	2,097,251
SEGMENT RESULTS	(1,509,536)	8,798	(15,323)	(1,516,061)
Interest income				4,197
Unallocated income				1,965
Unallocated expenses				(5,576)
Finance costs				(39,690)
Share of loss of associates				(4,684)
Loss before taxation				(1,559,849)

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss or segment assets:

Additions of property, plant and equipment	10,602	—	311,533	322,135
Additions of leasehold land and land use rights	—	—	117,333	117,333
Amortisation of leasehold land and land use rights and intangible assets	3,619	—	172	3,791
Depreciation of property, plant and equipment	234,578	26	1,479	236,083
Impairment losses on property, plant and equipment	995,706	—	—	995,706
Allowance for doubtful debts	4,219	731	—	4,950
Write-down of inventories	108,541	—	—	108,541
Impairment loss on intangible assets	271	—	—	271
Loss on disposal of leasehold land and land use rights	6,557	—	—	6,557
Net gain on disposal of property, plant and equipment	(55,080)	—	—	(55,080)

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2008				
TURNOVER	3,356,035	185,885	—	3,541,920
SEGMENT RESULTS	151,345	12,355	(7,083)	156,617
Interest income				4,352
Unallocated income				2,914
Unallocated expenses				(5,815)
Finance costs				(59,046)
Share of profit of associates				26,405
Profit before taxation				125,427

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*

OTHER SEGMENT INFORMATION

Amounts included in the measure of segment profit or loss or segment assets:

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
Additions of property, plant and equipment	29,012	—	791,538	820,550
Impairment losses on property, plant and equipment	233	—	—	233
Additions of leasehold land and land use rights	256	—	10,079	10,335
Amortisation of leasehold land and land use rights and intangible assets	4,084	—	172	4,256
Depreciation of property, plant and equipment	247,330	25	789	248,144
Allowance for doubtful debts	31,447	—	—	31,447
Write-down of inventories	34,288	—	—	34,288
Net gain on disposal of property, plant and equipment	(11,085)	—	—	(11,085)

Segment assets and liabilities

An analysis of the Group's consolidated statement of financial position by reportable segments is as follows:

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009				
ASSETS				
Segment assets	2,161,776	45,572	1,375,205	3,582,553
Interest in associates				350,366
Unallocated corporate assets				1,119,234
Consolidated total assets				5,052,153
LIABILITIES				
Segment liabilities	938,356	30,274	345,651	1,314,281
Unallocated corporate liabilities				1,836,678
Consolidated total liabilities				3,150,959

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008				
ASSETS				
Segment assets	3,884,106	15,496	872,393	4,771,995
Interest in associates				366,055
Unallocated corporate assets				599,086
Consolidated total assets				5,737,136
LIABILITIES				
Segment liabilities	1,076,474	14,216	131,988	1,222,678
Unallocated corporate liabilities				1,020,976
Consolidated total liabilities				2,243,654

b. Geographical segments

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

The Group's revenue from external customers by geographical location is detailed below:

	2009	2008
	RMB'000	*RMB'000*
Turnover based on geographical locations:		
The PRC (excluding Hong Kong)	**1,970,843**	3,130,593
Hong Kong	**22,430**	142,227
Europe	**34,184**	209,392
Other countries	**69,794**	59,708
	2,097,251	3,541,920

An analysis of non-current assets excluding financial instruments by geographical area in which the assets are located has not been presented as the Group's assets are all located in the PRC.

3 Other operating income

	2009	2008
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment	**55,080**	11,085
Interest income	**4,197**	4,352
Sales of raw materials, scraps and packaging materials	**19,229**	31,366
Proceeds from collection of written off trade receivables	**11,331**	—
Rental income	**1,965**	2,914
Dividend income from available-for-sale investment	**—**	4,510
Reversal of write-down of inventories	**—**	3,831
Gain on disposal of available-for-sale investment	**—**	3,760
Amortisation of deferred income on government grants received	**8,262**	15,885
Others	**6,368**	8,735
	106,432	86,438

4 Finance costs

	2009	2008
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**35,752**	45,828
Bank and other borrowings wholly repayable over five years	**32,202**	10,777
Finance charge on discounted trade receivables to banks	**4,394**	11,555
Amount due to ultimate holding company	**5,902**	8,805
Total borrowing costs	**78,250**	76,965
Less: amounts capitalised	**(38,560)**	(17,919)
	39,690	59,046

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 8.45% per annum (2008: 7.31%) to expenditure on qualifying assets.

5 Taxation

No provision for Hong Kong Profits Tax has been made as the Group's income neither arose in, nor was derived from Hong Kong for the two years ended 31 December 2009 and 2008.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

	2009	2008
	RMB'000	*RMB'000*
Current income tax	**4,672**	12,850
Deferred income tax	**162**	(4,999)
	4,834	7,851

6 (Loss) Profit for the year

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**2,188,395**	2,913,300
Depreciation for property, plant and equipment	**236,083**	248,144
Depreciation for investment properties	**1,027**	218
Amortisation of leasehold land and land use rights	**2,428**	1,865
Amortisation of intangible assets	**1,363**	2,391
Net impairment losses on trade and other receivables (included in administrative expenses)	**4,950**	31,447
Loss on disposal of land use rights	**6,557**	—
Research and development expenses	**26,766**	26,579
Write-down of inventories (included in cost of sales)	**108,541**	34,288
Impairment loss on investment in an associate (included in administrative expenses)	**2,784**	—
Impairment loss on an intangible asset (included in administrative expenses)	**271**	—
Operating lease rentals in respect of land use rights	**3,755**	4,055
Operating lease rentals in respect of property, plant and equipment	**36,252**	39,437
Net exchange losses	**1,154**	23,734
Provision for warranty	**13,898**	25,713
Auditor's remuneration	**4,102**	3,735
Share of tax of associates (included in share of results of associates)	**(225)**	132

7 (Loss)Earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to owners of the Company approximately RMB1,113,014,000 (2008: profit attributable to owners of the Company approximately RMB94,908,000) and based on the weighted average of 1,941,174,000 (2008: 1,941,174,000) shares in issue.

As there were no dilutive potential shares during the two years ended 31 December 2009 and 2008 and accordingly, the diluted (loss) earnings per share is the same as basic (loss) earnings per share.

8 Dividend

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the reporting date (2008: nil).

9 Trade and bills receivables

	2009	2008
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**298,132**	270,656
— related parties	**188,907**	190,341
	487,039	460,997
Less: impairment losses	**(48,643)**	(43,810)
Trade receivables — net	**438,396**	417,187
Trade bills receivables		
— third parties	**229,277**	603,053
— related parties	**238,816**	175,491
	468,093	778,544
Total trade and bills receivables	**906,489**	1,195,731

As at 31 December 2008 and 2009, the aging 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 presented based on the invoice date at the reporting date.

	2009	2008
	RMB'000	*RMB'000*
0-90 days	**318,158**	329,282
91-180 days	**100,027**	50,370
181-365 days	**14,688**	32,378
Over 365 days	**5,523**	5,157
	438,396	417,187

10 Trade and bills payables

	2009	2008
	RMB'000	*RMB'000*
Trade payables		
— third parties	**360,706**	389,660
— related parties	**38,714**	70,012
	399,420	459,672
Trade bills payables		
— third parties	**302**	62,698
— related parties	**430**	37,532
	732	100,230
Total trade and bills payables	**400,152**	559,902

The aging analysis of trade and bills payables presented based on the invoice date at the reporting date are as follows:

	2009	2008
	RMB'000	*RMB'000*
0-90 days	**255,666**	512,559
91-180 days	**48,614**	33,346
181-365 days	**69,498**	1,466
Over 365 days	**26,374**	12,531
	400,152	559,902

RESULTS AND DIVIDEND

Affected by various adverse factors such as the continuously slumping CPT business, the Group was subject to unprecedented challenges in 2009. The turnover of the Group in 2009 was RMB2,097,251,000, representing a decrease of RMB1,444,669,000 as compared to last year. Operating losses amounted to RMB1,515,475,000, representing an increase of RMB1,673,543,000 over last year, among which provisions made during 2009 amounted to approximately RMB1,112,252,000. Gross loss margin was 4.35%, representing an increase of 22.10 percentage points as compared to the previous year (2008: 17.75%). Losses attributable to equity holders amounted to RMB1,121,087,000, representing an increase of RMB1,215,869,000 over last year.

Despite the slumping results of the Group in 2009, the Group rapidly developed new businesses whilst contracting its traditional CPT business, with smooth progress made in such transformation. A new business structure with TFT-LCD glass substrate, solar photovoltaic glass and luminous materials as the core segments has been established.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2009, the Board has decided not to distribute any final dividend for the year ended 31 December 2009.

BUSINESS REVIEW

(1) Progress of New Operations

TFT-LCD Glass Substrate

In 2009, in addition to steadily improving the craftsmanship of the production line of the LCD glass substrate which is established by the Group through independent innovation and the first of its kind in China, the Group also successfully developed and produced two types of light and thin LCD glass substrates (0.63mm and 0.5mm), bringing the manufacturing of LCD glass substrate at IRICO to a new level. In order to capitalise on opportunities arising from rapid development of LCD industry, the Group has commenced the construction of the phase II project of 12 new production lines of LCD glass substrate in Xianyang, Hefei and Zhangjiagang, which are expected to be completed in stages starting from the end of 2010, with an view to achieve scale development for its LCD glass substrate business as early as possible.

Solar Photovoltaic Glass

On solar photovoltaic glass segment, the solar photovoltaic glass tank furnace constructed by the Company through independent innovation commenced operation in Xianyang production base on 16 December 2009, which is the first of its kind in northwest China. On 28 January 2010, the Company completed the construction of its photovoltaic glass tempering production line. On 2 February, the production line successfully produced glass sheets on the first try. From 3 to 7 February 2010, the production line successfully produced 5mm, 4mm and 3.2mm photovoltaic glass sheets. On 9 February, photovoltaic glass sheets were tempered successfully. Hence IRICO's first production line of solar photovoltaic glass was put into production and produced the first unit of solar photovoltaic glass product which meets the national standards, marking a significant achievement during the construction of IRICO's 5,026,000 square metres per year solar photovoltaic glass project. As at the date of hereof, the Group has commenced mass production and sales of these products in a rapid manner.

Luminous Materials

During the reporting period, although the industry witnessed slight decline, the Group managed to keep its sales results unchanged from last year by vigorously adopting effective measures such as continuous improvement of technology grade of energy saving lamp phosphors and enhancement of technical services. The domestic market share grew to 25%. Sales volume of CCFL phosphor grew at faster pace than last year, thanks to the rapid development of LCD backlight industry and upgrade of the Company's products. Furthermore, the Group has smoothly completed the construction of its compatible production line with annual capacity of 400 tons of CCFL/PDP phosphor. CCFL phosphor segment will serve as a new driver of the Group's luminous materials operation. Meanwhile, market promotion for other luminous materials such as PDP phosphor, lithium iron phosphate battery powder, electronic silver paste and LED phosphor is progressing effectively, with some products having been sold in small scale.

FPD Devices

The Group's production lines of OLED, the third generation display device, which commenced construction in Shunde District, Foshan, Guangdong Province in May 2009, has completed engineering design and pile foundation construction of plants. Currently, the main parts of the plants are under construction and equipments are manufactured. The construction is expected to be completed in 2010.

In addition, the 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）have been put into full production.

(2) Traditional Operations

As for its traditional CPT business, the Group took a series measures to cope with the rapid contraction in the industry such as increasing marketing efforts, strengthening cost control, adjusting organisational structure and streamlining human resources. CPT sales volume of the Group amounted to 8,270,000 units in 2009. With a 38.1% domestic market share and 17.3% international market share, the Group ranked first in China and second in the world in terms of market presence, respectively. Furthermore, the Group made a provision for fixed assets impairment of its CPT production equipment in the total amount of RMB995,706,000 in 2009. As such, the Group believes CPT business will not pose burden on the Company's operation in future.

FINANCIAL REVIEW

(1) Overall performance

- **Turnover and gross profit margin**

In 2009, the Group recorded a turnover of RMB2,097,251,000, representing a year-on-year decrease of RMB1,444,669,000, or 40.79% from 2008. Turnover of the CPT business amounted to RMB1,303,672,000, representing a year-on-year decrease of RMB1,775,756,000 or 57.67% from 2008. Turnover of the components and materials business amounted to RMB793,579,000, representing an year-on-year increase of RMB331,087,000 or 71.59% from 2008. The overall gross profit margin of the Group decreased from 17.75% in 2008 to -4.35% in 2009 mainly due to 1) a dramatic contraction of CPT market and a plunge in CPT price as a result of the financial crisis and the price drop in FPD television sets; and 2) a provision of RMB108,541,000 for impairment of certain inventories.

- **Administrative expenses**

The Group's administrative expenses for 2009 increased by RMB53,569,000, or 14.53%, to RMB422,267,000 from RMB368,698,000 for 2008. The increase in administrative expenses was mainly due to the losses of approximately RMB129,303,000 from suspension of production in 2009.

- **Finance costs**

The Group's finance costs in profit and loss for 2009 was RMB39,690,000 (net of interest expense capitalised amounting to RMB38,560,000), representing a decrease of RMB19,356,000, or 32.78%, from RMB59,046,000 for 2008. The decrease in finance cost was mainly attributable to a decrease in the interest rates of bank borrowings.

(2) Current assets and financial resources

As at 31 December 2009, the Group's cash and bank balances amounted to RMB1,077,661,000, representing an increase of 93.61% from RMB556,606,000 as at 31 December 2008. For the year ended 31 December 2009, the Group's capital expenditures totalled RMB578,560,000 (31 December 2008: RMB812,966,000). Net cash from operating activities amounted to RMB224,261,000 (31 December 2008: RMB939,891,000), while net cash from financing activities and net cash from investing activities were RMB742,528,000 (31 December 2008: RMB45,081,000) and RMB-445,882,000 (31 December 2008: RMB-802,914,000) respectively. As at 31 December 2009, the Group's total borrowings was RMB1,815,451,000, of which borrowings due within one year amounted to RMB1,221,949,000 and borrowings with maturity beyond one year amounted to RMB593,502,000. As at 31 December 2008, the Group's total borrowings was 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 at 31 December 2009, the Group's bank loans amounting to approximately RMB197,000,000 (31 December 2008: RMB256,000,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB228,811,000 (31 December 2008: RMB186,330,000). As at 31 December 2009, the short-term bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB983,501,000 (31 December 2008: RMB109,000,000).

For the year ended 31 December 2009, the turnover days for trade receivables of the Group was 157 days, representing an increase of 35 days as compared to 122 days for the year ended 31 December 2008 which was mainly attributable to the increase in collection period resulting from the shrinking CPT market under the influence of the financial crisis and the emerging FPD devices. For the year ended 31 December 2009, the inventory turnover days of the Group was 81 days, representing a decrease of 7 days from 88 days for the year ended 31 December 2008, which was mainly attributable to the enhanced inventory control.

(3) Capital structure

As at 31 December 2009, 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 2009, its total liabilities including bank loans was RMB3,150,959,000 (31 December 2008: RMB2,243,654,000) while cash and bank balances was RMB1,077,661,000 (31 December 2008: RMB556,606,000) and the gearing ratio (total liabilities/total assets) was 62% (31 December 2008: 39%).

(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 2009, the operating cost of the Group increased by RMB1,154,000 (31 December 2008: RMB23,734,000) as a result of exchange rate fluctuations.

(5) Commitments

As at 31 December 2009, capital commitments of the Group amounted to RMB228,950,000 (as at 31 December 2008: RMB11,304,000), which were mainly financed by the Group's working capital.

(6) Contingent liabilities

As at 31 December 2009, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2009, the Group's bank loans amounted to approximately RMB197,000,000 (31 December 2008: RMB256,000,000) was secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB228,811,000 (31 December 2008: RMB186,330,000).

(8) Impairment of fixed assets

During the reporting period, given the continuous shrinkage in market demands for CPT products, the Group's CPT and spare parts production line operated under capacity in 2009. Certain production lines were even suspended from production. As such, the capacity utilization rate reduced significantly. The Company's management were of the view that market demands for CPT products would continue to shrink in the future, and relevant production lines would not be able to generate the expected economic benefits to the Group in the future.

Based on estimates on the prospects of the market and the evaluation over the production capacity, as well as the asset evaluation results of the relevant CPT production equipment and ancillary spare parts production equipment, the Company decided to make a provision in respect of the impairment of fixed assets for the above production equipment, which amounted to RMB995,706,000 in total.

The provision made by the Company in respect of the relevant assets under the CPT segment this time will enable the Company's asset conditions to be presented in a fairer manner, and is in turn conductive to the development of the Company's new business segments and helps boost the sustainable development of the Company.

EVENTS AFTER THE BALANCE SHEET DATE

To return the support of the shareholders, increase the Company's registered capital and the circulation of the Shares on the market. On 3 December 2009, the Board of the Company approved a capitalization issue to holders of H Shares and Domestic Shares on the basis of one capitalization H Shares for every ten H Shares and one capitalization Domestic Shares for every ten Domestic Shares in issue on the relevant record date.

The capitalization issue was approved by the shareholders at the EGM held on 28 January 2010 and the new shares were issued to the shareholders on 1 February 2010. The Company has made disclosure according to the requirement of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). For details, please refer to the Company's announcement dated 3 December 2009 and circular dated 14 December 2009.

FUTURE PROSPECTS

Looking into 2010, the Group aims to achieve rapid growth in new businesses and promote the strategic transformation in an all-round way.

The craftsmanship and each index of LCD glass substrate operation of the Group will see steadfast improvement and is hopefully to attain a relatively better level in the industry in a short period. In addition, the Phase II project is expected to be completed in succession starting from the end of 2010. As a result, the Group will see continuous enhancement in the scale effect and competitiveness of its glass substrate business.

As to solar photovoltaic glass project, based on the two production lines included in phrase I of the project, the Group expects to further expand the project in the future, with an aim to form a relatively large scale and become an leading player in the industry rapidly. In addition, the Group will explore other electronic glass businesses with potentials.

The Group will further expand the production, sales and market share of its energy saving lamp phosphors and CCFL phosphor, and put more efforts in market promotion of new products such as PDP phosphor, lithium iron phosphate battery powder, electronic silver paste and LED phosphor, thus achieving bulk sales.

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 2009.

MATERIAL LITIGATION

As at 31 December 2009, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened against any member of the Group.

- **Claims by Fanshawe College against the Company and IRICO Display**

  The Company and IRICO Display received statement of claim from 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 plaintiff, accused various global cathode ray tube (the "**CRT**") manufacturing enterprises, including the Company and IRICO Display, of a conspiracy to sustain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and to enter into agreements raising the price of CRT to an unreasonable level. All these were alleged to coerce the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Therefore, the plaintiff claimed for damages. As at the date of this report, Ontario Superior Court of Justice Canada has accepted the case. Upon respective investigations and as confirmed by the Company and IRICO Display, the Company and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1998. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group.

- **Claims by Curtis Saunders against the Company and IRICO Display**

  In January 2010, IRICO Group, the Company and IRICO Display received a statement of class action from the Registry of Supreme Court of British Columbia, Vancouver, Canada（加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處）. Curtis Saunders, the plaintiff, accused over 50 global CRT manufacturing enterprises, including IRICO Group, the Company and IRICO Display, of a conspiracy or a collusion to enter into agreements raising the price of CRT to an unreasonable level and lifting the profits from selling CRT products from 1 January 1995 to 1 January 2008. All these were alleged to cause damage to the interests of the plaintiff and other buyers of CRT products. Therefore, the plaintiff claimed for damages. As at the date of this report, Supreme Court of British Columbia Canada has accepted the case. Upon respective investigations and as confirmed by the Company, IRICO Group and IRICO Display, the Company, IRICO Group and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1995. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group. Please refer to the announcement of the Company dated 25 January 2010 for the details of the class action.

- **Claims by American Crago Company against IRICO Display**

  In January 2008, IRICO Display, a subsidiary of the Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action being brought by American Crago Company on behalf of itself and other companies for the similar issue. The plaintiff accused various CRT manufacturing enterprises, including IRICO Display, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. At present, U.S. District Court, Northern District of California has accepted the case. Upon investigations, IRICO Display have not sold any CRT products in the market of USA since 1995. The Company and IRICO Display's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2009, the Group had no designated deposits in any financial institutions in the PRC. All of the Group's bank deposits are placed with 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 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 2009. 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 2009, including accounting principles adopted by the Group.

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

The 2009 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 of directors
IRICO Group Electronics Company Limited*
Xing Daoqin
Chairman

Shaanxi Province, the PRC
19 April 2010

As at the date of this announcement, the board of directors of IRICO Group Electronics Company Limited 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*