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)

2010 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 2010, together with the comparative figures for 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010** **RMB'000**	2009 RMB'000
Turnover	3	**2,717,770**	2,097,251
Cost of sales		**(2,311,974)**	(2,188,395)
Gross profit (loss)		**405,796**	(91,144)
Other operating income	5	**98,068**	106,432
Selling and distribution costs		**(107,415)**	(95,047)
Administrative expenses		**(244,762)**	(422,267)
Other operating expenses		**(18,592)**	(17,743)
Finance costs	6	**(64,530)**	(39,690)
Impairment loss recognised in respect of property, plant and equipment		**(350)**	(995,706)
Share of loss of associates		**(24,233)**	(4,684)
Profit (loss) before tax		**43,982**	(1,559,849)
Income tax expense	7	**(5,277)**	(4,834)
Profit (loss) for the year	8	**38,705**	(1,564,683)
Other comprehensive income (expense)			
Exchange differences arising on translation		**2,520**	148
Share of exchange reserve of an associate		**911**	(8,221)
Other comprehensive income (expense) for the year		**3,431**	(8,073)
Total comprehensive income (expense) for the year		**42,136**	(1,572,756)

	NOTE	2010 RMB'000	2009 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**29,075**	(1,113,014)
Non-controlling interests		**9,630**	(451,669)
		38,705	(1,564,683)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**32,506**	(1,121,087)
Non-controlling interests		**9,630**	(451,669)
		42,136	(1,572,756)
		RMB	RMB
Earnings (loss) per share (basic and diluted)	10	**0.0136**	(0.5212)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	NOTE	**2010** *RMB'000*	2009 *RMB'000*
Non-current assets			
Property, plant and equipment		**5,830,486**	1,718,922
Investment properties		**50,170**	17,513
Leasehold land and land use rights		**151,533**	161,044
Intangible assets		**1,631**	1,383
Interests in associates		**327,044**	350,366
Available-for-sale investment		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**93,510**	100,652
		6,478,434	2,373,940
Current assets			
Inventories		**609,019**	486,343
Trade and bills receivables	11	**477,457**	906,489
Other receivables, deposits and prepayments		**531,764**	207,720
Restricted bank balances		**49,418**	—
Bank balances and cash		**2,698,430**	1,077,661
		4,366,088	2,678,213

	NOTE	**2010** RMB'000	2009 RMB'000
Current liabilities			
Trade and bills payables	12	**711,943**	400,152
Other payables and accruals		**429,856**	809,328
Tax payables		**3,773**	2,204
Bank and other borrowings			
— due within one year		**1,173,272**	1,221,949
Termination benefits		**3,247**	2,815
		2,322,091	2,436,448
Net current assets		**2,043,997**	241,765
Total assets less current liabilities		**8,522,431**	2,615,705
Capital and reserves			
Share capital		**2,232,349**	1,941,174
Other reserves		**1,332,716**	730,061
Accumulated losses		**(1,450,790)**	(1,479,865)
Equity attributable to owners of the Company		**2,114,275**	1,191,370
Non-controlling interests		**3,623,424**	709,824
Total equity		**5,737,699**	1,901,194
Non-current liabilities			
Bank and other borrowings			
— due after one year		**2,446,768**	593,502
Deferred income		**323,230**	104,801
Termination benefits		**7,177**	8,248
Deferred tax liabilities		**7,557**	7,960
		2,784,732	714,511
		8,522,431	2,615,705

1. GENERAL

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

The Company and its subsidiaries (collectively referred to as the "**Group**") are engaged in the manufacturing and trading of colour picture tubes ("**CPTs**") for colored television sets and luminous materials, advanced glass and other products and trading of liquid crystal related products.

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

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

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

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("**HKAS**") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong — Interpretation ("**INT**") 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretation Committee) ("**HK (IFRIC)**") — INT 17	Distribution of Non-cash Assets to Owners

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. As there was no transaction during the current year in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised) are applicable.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

In prior years, there are no specific requirements in HKFRSs regarding changes in ownership interests in existing subsidiaries. Under HKAS 27 (Revised), all increases or decreases in such interests that do not result in the Group losing control over the subsidiaries are dealt with in equity, with no impact on goodwill or profit or loss.

The application of HKAS 27 (Revised) has not resulted in changes in the Group's accounting policies as it is the same with the Group's accounting policies in prior years.

In addition, under HKAS 27 (Revised), the definition of non-controlling interest has been changed. Specifically, under HKAS27 (Revised), non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. The application of HKAS 27 (Revised) has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of amendments to HKAS 17 had no material effect on the consolidated financial statements.

Hong Kong — INT 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong — INT 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("**repayment on demand clause**") should be classified by the borrower as current liabilities. The Group has applied Hong Kong — INT 5 for the first time in the current year which requires retrospective application. Under Hong Kong — INT 5, term loans with a repayment on demand clause are classified as current liabilities. The application of Hong Kong — INT 5 has had no impact on the consolidated financial statements of the Group for the current or prior accounting periods.

The adoption of the other new and revised HKFRSs in the current year had no material effect on the amounts reported in these consolidated financial statements and/ or disclosures set out in these consolidated financial statements.

New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 February 2010.

[3] Effective for annual periods beginning on or after 1 July 2010.

[4] Effective for annual periods beginning on or after 1 January 2011.

[5] Effective for annual periods beginning on or after 1 July 2011.

[6] Effective for annual periods beginning on or after 1 January 2012.

[7] Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (Revised) will affect the Group because the Group is a government-related entity. The disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of HKAS 24 (Revised) is applied in future accounting periods.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors of the Company do not anticipate that the application of the amendments to HKAS 12 will have any significant impact on deferred tax recognised.

The amendments to HKAS 32 Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK (IFRIC) — INT 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK (IFRIC) — INT 19 will affect the required accounting. In particular, under HK (IFRIC) — INT 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revise standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

Turnover represents revenue arising from production and sales of CPTs and luminous materials ("**CPTs and luminous materials production and sales**"), trading of liquid crystal related products and production and sales of advanced glass and other products ("**Advanced glass and other products production and sales**").

	2010	2009
	RMB'000	*RMB'000*
CPTs and luminous materials production and sales	**1,831,516**	1,687,894
Trading of liquid crystal related products	**747,605**	409,357
Advanced glass and other products production and sales	**138,649**	—
	2,717,770	2,097,251

4. SEGMENT INFORMATION

The Group's reportable segments, based on information reported to the chief executive officer, being the chief operating decision maker, with respect to resource allocation and performance assessment are as follows:

1. CPTs and luminous materials production and sales

2. Trading of liquid crystal related products

3. Advanced glass and other products production and sales

Information regarding the above segments is reported below.

Segment revenues and results

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

For the year ended 31 December 2010

	CPTs and luminous materials production and sales	Trading of liquid crystal related products	Advanced glass and other products production and sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE				
External sales	1,831,516	747,605	138,649	2,717,770
Segment profit	91,752	22,357	25,168	139,277
Interest income				3,117
Unallocated income				7,496
Unallocated expenses				(17,145)
Finance costs				(64,530)
Share of loss of associates				(24,233)
Profit before tax				43,982

For the year ended 31 December 2009

	CPTs and luminous materials production and sales *RMB'000*	Trading of liquid crystal related products *RMB'000*	Advanced glass and other products production and sales *RMB'000*	Total *RMB'000*
REVENUE				
External sales	1,687,894	409,357	—	2,097,251
Segment (loss) profit	(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 tax				(1,559,849)

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

Segment assets and liabilities

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

Segment assets

	2010	2009
	RMB'000	*RMB'000*
CPTs and luminous materials production and sales	**1,502,119**	2,161,776
Trading of liquid crystal related products	**58,962**	45,572
Advanced glass and other products production and sales	**6,134,319**	1,375,205
Total segment assets	**7,695,400**	3,582,553
Unallocated assets	**3,149,122**	1,469,600
Consolidated total assets	**10,844,522**	5,052,153

Segment liabilities

	2010	2009
	RMB'000	*RMB'000*
CPTs and luminous materials production and sales	**953,787**	938,356
Trading of liquid crystal related products	**57,642**	30,274
Advanced glass and other products production and sales	**445,479**	345,651
Total segment liabilities	**1,456,908**	1,314,281
Unallocated liabilities	**3,649,915**	1,836,678
Consolidated total liabilities	**5,106,823**	3,150,959

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in associates, investment properties, available-for-sale investment, restricted bank balances and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— all liabilities are allocated to reportable segments other than tax payables, deferred tax liabilities, bank and other borrowings, termination benefits and liabilities for cash-settled share-based payments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2010

	CPTs and luminous materials production and sales *RMB'000*	Trading of liquid crystal related products *RMB'000*	Advanced glass and other products production and sales *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of non-current assets *(Note)*	27,077	8,287	4,276,157	4,311,521
Amortisation of leasehold land and land use rights and intangible assets	3,558	—	2,029	5,587
Depreciation of property, plant and equipment	27,351	1,363	26,077	54,791
Impairment losses on property, plant and equipment	350	—	—	350
Allowance for doubtful debts of trade and other receivables	17,507	126	—	17,633
Write-down of inventories	17,784	—	—	17,784
Gain on disposal of leasehold land and land use rights	(2,120)	—	—	(2,120)
Gain on disposal of property, plant and equipment	(11,296)	—	—	(11,296)
Reversal of allowance for doubtful debts of trade and other receivables	(49,506)	(138)	—	(49,644)

Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	327,044	—	—	327,044
Share of loss of associates	24,233	—	—	24,233
Interest income	(1,566)	—	(1,551)	(3,117)
Finance costs	62,593	755	1,182	64,530
Income tax expenses	4,487	790	—	5,277
Depreciation of investment properties	2,582	740	—	3,322

Note: Non-current assets excluded investment properties, interests in associates and available-for-sale investment.

For the year ended 31 December 2009

	CPTs and luminous materials production and sales	Trading of liquid crystal related products	Advanced glass and other products production and sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of non-current assets *(Note)*	10,602	—	428,866	439,468
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 of trade and other receivables	16,020	284	—	16,304
Write-down of inventories	108,541	—	—	108,541
Impairment losses on intangible assets	271	—	—	271
Loss on disposal of leasehold land and land use rights	6,557	—	—	6,557
Gain on disposal of property, plant and equipment	(55,080)	—	—	(55,080)
Reversal of allowance for doubtful debts of trade and other receivables	(11,354)	—	—	(11,354)

Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	350,366	—	—	350,366
Share of loss of associates	4,684	—	—	4,684
Interest income	(4,197)	—	—	(4,197)
Impairment loss on interest in an associate	2,784	—	—	2,784
Finance costs	39,150	540	—	39,690
Income tax expenses	4,131	703	—	4,834
Depreciation of investment properties	287	740	—	1,027

Note: Non-current assets excluded investment properties, interests in associates and available-for-sale investment.

Geographical information

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

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

	2010	2009
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**2,357,172**	1,970,843
Hong Kong	**154,820**	22,430
Europe	**110,541**	34,184
Other countries	**95,237**	69,794
	2,717,770	2,097,251

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.

Information about major customers

For the year ended 31 December 2010, revenue from the single customer of the Group amounting to approximately RMB260,819,000 (2009: RMB273,530,000) had individually accounted for over 10% of the Group's total revenue. The customer is same as the largest single customer for the year ended 31 December 2009. The turnover of this customer is from the CPTs and luminous materials production and sales for both years.

5. OTHER OPERATING INCOME

	2010	2009
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**11,296**	55,080
Interest income	**3,117**	4,197
Sales of raw materials, scraps and packaging materials	**10,128**	19,229
Reversal of allowance for doubtful debts of trade and other receivables	**49,644**	11,354
Dividend income from available-for-sale investment	**1,863**	—
Rental income	**5,290**	1,965
Gain on disposal of land use right	**2,120**	—
Amortisation of deferred income on government grants received	**9,726**	8,262
Others	**4,884**	6,345
	98,068	106,432

The direct operating expenses from investment properties that generated rental income amounted to approximately RMB780,000 (2009: RMB309,000) for the year ended 31 December 2010.

6. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**66,493**	35,752
Bank and other borrowings wholly repayable over five years	**33,310**	32,202
Finance charge on discounted trade receivables to banks	**4,826**	4,394
Amount due to ultimate holding company	**2,434**	5,902
Total borrowing costs	**107,063**	78,250
Less: amounts capitalised in the cost of qualifying assets	**(42,533)**	(38,560)
	64,530	39,690

Borrowing costs capitalised during the year arose on the general borrowing pool are calculated by applying a capitalisation rate of 6.40% (2009: 5.94%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Current tax	**5,680**	4,672
Deferred tax	**(403)**	162
Income tax expense	**5,277**	4,834

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 2010 and 2009.

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

Companies are entitled to the preferential tax treatment for Opening Up of Western China ("**OUWC Policy**") if they are engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in year 2000) as their principal business and the revenue from the principal operations account for over 70% of their total revenue. The applicable reduced preferential EIT rate under the OUWC Policy is 15%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the OUWC Policy, and accordingly, EIT has been provided at 15% since then.

The operations of IRICO Display Devices Co., Ltd. and Xian IRICO Zixun Co., Ltd. have met the requirements under the OUWC Policy for the two years ended 31 December 2010 and 2009, and accordingly, EIT has also been provided at 15%.

Xianyang IRICO Electronics Shadow Mask Co., Ltd. ("**IRICO Shadow Mask**") is Sino-foreign equity joint ventures engaging in the production business and is exempted from taxation for the first two profitable years and a 50% relief from the national PRC income tax rate (also exempted from paying the 3% local income tax) for the next three profitable years thereafter. As a result, IRICO Shadow Mask which was established in 2003 and the entity is in the exemption period for the two years ended 31 December 2010 and 2009.

Certain subsidiaries of the Group, which are registered in a special economic zone or a technological economic development zone, are taxed at preferential rates ranging from 15% to 22% for the two years ended 31 December 2010 and 2009.

8. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**2,311,974**	2,188,395
Depreciation for property, plant and equipment	**54,791**	236,083
Depreciation for investment properties	**3,322**	1,027
Amortisation of leasehold land and land use rights	**4,276**	2,428
Amortisation of intangible assets	**1,311**	1,363
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**17,633**	16,304
Loss on disposal of land use rights	**—**	6,557
Research and development costs recognised as an expense	**20,040**	26,766
Write-down of inventories (included in cost of sales)	**17,784**	108,541
Impairment loss on interest 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	**6,295**	3,755
Operating lease rentals in respect of property, plant and equipment	**36,252**	36,252
Net foreign exchange losses	**6,637**	1,154
Provision for warranty	**3,639**	13,898
Cash-settled share-based payments expense	**11,463**	—
Auditor's remuneration	**2,850**	4,102
Share of tax of associates (included in share of loss of associates)	**(63)**	(225)

9. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

10. EARNINGS (LOSS) PER SHARE

(a) Basic

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during each of the year ended 31 December 2010 and 2009.

	2010	2009
Profit (loss) for the year attributable to owners of the Company *(RMB'000)*	**29,075**	(1,113,014)
Weighted average number of ordinary shares in issue *('000)*	**2,144,067**	2,135,291

The weighted average number of ordinary shares outstanding during the year end 31 December 2009 have been adjusted for the effect of capitalisation of capital reserve and the new shares were issued to the shareholders on 1 February 2010.

(b) Diluted

Diluted earnings (loss) per share was the same as the basic earning (loss) per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2010 and 2009.

11. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**227,204**	298,132
— related parties	**71,987**	188,907
	299,191	487,039
Less: allowance for doubtful debts	**(16,758)**	(48,643)
Trade receivables — net	**282,433**	438,396
Trade bills receivable		
— third parties	**156,295**	229,277
— related parties	**38,729**	238,816
	195,024	468,093
Total trade and bills receivables	**477,457**	906,489

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 allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**250,252**	318,158
91 to 180 days	**15,923**	100,027
181 to 365 days	**15,463**	14,688
Over 365 days	**795**	5,523
	282,433	438,396

12. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables		
— third parties	**526,291**	360,706
— related parties	**176,652**	38,714
	702,943	399,420
Trade bills payables		
— third parties	**8,550**	302
— related parties	**450**	430
	9,000	732
Total trade and bills payables	**711,943**	400,152

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

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**610,704**	255,666
91 to 180 days	**57,335**	48,614
181 to 365 days	**26,186**	69,498
Over 365 days	**17,718**	26,374
	711,943	400,152

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

RESULTS AND DIVIDEND

With continuous favorable global economy and rapid development of the Group's new businesses, the Group's results of 2010 recorded significant improvements over the same period last year. The sales of the Group in 2010 amounted to RMB2,717,770,000, representing an increase of RMB620,519,000 as compared to last year. Operating profits amounted to RMB132,745,000, representing an increase of RMB1,648,220,000 over last year. Gross profit margin was 14.93%, representing an increase of 19.28 percentage points as compared to the previous year (2009: -4.35%). Profits attributable to owners of the Company amounted to RMB29,075,000, representing a turnaround from losses to profits.

During the reporting period, the strategic transformation of the Group achieved initial success. In addition to the effective operation of its traditional business, the Group witnessed rapid growth in its new businesses, such as solar photovoltaic glass, LCD glass substrates, and luminous materials.

The Company maintains the existing dividend policy. Considering there was no accumulated surplus in 2010, the Company determined not to distribute final dividends for the year ended 31 December 2010.

BUSINESS REVIEW

(1) Progress of New Operations

- **Solar Photovoltaic Glass**

  In recent years, the low carbon economy, energy saving and emission reduction and the development of renewable energies have been the consensus among all governments of different countries. Currently, the solar photovoltaic has become one of the fastest growing sector in the new energy industry.

  The solar photovoltaic glass is the new business that has ample market potentials and good economic benefits, which can fully capitalize on its competitive advantages. During the reporting period, the Group commenced the scale development of the solar photovoltaic glass business in Xianyang, Hefei and Zhangjiagang.

As to solar photovoltaic glass business, the Phase I project production line in Xianyang rapidly reached the production capacity with profits after its completion in February 2010, and its product quality is at the top level in China. The Phase II Project production line in Xianyang was completed at the end of 2010 with sales recorded. The construction of Phase III Project in Xianyang and Hefei Project were officially commenced on 19 October 2010 and 10 November 2010, respectively. Currently, the project construction went smoothly and is expected to complete and put into production in succession by the end of 2011. The preparation of Zhangjiagang Project is still under way.

- **TFT-LCD glass substrate**

In response to the development trend of flat panel display devices and in light of the Group's competitive advantages, the Group invested more in the construction of the TFT-LCD glass substrate projects to constantly improve the Group's market competitiveness and profitability. During the reporting period, the Group constantly improved its product yield of LCD glass substrate, and became the first enterprise in China and the fifth one in the world with the manufacturing technology and production capacity of thin film transistor liquid crystal display glass substrate. During the reporting period, the Group continuously optimized and renovated the main equipment and craftsmanship of the production lines, and spare no efforts to speed up the progress of Phase II project construction in addition to steadily improving the comprehensive yield. Meanwhile, the Group incorporated the experience obtained from the Phase I project construction into the construction of Phase II project, so as to achieve effective resource allocation through overall planning. Currently, the Group's LCD glass substrate Phase II projects went smoothly, and the construction of the first production lines were consecutively completed in Xianyang, Zhangjiagang and Hefei. The CX02 production line in Xianyang was completed on 28 December 2010, with qualified products generated from the assembly lines; the CZ01 production line in Zhangjiagang was completed on 28 December 2010 with qualified products generated from the assembly lines, and the CZ02 production line entered into the pilot production stage on 30 January 2011; the CH01 production line in Hefei, being the first sixth generation glass substrate production line in China, successfully produced glass sheets at the first attempt on 30 January 2011. Currently, the Group was accredited by many LCD panel manufacturers for its LCD glass substrate products, and is in the process of actively seeking accreditation from other customers. The Group has reached clear intention with some customers from Taiwan and Mainland China in respect of its sales, and the Group has commenced its supply to them.

- **Luminous Materials**

  During the reporting period, the Group improved its sales results and brand image of energy saving lamp phosphors by vigorously adopting effective measures such as continuous technology upgrade of energy saving lamp phosphors, the development of high-end products and improvement of technical services. The sales volume of 2010 increased approximately 50% over last year, and the Group became the definite No. 1 in China in terms of the market share. During the reporting period, the construction of the Group's CCFL phosphor / PDP phosphor compatible production lines were smoothly completed and put into production. The sales of CCFL phosphor exceeded 100 tonnes, representing an increase of approximately 3 times over last year. As such, the CCFL phosphor business became the new growth driver of the Group's luminous materials business. Electronic silver paste achieved sales in small-medium quantities. In addition, the research and development and marketing of other luminous materials such as PDP phosphor, lithium battery powder, LED phosphor is progressing effectively.

- **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, started the trail production on 8 November 2010, and successfully illuminated the first IRICO-brand OLED product on 21 December 2010, laying a solid foundation for the Group's scale development in the OLED industry.

  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) were put into full mass production in January 2010, with the monthly comprehensive product yield reaching the designed standard.

(2) Traditional Operations

While experiencing rapid development of its new businesses, the Group is also facing the severe market conditions with rapid contraction in the industry with respect to its traditional CPT business. As such, the Group took a series of measures such as increasing marketing efforts, strengthening cost control, adjusting organizational structure, and streamlining human resources to achieve the effective operations of CPT business.

FINANCIAL REVIEW

(1) Results performance

- **Turnover and gross profit margin**

  In 2010, the Group recorded a turnover of RMB2,717,770,000, representing an increase of RMB620,519,000, or 29.59% from 2009. Turnover of the CPT business amounted to RMB1,190,897,000, representing a decrease of RMB112,775,000 or 8.65% from 2009. Turnover of the components and materials business amounted to RMB1,526,873,000, representing an increase of RMB733,294,000 or 92.40% from 2009. The overall gross profit margin of the Group increased from -4.35% in 2009 to 14.93% in 2010 mainly due to further improvement in sales and profitability of new businesses. In addition, a higher overall profit margin was achieved through strengthening cost control, reducing cost and optimizing product mix to increase profit margin.

- **Administrative expenses**

  The Group's administrative expenses for 2010 decreased by RMB177,505,000, or 42.04%, to RMB244,762,000 from RMB422,267,000 in 2009. The decrease in administrative expenses was mainly due to the increased efforts of the Group in marketing and its adjustment of product mix at proper time, which led to the improvement in capacity of traditional industries and significant reduction in shutdown losses.

- **Finance costs**

  The Group's finance costs in profit and loss for 2010 was RMB64,530,000 (net of interest expense capitalised amounting to RMB42,533,000), representing an increase of RMB24,840,000, or 62.59%, from RMB39,690,000 in 2009. The increase in finance cost was mainly attributable to significant increase in borrowings used to develop new businesses.

(2) Current assets and financial resources

As at 31 December 2010, the Group's cash and bank balances amounted to RMB2,747,848,000, representing an increase of 154.98% from RMB1,077,661,000 as at 31 December 2009. For the year ended 31 December 2010, the Group's capital expenditures totalled RMB4,337,350,000 (for the year ended 31 December 2009: RMB578,560,000). Net cash from operating activities amounted to RMB307,075,000 (31 December 2009: RMB224,261,000), while net cash from financing activities and net cash from investing activities were RMB5,383,876,000 (31 December 2009: RMB776,928,000) and RMB-4,072,702,000 (31 December 2009: RMB-480,282,000) respectively. As at 31 December 2010, the Group's total borrowings was RMB3,620,040,000, of which borrowings due within one year amounted to RMB1,173,272,000 and borrowings with maturity beyond one year amounted to RMB2,446,768,000. 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 2010, the Group's bank loans amounting to approximately RMB238,000,000 (31 December 2009: RMB197,000,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB597,195,000 (31 December 2009: RMB228,811,000). As at 31 December 2010, the short-term bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB2,653,768,000 (31 December 2009: RMB983,501,000).

For the year ended 31 December 2010, the turnover days for trade receivables of the Group was 64 days, representing an decrease of 93 days as compared to 157 days for the year ended 31 December 2009, which was mainly attributable to the intensified efforts made by the Group to recover trade receivables while expanding the market, which led to year-on-year increase of sales by 29.59% and year-on-year decrease of trade receivables by 47.33%. For the year ended 31 December 2010, the inventory turnover days of the Group was 96 days, representing an increase of 15 days from 81 days for the year ended 31 December 2009, which was mainly attributable to the increase in the inventory of raw materials, work in progress and finished goods resulted from the expansion in the scale of production.

(3) Capital structure

As at 31 December 2010, 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 2010, its total liabilities including bank loans was RMB3,620,040,000 (31 December 2009: RMB1,815,451,000) while cash and bank balances was RMB2,747,848,000 (31 December 2009: RMB1,077,661,000) and the gearing ratio (total liabilities/total assets) was 47% (31 December 2009: 62%).

(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 2010, the operating cost of the Group increased by RMB6,637,000 (31 December 2009: RMB1,154,000) as a result of exchange rate fluctuations.

(5) Commitments

As at 31 December 2010, capital commitments of the Group amounted to RMB1,874,721,000 (as at 31 December 2009: RMB228,950,000), which were mainly financed by the Group's working capital.

(6) Contingent liabilities

As at 31 December 2010, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2010, the Group's bank loans amounted to approximately RMB238,000,000 (31 December 2009: RMB197,000,000) was secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB597,195,000 (31 December 2009: RMB228,811,000).

FUTURE PROSPECTS

Looking into 2011, the Group aims at achieving rapid growth in new businesses, and the effectiveness of strategic transformation will be further demonstrated.

The Group will consecutively complete a series of new solar photovoltaic glass projects by the end of 2011, and its production capacity will be among the top in the PRC market. In 2012, the production capacity will be further increased with apparent scale advantages. In addition, the Group has started developing the coated glass and other new businesses.

In 2011, the Group's 13 production lines in LCD glass substrates will begin to release their production capacity, and accordingly this business will go into full operation. The sale effect and competitive advantage of LCD glass substrate businesses will rapidly increase. The Group will be an important supplier of TFT-LCD glass substrates in China and even in the world.

As to the luminous material business, in 2011 the Group will further expand the production, sales and market share of its energy saving lamp phosphors, CCFL phosphor, electronic silver paste, and accelerate the development and industrialization of new products such as PDP phosphor, lithium battery powder and LED phosphor.

REPURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

MATERIAL LITIGATION

As at the latest practical date, 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 a statement of claim in the Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology ("**Fanshawe College**") in August 2009 and July 2009 respectively. The 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 Vancouver Registry of the Supreme Court of British Columbia, Canada(加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處). 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, the 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 has 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 normal business operation of the Group.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2010, the Group had no designated deposits in any financial institutions in the PRC. All of the Group's bank deposits are placed 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 view that the documents are in compliance with 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 2010. 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 as of 31 December 2010, including accounting principles adopted by the Group.

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

The 2010 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

30 March 2011

As at the date of this announcement, the board of directors of the Company 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*