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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)

## **CONTINUING CONNECTED TRANSACTIONS**

References are made to the announcement and the circular of the Company dated 24 December 2009, 13 January 2010, 31 October 2011 and 29 November 2011, respectively, in relation to, among other things, the Existing Continuing Connected Transactions with certain connected persons of the Company and the revision to the Existing Annual Caps.

The EGM is to be held for the purpose of considering and approving by the independent shareholders by separate resolutions, among other things, the Non-exempt Continuing Connected Transactions, the relevant Proposed Annual Caps for each category of the Non-exempt Continuing Connected Transactions for the three financial years ending 31 December 2015. IRICO Group will abstain from voting at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A circular containing, among other things, (1) details of each of the Renewed Continuing Connected Transactions and the Proposed Annual Caps thereof for the three financial years commencing on 1 January 2013 and ending on 31 December 2015; (2) the letter of recommendation from the independent board committee; and (3) a letter of advice by an independent financial adviser to the independent board committee and the independent shareholders of the Company will be despatched to the Shareholders on or before 5 December 2012.

## **A. THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

### **1. BACKGROUND**

#### *1.1 The Existing Continuing Connected Transactions*

References are made to the announcement and the circular of the Company dated 24 December 2009, 13 January 2010, 31 October 2011 and 29 November 2011, respectively, in relation to, among other things, the Existing Continuing Connected Transactions with certain connected persons of the Company and the revision to the Existing Annual Caps. The Existing Continuing Connected Transaction Agreements will expire on 31 December 2012 and the Company proposes to renew the relevant Existing Continuing Connected Transactions, i.e. the Renewed Continuing Connected Transactions, with the relevant connected persons of the Company for the three financial years commencing on 1 January 2013 and ending on 31 December 2015.

In this announcement, references to the Company shall include its subsidiaries and references to IRICO Group shall include its associates (other than the Company and its subsidiaries) in the context where such entities are referred to as a party to the agreements relating to the Renewed Continuing Connected Transactions.

#### *1.2 Connected Persons*

The following parties to the Renewed Continuing Connected Transactions are connected persons of the Company:

IRICO Group: a substantial shareholder of the Company, and is a connected person of the Company by virtue of Rules 14A.11(1) of the Listing Rules; and

Xianyang Cailian: owned as to 30% of its equity interest by IRICO Group. Xianyang Cailian is an associate of IRICO Group and therefore a connected person of the Company by virtue of Rule 14A.11(4) of the Listing Rules.

## **B. THE RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

In accordance with the terms of the Existing Continuing Connected Transaction Agreements, the agreement will expire on 31 December 2012. To continue to regulate the relevant terms of the transactions contemplated thereunder, on 14 November 2012, the Company and the A Share Company (if applicable) entered into the following agreements with relevant connected persons, the main terms and conditions of which have been summarized in Section C below:

The IRICO Group Master Supply Agreement dated 14 November 2012 entered into between the Company, as supplier, and IRICO Group;

The IRICO Group Master Purchase Agreement dated 14 November 2012 entered into between the Company, as purchaser, and IRICO Group; and

The Xianyang Cailian Master Purchase Agreement dated 14 November 2012 entered into between the Company, as purchaser, and Xianyang Cailian;

(the above three agreements, collectively, the “**Master Agreements**”)

The Comprehensive Services Agreement dated 14 November 2012 entered into between the Company and IRICO Group;

The Premises Leasing Framework Agreement dated 14 November 2012 entered into between the Company and IRICO Group;

The Land Use Rights Leasing Framework Agreement dated 14 November 2012 entered into between the Company and IRICO Group;

Company Trademark Licensing Agreement dated 14 November 2012 entered into between IRICO Group and the Company and its subsidiaries, namely, IRICO Phosphor, IRICO (Hefei) Photovoltaic, IRICO (Foshan) Shixun, Zhuhai Caizhu, IRICO Parts, IRICO Kunshan, Caihong Yingguang, Xi’an Cairui, IRICO Shadow Mask and IRICO Zixun (IRICO Group being the relevant connected person of the Company for this agreement); and

A Share Company Trademark Licensing Agreement dated 14 November 2012 entered into between the A Share Company and IRICO Group (IRICO Group being the relevant connected person of the Company for this agreement).

(the above two agreements, collectively, the “**Trademark Licensing Agreements**”)

## C. MAJOR TERMS AND CONDITIONS OF THE RENEWED CONTINUING CONNECTED TRANSACTION AGREEMENTS

### 1. Master Agreements

IRICO Group retained certain assets and businesses after the Listing, which were not the core businesses of the Company relating to CPTs and CPT components. IRICO Group together with certain other connected persons of the Company continued to supply to or purchase from the Company certain goods, parts and/or raw materials after the Listing. The Group produces and sales luminous materials, solar photovoltaic glass and other products, and some subsidiaries of IRICO Group use luminous materials and solar photovoltaic glass to produce and sale energy-saving lamps and solar photovoltaic cells. The Group requires a variety of foam plastics, wood brackets, raw materials, packaging materials and adhesive tapes and IRICO Group produces many kinds of foam plastics, wood brackets and makes large-scale procurement of raw materials and Xianyang Cailian produces varies of packaging materials and adhesive tapes. In this connection, on 14 November 2012, the Company entered into, among others, the following three agreements with IRICO Group and Xianyang Cailian, respectively:

<b>Title</b>	<b>Contracting parties</b>	<b>Products providers</b>	<b>Type of goods, parts and/or raw materials</b>
The IRICO Group Master Supply Agreement	The Company and IRICO Group	By the Company to IRICO Group	Supply of fuel, luminous materials, solar photovoltaic glass and other materials
The IRICO Group Master Purchase Agreement	The Company and IRICO Group	By IRICO Group to the Company	Purchase of foam plastics, wood brackets and raw materials from IRICO Group
The Xianyang Cailian Master Purchase Agreement	The Company and Xianyang Cailian	By Xianyang Cailian to the Company	Purchase of packaging materials and adhesive tapes

Each of the Master Agreements contains the binding principles, guidelines, and terms and conditions for the supply and purchase, as the case may be, of the relevant goods, parts and/or raw materials. The purpose of the Master Agreements is mainly to facilitate the Company in securing stable and steady sales and purchases of such goods, parts and/or raw materials at reasonable prices in close vicinity. The main terms and conditions of the Master Agreements are set out below:

**(a) *General Principles, Pricing and Terms***

- (i) The price at which the relevant goods, parts and/or raw materials are to be provided shall be agreed between the parties at the time when a production plan described below is placed by the relevant recipient and is accepted by the relevant provider;
- (ii) The price at which such goods, parts and/or raw materials are to be provided must be fair and reasonable;
- (iii) The terms and conditions on which such goods, parts and/or raw materials are to be supplied or purchased should be no less favorable than those offered by independent third parties to the Company; and
- (iv) The relevant payment terms of the price are not specified in each of the Master Agreements and as expected by the Directors, such terms will be further agreed by the parties from time to time according to usual practice.

**(b) *Term and Termination***

The term of each of the Master Agreements is for a term of three years commencing on 1 January 2013 and ending on 31 December 2015, unless at any time any relevant party gives at least 3 months' prior written notice of termination to the other party or parties.

**(c) *Production Plans***

The production plans shall be placed not less than 5 days prior to the end of each calendar month and shall contain an estimate of the quantity and type of the goods, parts and/or raw materials to be purchased for the next calendar month. As the production plans are simply further elaborations on the provision of the relevant goods, parts and/or raw materials as contemplated under the Master Agreements, as such, they do not constitute new categories of connected transactions.

**(d) *Condition Precedents***

The Master Agreements are conditional upon the approval of the Independent Shareholders at the EGM.

**2. The Comprehensive Services Agreement**

IRICO Group continued to provide certain utilities and social and ancillary services to the Company after the Listing. In this connection, on 14 November 2012, the Company and IRICO Group entered into the Comprehensive Services Agreement which contains the binding principles, guidelines and terms and conditions for the provision of such services by IRICO Group to the Company. The main terms and conditions of the Comprehensive Services Agreement are set out below:

**(a) *Type of Services***

The services to be provided by IRICO Group to the Company have been grouped together and categorized according to the following types of services:

- (i) Provision of utilities and other service(s): supply of electricity, water and gas and other related or similar services; IRICO Group has been providing utilities to the core businesses of the Company and the Company will continue to use the steady and stable supply of quality utilities for its production base nearby; and

- (ii) Provision of social and ancillary services: social welfare facilities; IRICO Group has been providing these social and ancillary services to the employees of the Company and their immediate families.

**(b) *General Principles and Terms***

- (i) The price at which the relevant services are to be provided must be fair and reasonable, and not higher than the price offered by independent third party for similar services;
- (ii) The terms and conditions on which such services are to be provided should be no less favorable to the Company than those offered by IRICO Group to independent third parties; and
- (iii) In respect of the provision of utilities, IRICO Group has agreed that it will indemnify the Company reasonably against any loss suffered as a result of any supply disruption or cessation caused by IRICO Group.

**(c) *Price Determination***

Under the Comprehensive Services Agreement, the provision of utilities shall be made in accordance with the following pricing principles:

- (i) State-prescribed price;
- (ii) where there is no State-prescribed price, then according to relevant market price; and
- (iii) where there is no relevant market price, then according to the contracted price.

For the purpose of the Comprehensive Services Agreement:

“State-prescribed price” means the price set by the relevant laws, regulations, determinations, orders or policies issued by the relevant departments of the PRC government;

“market price” means the price at which the same or comparable type of services are provided from independent third parties in the ordinary course of business; and

“contracted price” means the actual cost incurred in providing such services plus a margin thereof not exceeding 10%.

All social and ancillary services have been and will continue to be provided for by IRICO Group at cost. Social welfare facilities are provided by IRICO Group at cost, as there are no market comparable items or relevant data available. If the prices offered by IRICO Group in respect of the above social and ancillary services do not comply with the terms of the Comprehensive Services Agreement, the Company may obtain such services of similar quality from independent third parties at any time during the term of the Comprehensive Services Agreement.

***(d) Termination***

The term of the Comprehensive Services Agreement is for a term of three years commencing on 1 January 2013 and ending on 31 December 2015, unless at any time the Company gives at least 3 months’ prior written notice of termination to the other party.

The Company has the right to terminate the agreement unilaterally, whereas IRICO Group does not have the same right.

***(e) Executive Agreements***

The Company (and its subsidiaries) and IRICO Group (and its associates) will, from time to time and as necessary, enter into separate executive agreements for each specific transaction contemplated under the Comprehensive Services Agreement.

Each executive agreement will set out the specific service, quantity, price, duration and other relevant terms (which as expected by the Directors, will include the relevant payment terms of the price), which reflect the requirements of the Company or its subsidiaries, and the market conditions at the material time. The terms and conditions of the executive agreements will strictly follow the binding principles, guidelines and terms as set out in the Comprehensive Services Agreement.

As the executive agreements are simply further elaborations on the provision of services as contemplated by the Comprehensive Services Agreement, as such, they do not constitute new categories of connected transactions.

*(f) Condition Precedents*

The Comprehensive Services Agreement is conditional upon the approval of the Independent Shareholders of the Company in the EGM.

**3. The Premises Leasing Framework Agreement and the 2013 Premises Leasing Agreement**

On 14 November 2012, the Company entered into the Premises Leasing Framework Agreement with IRICO Group, pursuant to which IRICO Group will lease factories and office premises with a maximum area of 447,305.31 square meters located at No.1 Caihong Road, Qindu District, Xianyang City, Shaanxi Province, the PRC to the Company for three years ending 31 December 2015 at a rental fee of RMB9.5/m<sup>2</sup>/month. The term of the Premises Leasing Framework Agreement will end on 31 December 2015.

On 14 November 2012, i.e. the same day on which the Company entered into the Premises Leasing Framework Agreement, the Company also entered into the 2013 Premises Leasing Agreement, pursuant to which IRICO Group will lease factories and office premises located at No.1 Caihong Road, Qindu District, Xianyang City, Shaanxi Province, the PRC to the Company at a rental fee of RMB9.5/m<sup>2</sup>/month, with a total area of 376,722.73 square meters.

The purpose of the 2013 Premises Leasing Agreement is mainly to facilitate the legal and long-term use of certain factories and office premises by the Company. IRICO Group has set out in the 2013 Premises Leasing Agreement the right for the Company to terminate the agreement unilaterally, whereas IRICO Group does not have the same right. Further, IRICO Group undertakes that, upon the expiry of the 2013 Premises Leasing Agreement, should the Company choose to extend the leasing period, IRICO Group shall be obliged to do so.

The term of the 2013 Premises Leasing Agreement is for a term of one year commencing on 1 January 2013 and ending on 31 December 2013, unless at any time the lessee gives at least 3 months' prior written notice of termination to the lessor.

The rental fees payable under the 2013 Premises Leasing Agreement were determined with reference to the estimated amount for which the relevant premises are leased between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction. The rental fees shall generally be payable quarterly in the first month of the relevant quarter.

During the three years ending on 31 December 2015, the parties may, pursuant to the Premise Leasing Framework Agreement, enter into further leasing agreement in respect of the new specific factories and office premises which will be in substantially the same form of the 2013 Premises Leasing Agreement. The terms of such leasing agreements will commence from the date on which such leasing agreement is entered into and ending on 31 December in the same year.

The Premises Leasing Framework Agreement is conditional upon the approval of the Independent Shareholders at the EGM.

#### **4. The Land Use Rights Leasing Framework Agreement and the 2013 Land Use Rights Leasing Agreement**

On 14 November 2012, the Company entered into the Land Use Rights Leasing Framework Agreement with IRICO Group, pursuant to which IRICO Group will lease the use rights of the land (including accessory green belt areas, roads and other areas) with a maximum area of 511,635.84 square meters located at No.1 Caihong Road, Qindu District, Xianyang City, Shaanxi Province, the PRC to the Company for three years ending 31 December 2015 at a rental fee of RMB14.5/m<sup>2</sup>/year. The term of the Land Use Rights Leasing Framework Agreement will end on 31 December 2015.

On 14 November 2012, i.e. the same day on which the Company entered into the Land Use Rights Leasing Framework Agreement, the Company also entered into the 2013 Land Use Rights Leasing Agreement, pursuant to which IRICO Group will lease the use rights of the land (including accessory green belt areas, roads and other areas, which are necessary for use of the factories and office premises occupied by the Company) located at No.1 Caihong Road, Qindu District, Xianyang City, Shaanxi Province, the PRC to the Company at a rental fee of RMB14.5/m<sup>2</sup>/year, with a total area of 420,659.8 square meters.

The purpose of the 2013 Land Use Rights Leasing Agreement is mainly to facilitate the legal and long-term use by the Company of the aforesaid land. IRICO Group has set out in the 2013 Land Use Rights Leasing Agreement the right for the Company to terminate the agreement unilaterally, whereas IRICO Group does not have the same right. Further, IRICO Group undertakes that, upon the expiry of the 2013 Land Use Rights Leasing Agreement, should the Company choose to extend the leasing period, IRICO Group shall be obliged to do so.

The term of the 2013 Land Use Rights Leasing Agreement is for a term of one year commencing on 1 January 2013 and ending on 31 December 2013 unless at any time the lessee gives at least 3 months' prior written notice of termination to the lessor.

The leasing fees payable under the 2013 Land Use Rights Leasing Agreement were determined with reference to the local market rent for similar land use rights after arm-length negotiations between the relevant parties and the leasing fees payable under the 2013 Land Use Rights Leasing Agreement reflect the prevailing fair and reasonable market rent. The leasing fees will generally be payable quarterly in the first month of the relevant quarter.

During the three years ending on 31 December 2015, the parties may, pursuant to the Land Use Right Leasing Agreement, enter into further leasing agreement in respect of the new land use rights, which will be in substantially the same form of the 2013 Land Use Rights Leasing Agreement. The terms of such supplemental leasing agreements will commence from the date on which such leasing agreement is entered into and ending on 31 December in the same year.

The Land Use Rights Leasing Framework Agreement is conditional upon the approval of the Board.

## **5. The Trademark Licensing Agreements**

### *The Company Trademark Licensing Agreement*

On 14 November 2012, the Company entered into the Company Trademark Licensing Agreement with IRICO Group, pursuant to which, IRICO Group has granted to the Company, IRICO Phosphor, IRICO (Hefei) Photovoltaic, IRICO (Foshan) Shixun, Zhuhai Caizhu, IRICO Parts, IRICO Kunshan, CaihongYingguang, Xi'an Cairui, IRICO Shadow Mask and IRICO Zixun, the non-exclusive licenses to use certain trademarks registered in its name in the PRC. Such licenses have been provided by IRICO Group after the Listing and terms of which are normal, fair and reasonable assuming that the same will be provided to the independent third parties.

The trademarks are owned by IRICO Group, and the Company including its subsidiaries need to obtain the necessary licenses from IRICO Group in accordance with the PRC laws and regulations in order for them to use the trademarks for the sale of their products.

The term of the Company Trademark Licensing Agreement is for a term of three years commencing on 1 January 2013 and ending on 31 December 2015, unless at any time any relevant party gives at least 3 month's prior written notice of termination to the other party. The annual licensing fee payable shall be equivalent to 0.1% of the annual external sales revenue of the Company, IRICO Phosphor, IRICO (Hefei) Photovoltaic, IRICO (Foshan) Shixun, Zhuhai Caizhu, IRICO Parts, IRICO Kunshan, CaihongYingguang, Xi'an Cairui, IRICO Shadow Mask and IRICO Zixun, as described in its audited accounts. The licensing fees will be payable half-yearly within one month after the relevant half-year audited accounts or annual audited accounts are issued.

The Company trademark Licensing Agreement is conditional upon the approval of the Board.

#### *The A Share Company Trademark Licensing Agreement*

On 14 November 2012, the A Share Company entered into and the A Share Company Trademark Licensing Agreement with IRICO Group, pursuant to which, IRICO Group has granted to the A Share Company the non-exclusive licenses to use certain trademarks registered in its name in the PRC. Such licenses have been provided by IRICO Group after the Listing and terms of which are normal, fair and reasonable assuming that the same will be provided to the independent third parties.

The trademarks are owned by IRICO Group, and the A Share Company including its subsidiaries need to obtain the necessary licenses from IRICO Group in accordance with the PRC laws and regulations in order for them to use the trademarks for the sale of their products.

The term of the A Share Company Trademark Licensing Agreement is for a term of three years commencing on 1 January 2013 and ending on 31 December 2015, unless at any time A Share Company gives at least 1 month's prior written notice of termination to the other party. The annual licensing fee payable shall be equivalent to 0.1% of the annual sales revenue relating to the relevant products of A Share Company. The licensing fee will be payable half-yearly before the end of June and December respectively of each year.

The A Share Company Trademark Licensing Agreement is conditional upon the approval of the Board of the Company and the shareholders of the A Share Company in the general meeting of the A Share Company.

## D. THE PROPOSED ANNUAL CAPS

The Directors (including the independent non-executive Directors) consider that, it is in the interest of the Company to enter into the Renewed Continuing Connected Transactions upon the terms and conditions set out in the relevant Renewed Continuing Connected Transaction Agreements and the Proposed Annual Caps in respect thereof are fair and reasonable. The Directors have estimated the annual caps of the Renewed Continuing Connected Transactions for the coming three financial years ending 31 December 2015 based on the following:

- (a) the historical amounts of the Existing Continuing Connected Transactions;
- (b) the Company's estimate of its business growth, on the assumption that there is no material adverse change to the economic situation in the PRC; and
- (c) the Company's current estimates of the market prices of the relevant products.

The Proposed Annual Caps in respect of the Renewed Continuing Connected Transactions for the three financial years ending 31 December 2015 are as follows:

	<b>Proposed annual cap for the year ending 31 December 2013 (RMB '000)</b>	<b>Proposed annual cap for the year ending 31 December 2014 (RMB '000)</b>	<b>Proposed annual cap for the year ending 31 December 2015 (RMB '000)</b>
<b>1. IRICO Group Master Supply Agreement</b>			
Supply of fuel, luminous materials, solar photovoltaic glass and other materials to IRICO Group	152,377	257,601	295,123

<b>2. IRICO Group Master Purchase Agreement</b>			
Purchase of foam plastics, wood brackets and raw materials from IRICO Group	138,701	201,098	233,660
<b>3. Xianyang Cailian Master Purchase Agreement</b>			
Purchase of packaging materials and adhesive tapes from Xianyang Cailian	115,800	227,710	306,503
<b>4. Comprehensive Services Agreement</b>			
Purchase of utilities and social and ancillary services from IRICO Group	539,826	662,077	716,329
<b>5. Premises Leasing Framework Agreement</b>			
Rental payable to IRICO Group	50,993	50,993	50,993
<b>6. Land Use Rights Leasing Framework Agreement</b>			
Land use rights leasing fees payable to IRICO Group	7,419	7,419	7,419
<b>7. Trademark Licensing Agreements</b>			
Trademark licensing fees payable to IRICO Group	2,137	3,354	4,227

*Note:* The figures for the three financial years ending 31 December 2013, 31 December 2014 and 31 December 2015 are estimated figures based on: (a) for those transactions in respect of which fixed fees have been agreed, the amounts of the agreed fees on annual basis; (b) for the other transactions, the estimated significant growth in relevant new businesses in the coming three years and specific business and production plans as the Company is in the business transformation process.

## **E. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Master Agreements, the Comprehensive Services Agreement and the Premises Leasing Framework Agreement will constitute Non-exempt Continuing Connected Transactions under the Listing Rules and therefore the Company will be subject to the relevant reporting, announcement and independent shareholders' approval requirements in relation to such transactions.

The transactions contemplated under the Land Use Rights Leasing Framework Agreement and the Trademark Licensing Agreements will be exempt from the independent shareholders' approval as each of the applicable percentage ratios in relation to each category of such transactions is less than 5%.

An EGM will be convened for the purposes of obtaining the independent shareholders' approval for, among other things, the Non-exempt Continuing Connected Transactions with certain connected persons of the Company subject to the terms and conditions of the relevant Renewed Continuing Connected Transaction Agreements, for a period of three financial years commencing on 1 January 2013 and ending on 31 December 2015, provided that the annual amount of each of such transactions for each financial year not exceeding the relevant Proposed Annual Caps. Each of such Non-exempt Continuing Connected Transactions will be approved by a separate resolution by the independent shareholders.

## **F. REASONS FOR AND BENEFITS OF THE RENEWED CONTINUING CONNECTED TRANSACTIONS AND THE NEW CONTINUING CONNECTED TRANSACTIONS**

The Board is of the view that the continuance of the Renewed Continuing Connected Transactions are essential to the normal operations of, and beneficial to, the Company. In forming such view, the Board has taken into account the following:

- (a) Prior to the Reorganization and IRICO Group for the purpose of the Listing, IRICO Group and the Company operated as an integrated organization which undertook the relevant intra-group transactions.

- (b) The supply and purchase of the relevant products and materials between the Company and IRICO Group may assist in minimizing the management and operational costs of the Company due to the close proximity between the two companies. The bulk purchase of materials is also economically beneficial to both the Company and IRICO Group.
- (c) Having regard to the need to control the size of the Company's assets, the Board considers it commercially and strategically desirable for the Company to lease the relevant land and properties from IRICO Group.
- (d) Regarding the provision of utilities, IRICO Group is capable of providing steady and stable supply of quality utilities at reasonable prices as compared to other local suppliers and in close vicinity to the Company's production base.
- (e) The Company itself does not have the function of provision of the relevant social and ancillary services.

The Renewed Continuing Connected Transactions will be governed by agreements entered into on an arm's length basis, the terms and conditions of which are fair and reasonable from the Company's perspective. The Board therefore considers that it makes sound business sense for the Company to enter into the Renewed Continuing Connected Transactions.

Based on the above reasons and benefits, the Directors (including the independent non-executive Directors) believe that the terms of the Renewed Continuing Connected Transactions which are fair and reasonable and the entering into of the Renewed Continuing Connected Transaction Agreements for the Renewed Continuing Connected Transactions is in the interests of the Company and its shareholders as a whole.

## **G. GENERAL INFORMATION**

The Company is principally engaged in the production and sales of solar photovoltaic glass, luminous materials, liquid crystal glass substrate, display devices and relevant parts.

IRICO Group is a State wholly-owned enterprise with a registered capital of RMB2,010,537,000 and is principally engaged in businesses relating primarily to the provision of utilities and social services and general trading. As at the date of this announcement, IRICO Group is the controlling shareholder of the Company, holding 1,601,468,000 domestic shares in the Company, representing approximately 71.74% of the total share capital of the Company.

Xiangyang Cailian is principally engaged in the production of packaging materials and adhesive tapes.

## **H. THE EGM**

The EGM is to be held for the purpose of considering and approving by the independent shareholders by separate resolutions, among other things, the Non-exempt Continuing Connected Transactions, the relevant Proposed Annual Caps for each category of the Non-exempt Continuing Connected Transactions for the three financial years ending 31 December 2015. IRICO Group will abstain from voting at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voting will be conducted by way of poll in accordance with the requirements of the Listing Rules.

A circular containing, among other things, (1) details of each of the Renewed Continuing Connected Transactions and the Proposed Annual Caps thereof for the three financial years commencing on 1 January 2013 and ending on 31 December 2015; (2) the letter of recommendation from the independent board committee; and (3) a letter of advice by an independent financial adviser to the independent board committee and the independent shareholders of the Company will be despatched to the Shareholders on or before 5 December 2012.

## I. DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“A Share Company”	IRICO Display Device Co., Ltd. (彩虹顯示器件股份有限公司), a subsidiary of the Company and a company listed on the Shanghai Stock Exchange
“A Share Company Trademark Licensing Agreement”	the trademark licensing agreement dated 14 November 2012 entered into between the A Share Company and IRICO Group, pursuant to which IRICO Group will grant the non-exclusive licenses to use certain trademarks registered in its name in the PRC to the A Share Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Caihong Yingguang”	Kunshan Caihong Yingguang Electronics Co., Ltd. (昆山彩虹櫻光電子有限公司), a non-wholly owned subsidiary of the Company
“Company”	IRICO Group Electronics Company Limited* (彩虹集團電子股份有限公司), a joint stock limited company established in the PRC with limited liability, whose H shares are listed on the Stock Exchange

“Company Trademark Licensing Agreement”	the trademark licensing agreement dated 14 November 2012 entered into between IRICO Group and the Company and its subsidiaries, namely, IRICO Phosphor, IRICO (Hefei) Photovoltaic, IRICO (Foshan) Shixun, Zhuhai Caizhu, IRICO Parts, IRICO Kunshan, Caihong Yingguang, Xi’an Cairui, IRICO Shadow Mask and IRICO Zixun, pursuant to which IRICO Group will grant the non-exclusive licenses to use certain trademarks registered in its name in the PRC to the Company and its subsidiaries
“Comprehensive Services Agreement”	the comprehensive services agreement dated 14 November 2012 entered into between the Company and IRICO Group in respect of the provision of certain utilities and social and ancillary services by IRICO Group to the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, to approve the Non-exempt Continuing Connected Transactions, the relevant Proposed Annual Caps for each category of the Non-exempt Continuing Connected Transactions
“Existing Annual Caps”	the existing annual caps applicable to the Existing Connected Transactions for each of the three years ending 31 December 2012

“Existing Continuing Connected Transaction Agreements”	the agreements entered between the relevant connected persons and the Company regarding the Existing Continuing Connected Transactions for the three financial years ending 31 December 2012
“Existing Continuing Connected Transactions”	the Company’s existing continuing connected transactions with certain connected persons of the Company for the three financial years ending 31 December 2012, as more particularly described in the announcement of the Company dated 24 December 2009 and the circular of the Company dated 14 January 2010
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of directors consisting of Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua, and Mr. Zhong Pengrong who are independent non-executive directors, formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the relevant Proposed Annual Caps for each category of the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	the shareholders of the Company (other than IRICO Group who will abstain from voting on the resolutions with respect to the Non-exempt Continuing Connected Transactions and the relevant Proposed Annual Caps for each category of the Non-exempt Continuing Connected Transactions)
“IRICO (Foshan) Shixun”	IRICO (Foshan) Shixun Technology Co., Ltd (彩虹(佛山)視訊科技有限公司), a wholly-owned subsidiary of the Company

“IRICO Group Master Purchase Agreement”	the master purchase agreement dated 14 November 2012 entered into between the Company, as purchaser, and IRICO Group in respect of the purchase of foam plastics, wood brackets and raw materials from IRICO Group
“IRICO Group Master Supply Agreement”	the master supply agreement dated 14 November 2012 entered into between the Company and IRICO Group in respect of the provision of fuel, luminous materials, solar photovoltaic glass and other materials by the Company to IRICO Group
“IRICO Group”	IRICO Group Corporation(彩虹集團公司), a wholly state-owned enterprise and the controlling shareholder of the Company holding approximately 71.74% of its issued share capital
“IRICO (Hefei) Photovoltaic”	IRICO (Hefei) Photovoltaic Co., Ltd.(彩虹(合肥)光伏有限公司), a wholly-owned subsidiary of the Company
“IRICO Kunshan”	Kunshan IRICO Industry Co., Ltd.(昆山彩虹實業有限公司), a non wholly-owned subsidiary of the Company which is indirectly owned as to 90% by the Company
“IRICO Parts”	Xianyang IRICO Electronics Parts Co., Ltd.(咸陽彩虹電子配件有限公司), a non wholly-owned subsidiary of the Company which is owned as to 60% by the Company
“IRICO Phosphor”	Shaanxi IRICO Phosphor Material Co., Ltd.(陝西彩虹熒光材料有限公司), a non wholly-owned subsidiary of the Company and owned as to 76.32% of its equity interests directly and indirectly by the Company, 9.47% of its equity interests by Xianyang Cailian and 14.21% of its equity interests by an independent third party

“IRICO Shadow Mask”	Xianyang IRICO Electronics Shadow Mask Co., Ltd. (咸陽彩虹電子網版有限公司), a indirect wholly-owned subsidiary of the Company
“IRICO Zixun”	Xi’an IRICO Zixun Co., Ltd. (西安彩虹資訊有限公司), a wholly-owned subsidiary of the Company
“Land Use Rights Leasing Framework Agreement”	the land use rights leasing framework agreement dated 14 November 2012 entered into between Company and IRICO Group, pursuant to which IRICO Group will lease roads, green belt areas and other areas to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing”	the listing of the Company on the Stock Exchange in December 2004
“Master Agreements”	the IRICO Group Master Supply Agreement, the IRICO Group Master Purchase Agreement and the Xianyang Cailian Master Purchase Agreement
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the IRICO Group Master Supply Agreement, the IRICO Group Master Purchase Agreement, the Xianyang Cailian Master Purchase Agreement, the Comprehensive Services Agreement and the Premises Leasing Framework Agreement
“PRC”	the People’s Republic of China
“Premises Leasing Framework Agreement”	the premises leasing framework agreement dated 14 November 2012 entered into between Company and IRICO Group, pursuant to which IRICO Group will lease factories and office premises to the Company

“Proposed Annual Cap(s)”	the proposed revised annual caps in respect of the Renewed Continuing Connected Transactions for the three years ending 31 December 2015
“Renewed Continuing Connected Transaction Agreements”	the IRICO Group Master Supply Agreement, the IRICO Group Master Purchase Agreement, the Xianyang Cailian Master Purchase Agreement, the Comprehensive Services Agreement, the Premises Leasing Framework Agreement, the Land Use Rights Leasing Framework Agreement and the Trademark Licensing Agreements to be entered by the Company and relevant connected persons on 14 November 2012
“Renewed Continuing Connected Transactions”	the transactions contemplated under the Renewed Continuing Connected Transaction Agreements
“Reorganization”	the reorganization relating to IRICO Group and the Group for the purpose of the Listing
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trademark Licensing Agreements”	the Company Trademark Licensing Agreement and the A Share Company Trademark Licensing Agreement
“Xi’an Cairui”	IRICO Display Technology Co., Ltd. (西安彩瑞顯示技術有限公司), a non wholly-owned subsidiary of the Company which is owned as to 75% of its equity interest by the Company and the remaining interests by Rui Bou Electronics (HK) Ltd

“Xianyang Cailian”	Xianyang Cailian Packaging Material Company Limited(咸陽彩聯包裝材料有限公司) which is owned as to 30% of its equity interests by IRICO Group
“Xianyang Cailian Master Purchase Agreement”	the master purchase agreement dated 14 November 2012 entered into between the Company and Xianyang Cailian in respect of the provision of packaging materials and adhesive tapes from IRICO Group to the Company
“Zhuhai Caizhu”	Zhuhai Caizhu Industrial Co., Ltd.(珠海彩珠實業有限公司), a subsidiary of the Company which is owned as to 90% by the Company
“%”	per cent.

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

Shaanxi Province, the PRC  
14 November 2012

*As at the date of this announcement, the board of directors consists of 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 Xinzong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua and Mr. Zhong Pengrong as independent non-executive Directors.*

\* *For identification purposes only*