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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)

2012 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 2012, together with the comparative figures for 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** **RMB'000**	2011 *RMB'000*
Turnover	4	**2,645,213**	3,270,348
Cost of sales		**(2,744,232)**	(3,164,459)
Gross (loss) profit		**(99,019)**	105,889
Other operating income	6	**87,682**	196,875
Selling and distribution costs		**(66,830)**	(86,412)
Administrative expenses		**(522,193)**	(325,703)
Other operating expenses		**(8,883)**	(6,776)
Finance costs	7	**(180,632)**	(79,736)
Impairment loss recognised in respect of property, plant and equipment		**(2,349,845)**	(416,544)
Share of loss of associates		**(241,296)**	(43,038)
Loss before tax		**(3,381,016)**	(655,445)
Income tax expense	8	**(24,155)**	(27,523)
Loss for the year	9	**(3,405,171)**	(682,968)
Loss for the year attributable to:			
Owners of the Company		**(1,662,002)**	(253,038)
Non-controlling interests		**(1,743,169)**	(429,930)
		(3,405,171)	(682,968)

	NOTES	**2012** **RMB'000**	2011 RMB'000
Other comprehensive income (expense)			
Exchange differences arising on translation		**110**	237
Share of exchange reserve of an associate		**3,466**	(3,667)
Other comprehensive income (expense) for the year		**3,576**	(3,430)
Total comprehensive expense for the year		**(3,401,595)**	(686,398)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,658,426)**	(256,468)
Non-controlling interests		**(1,743,169)**	(429,930)
		(3,401,595)	(686,398)
		RMB	*RMB*
Loss per share (basic and diluted)	11	**(0.7445)**	(0.1134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**7,467,134**	8,202,921
Properties under development		**56,358**	—
Investment properties		**19,136**	55,272
Leasehold land and land use rights		**298,816**	324,664
Intangible assets		**1,085**	870
Interests in associates		**113,904**	278,394
Available-for-sale investment		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**127,479**	196,001
Deposit paid for acquisition of an associate		**—**	73,500
		8,107,972	9,155,682
Current assets			
Inventories		**305,172**	402,839
Trade and bills receivables	12	**658,981**	545,034
Other receivables, deposits and prepayments		**1,279,068**	1,030,783
Held-to-maturity investments		**600,000**	—
Restricted bank balances		**66,089**	104,716
Bank balances and cash		**1,278,852**	2,080,334
		4,188,162	4,163,706

	NOTES	2012 RMB'000	2011 RMB'000
Current liabilities			
Trade and bills payables	13	**847,119**	819,765
Other payables and accruals		**1,348,482**	1,065,524
Tax payables		**9,498**	3,733
Bank and other borrowings — due within one year		**2,723,490**	1,568,601
Termination benefits		**158,394**	3,112
Obligations under finance leases		**66,090**	60,717
		5,153,073	3,521,452
Net current (liabilities) assets		**(964,911)**	642,254
Total assets less current liabilities		**7,143,061**	9,797,936
Capital and reserves			
Share capital		**2,232,349**	2,232,349
Other reserves		**1,340,250**	1,329,286
Accumulated losses		**(3,365,921)**	(1,703,828)
Equity attributable to owners of the Company		**206,678**	1,857,807
Non-controlling interests		**1,435,337**	3,194,371
Total equity		**1,642,015**	5,052,178
Non-current liabilities			
Bank and other borrowings — due after one year		**4,893,643**	4,208,632
Deferred income		**559,831**	421,693
Termination benefits		**6,117**	7,567
Obligations under finance leases		**33,430**	99,526
Deferred tax liabilities		**8,025**	8,340
		5,501,046	4,745,758
		7,143,061	9,797,936

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"), luminous materials, liquid crystal related products, thin film transistor liquid crystal display ("TFT-LCD") glass substrate and display devices and solar photovoltaic glass product.

The directors of the Company consider that IRICO Group Corporation, a state-owned enterprise established in the PRC, is the Company's parent company for the year ended 31 December 2011.

During the year ended 31 December 2012, China Electronics Corporation, a wholly state-owned company incorporated in the PRC was established and acquired entire equity interest of IRICO Group Corporation. Therefore the directors of the Company consider that IRICO Group Corporation is the Company's parent company. Its ultimate holding parent is China Electronics Corporation.

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

2. BASIS OF PREPARATION

The Group reported a loss of approximately RMB3,405,171,000 for the year ended 31 December 2012. The Group had net current liabilities of approximately RMB964,911,000 as at 31 December 2012. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group Corporation, the parent company of the Company will provide financial support to the Group to meet the Group's and the Company's liabilities and commitments as and when it falls due; and

(ii) the directors of the Company anticipate that the Group will generate positive cash flows from its operations.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group and the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the financial statements.

3. 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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to Hong Kong Accounting Standard ("HKAS")12	Deferred Tax: Recovery of Underlying Assets;
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets; and
Amendments to HKFRS 1	Serve Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The directors of the Company anticipate that the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	HKFRS 1 — Government loans[2]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]

HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangement[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) — Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

[3] Effective for annual periods beginning on or after 1 January 2014.

[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 presented 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 January 2013.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards will not have significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the directors to determine and quantify the impact on the application of HKFRS 10.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of new standard may affect the certain amounts (financial liabilities at fair value through profit or loss) reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's consolidated financial statement.

4. TURNOVER

Turnover represents revenue arising from sales of CPTs, luminous materials, liquid crystal related products, TFT-LCD glass substrate and display devices and solar photovoltaic glass products.

5. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. CPTs production and sales

2. Luminous materials production and sales

3. Liquid crystal related products production and sales

4. TFT-LCD glass substrate and display devices production and sales

5. Solar Photovoltaic glass production and sales

Information regarding the above segments is reported below.

(a) Segment revenues and results

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

For the year ended 31 December 2012

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Total *RMB'000*
REVENUE						
External sales	**318,701**	**520,064**	**1,552,654**	**81,967**	**171,827**	**2,645,213**
Segment (loss) profit	**(245,823)**	**28,265**	**(11,768)**	**(1,997,407)**	**(654,709)**	**(2,881,442)**
Unallocated income						**37,474**
Unallocated expenses						**(115,120)**
Finance costs						**(180,632)**
Share of loss of associates						**(241,296)**
Loss before tax						**(3,381,016)**

For the year ended 31 December 2011

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD glass substrate and display devices production and sales	Solar photovoltaic glass production and sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE						
External sales	511,050	1,088,734	1,310,085	5,004	355,475	3,270,348
Segment (loss) profit	(346,724)	157,815	(922)	(337,207)	(26,530)	(553,568)
Unallocated income						31,931
Unallocated expenses						(11,034)
Finance costs						(79,736)
Share of loss of associates						(43,038)
Loss before tax						(655,445)

Segment loss/profit represents the loss from/profit earned by each segment without allocation of central administration costs, directors' salaries, share of loss of associates, gain on disposal of an associates, rental income, 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.

(b) Segment assets and liabilities

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

Segment assets

	2012	2011
	RMB'000	*RMB'000*
CPTs production and sales	**222,208**	333,728
Luminous materials production and sales	**653,884**	524,163
Liquid crystal related products production and sales	**529,132**	567,768
TFT-LCD glass substrate and display devices production and sales	**6,440,194**	6,620,771
Solar photovoltaic glass production and sales	**2,276,372**	2,622,587
Total segment assets	**10,121,790**	10,669,017
Unallocated assets	**2,174,344**	2,650,371
Consolidated total assets	**12,296,134**	13,319,388

Segment liabilities

	2012	2011
	RMB'000	*RMB'000*
CPTs production and sales	**179,918**	243,892
Luminous materials production and sales	**306,561**	243,646
Liquid crystal related products production and sales	**311,930**	222,306
TFT-LCD glass substrate and display devices production and sales	**1,098,987**	903,335
Solar photovoltaic glass production and sales	**999,292**	650,202
Total segment liabilities	**2,896,688**	2,263,381
Unallocated liabilities	**7,757,431**	6,003,829
Consolidated total liabilities	**10,654,119**	8,267,210

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

— all assets are allocated to operating segments other than interests in associates, investment properties, properties under development, available-for-sale investment, held-to-maturity investments, restricted bank balances, bank balances and cash and certain unallocated head office assets. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

— all liabilities are allocated to operating segments other than tax payables, deferred tax liabilities, bank and other borrowings, obligations under finance leases, liabilities for cash-settled share-based payment and certain unallocated head office liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

(c) Other segment information

For the year ended 31 December 2012

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:							
Additions of non-current assets *(Note)*	7,708	2,880	11,075	1,071,644	688,217	1,257	1,782,781
Amortisation of leasehold land and land use rights and intangible assets	2,053	267	—	803	2,720	—	5,843
Depreciation of property, plant and equipment	3,679	8,977	2,214	74,019	46,084	—	134,973
Impairment losses on property, plant and equipment	—	2,093	12,565	1,850,895	484,292	—	2,349,845
Allowance for doubtful debts of trade and other receivables	1,004	5,948	3,645	572	—	—	11,169
Allowance on inventories	39,303	8,360	49	9,476	28,120	—	85,308
Gain on disposal of property, plant and equipment	(18,065)	—	—	(272)	—	—	(18,337)
Reversal of allowance for doubtful debts of trade and other receivables	(675)	(1,776)	—	—	—	—	(2,451)
Loss (gain) on sales of raw materials, scraps and packaging materials	3,814	(41)	(77)	(368)	607	—	3,935
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	—	—	—	—	—	113,904	113,904
Share of loss of associates	—	—	—	—	—	241,296	241,296
Interest income	(14,513)	(1,933)	(496)	—	(3,374)	—	(20,316)
Finance costs	—	22,211	6,469	34,568	2,878	114,506	180,632
Income tax expenses	—	—	315	—	23,840	—	24,155
Addition of investment properties	—	—	—	—	—	1,257	1,257
Depreciation of investment properties	—	—	—	—	—	1,657	1,657

Note: Non-current assets excluded properties under development and available-for-sale investment.

(c) Other segment information

For the year ended 31 December 2011

	CPTs production and sales *RMB'000*	Luminous materials production and sales *RMB'000*	Liquid crystal related products production and sales *RMB'000*	TFT-LCD glass substrate and display devices production and sales *RMB'000*	Solar photovoltaic glass production and sales *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:							
Additions of non-current assets *(Note)*	1,997	55,193	19,067	2,212,888	1,662,096	—	3,951,241
Amortisation of leasehold land and land use rights and intangible assets	1,825	437	—	1,162	1,814	—	5,238
Depreciation of property, plant and equipment	22,012	11,856	1,949	23,654	33,032	—	92,503
Impairment losses on property, plant and equipment	105,234	—	—	311,310	—	—	416,544
Allowance for doubtful debts of trade and other receivables	3,616	3,818	1,902	—	—	—	9,336
Allowance on inventories	107,970	32,744	1,148	—	14,766	—	156,628
Gain on disposal of property, plant and equipment	(55,852)	—	—	—	—	—	(55,852)
Reversal of allowance for doubtful debts of trade and other receivables	—	(988)	—	—	—	—	(988)
Gain on disposal of a subsidiary	(12,871)	—	—	—	—	—	(12,871)
(Gain) loss on sales of raw materials, scraps and packaging materials	(73,270)	4,395	(3,981)	(8,334)	(808)	—	(81,998)
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	—	—	—	—	—	278,394	278,394
Gain on disposal of an associate	—	—	—	—	—	(3,235)	(3,235)
Share of loss of associates	—	—	—	—	—	43,038	43,038
Interest income	(4,840)	(565)	(576)	(3,241)	(4,918)	—	(14,140)
Finance costs	—	7,569	1,377	—	—	70,790	79,736
Income tax expenses	10	25,457	1,636	—	420	—	27,523
Depreciation of investment properties	—	—	—	—	—	2,404	2,404

Note: Non-current assets excluded available-for-sale investment.

(d) Geographical information

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

Information about the Group's revenue from external customers is presented based on the location of the operations as below:

	2012	2011
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**1,791,934**	2,320,945
Hong Kong	**237,300**	211,270
Europe	**53,132**	169,755
Other countries	**562,847**	568,378
	2,645,213	3,270,348

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

(e) Information about major customers

The Group has identified one customer (2011: Nil) which individually represented over 10% of the Group's total external sales.

The sales to the major customers during the years are as follows:

	2012	2011
	RMB'000	*RMB'000*
Customer A[1]	**361,628**	N/A[2]

1 Revenue from production of liquid crystal related products.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 December 2011.

6. OTHER OPERATING INCOME

	2012	2011
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**18,337**	55,852
Interest income	**20,316**	14,140
Gain on sales of raw materials, scraps and packaging materials	**—**	81,998
Reversal of allowance for doubtful debts of trade and other receivables	**2,451**	988
Dividend income from available-for-sale investment	**3,164**	2,175
Rental income	**10,455**	12,381
Gain on disposal of an associate	**—**	3,235
Gain on disposal of a subsidiary	**—**	12,871
Amortisation of deferred income on government grants received	**23,100**	8,743
Others	**9,859**	4,492
	87,682	196,875

The direct operating expenses from investment properties that generated rental income amounted to approximately RMB1,149,000 (2011: RMB1,667,000) for the year ended 31 December 2012.

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**365,813**	177,320
Bank and other borrowings wholly repayable over five years	**2,628**	75,186
Discounted trade receivables to banks	**2,046**	233
Obligations under finance leases	**10,765**	1,079
Amount due to parent company	**63,012**	4,893
Total borrowing costs	**444,264**	258,711
Less: amounts capitalised in the cost of qualifying assets	**(263,632)**	(178,975)
	180,632	79,736

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.49% (2011: 5.57%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax	**19,325**	26,740
Under provision in prior years	**5,145**	—
	24,470	26,740
Deferred tax liabilities	**(315)**	783
	24,155	27,523

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 2012 and 2011.

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 Luminous Material Co., Ltd have met the requirements under the OUWC Policy for the two years ended 31 December 2012 and 2011, 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 year ended 31 December 2011. During the year ended 31 December 2012, the tax concession period is expired and income tax expenses are charged on the estimated assessable profits at the appropriate current rates of taxation ruling in the PRC.

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 22% to 24% for the years ended 31 December 2011. During the year ended 31 December 2012, all the tax concession on preferential rates had been expired and income tax expenses are charged on the estimated assessable profits at the appropriate current rates of taxation ruling in the PRC.

9. LOSS FOR THE YEAR

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

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**2,744,232**	3,164,459
Depreciation for property, plant and equipment	**134,973**	92,503
Depreciation for investment properties	**1,657**	2,404
Amortisation of leasehold land and land use rights	**4,893**	4,477
Amortisation of intangible assets	**950**	761
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	**11,169**	9,336
Research and development costs recognised as an expense	**18,815**	18,918
Allowance on inventories (included in cost of sales)	**85,308**	156,628
Operating lease rentals in respect of leasehold land and land use rights	**19,992**	6,132
Operating lease rentals in respect of property, plant and equipment	**42,140**	41,176
Net foreign exchange losses	**3,157**	10,875
Provision for warranty	**8,844**	9,515
Cash-settled share-based payments expense	**1,540**	656
Auditor's remuneration	**2,972**	3,100
Share of tax of associates (included in share of loss of associates)	**338**	(99)

10. DIVIDEND

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the 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 2012 and 2011.

	2012	2011
Loss for the year attributable to owners of the Company *(RMB'000)*	**(1,662,002)**	(253,038)
Weighted average number of ordinary shares in issue *('000)*	**2,232,349**	2,232,349

(b) Diluted

Diluted loss per share was the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2012 and 2011.

12. TRADE AND BILLS RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**456,592**	350,941
— related parties	**69,923**	25,522
	526,515	376,463
Less: allowance for doubtful debts	**(21,516)**	(24,680)
Trade receivables — net	**504,999**	351,783
Trade bills receivables		
— third parties	**153,951**	193,251
— related parties	**31**	—
	153,982	193,251
Total trade and bills receivables	**658,981**	545,034

The Group allows an average credit period of 90 days (2011: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period which approximately the respective revenue recognition dates are follow:

	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	**473,347**	375,890
91 to 180 days	**152,154**	145,357
181 to 365 days	**24,021**	14,804
Over 365 days	**9,459**	8,983
	658,981	545,034

13. TRADE AND BILLS PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables		
— third parties	**571,181**	574,300
— related parties	**40,355**	47,347
	611,536	621,647
Trade bills payables		
— third parties	**234,525**	198,118
— related parties	**1,058**	—
	235,583	198,118
Total trade and bills payables	**847,119**	819,765

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

	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	**559,379**	525,140
91 to 180 days	**114,079**	101,884
181 to 365 days	**35,977**	101,320
Over 365 days	**137,684**	91,421
	847,119	819,765

The average credit period on purchases of goods is 90 days (2011: 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

During the reporting period, the Group proceeded with its strategic transformation in full scale and achieved further development in each new business. Meanwhile the Group made great efforts in marketing, cost reduction, technical upgrade and other aspects and had some success. However, due to intensified competition in the solar photovoltaic glass market, product prices hovering at low levels, slower-than-expected progress in the industrialization of LCD glass substrate business, the shutdown of all CPT business as well as impairment and provisions made against certain assets, the Group recorded a significant loss attributable to owners of the Company for the year ended 31 December 2012.

In 2012, the Group recorded a sales of RMB2,645,213,000, representing a decrease of RMB625,135,000 as compared to last year. Operating losses were RMB2,959,088,000, representing an increase of RMB2,426,417,000 as compared to last year. Gross loss margin was 3.74%, representing a decrease of 6.98 percentage points as compared to the gross profit margin of the previous year (Gross profit margin for 2011: 3.24%). Losses attributable to equity owners of the Company amounted to RMB1,662,002,000 compared to losses of RMB253,038,000 for the same period of last year.

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2012, the Board has decided not to distribute any final dividend for the year ended 31 December 2012, which is subject to the approval by shareholders of the Company at the forthcoming annual general meeting of the Company.

(2) Business Review

- **Solar Photovoltaic Glass Business**

  During the reporting period, the two production lines of the Xianyang Phase II Project were under normal operation; the Xianyang Phase IV Project saw a successful furnace ignition in June 2012 and began pilot production with its first fine product rolling off in July 2012, setting a new record for the Group's pilot production of solar photovoltaic glass; the Xianyang Phase I Project underwent cold repair for its furnace from March 2012; the Xianyang Phase III Project and the Hefei Project were proceeding smoothly, and the Group will, in light of the industrial and market conditions, adjust construction schedules and pilot production programs on a reasonable basis.

The Group actively enhanced the comprehensive competitiveness of its solar photovoltaic glass business by integrating resources, cutting costs, improving efficiency and ramping up R&D efforts. The organizations of Xianyang Phase I, II, III and IV projects of the solar photovoltaic glass were integrated to improve the utilization of resources. The Group actively upgraded technology and management, improved production efficiency and reduced procurement costs, thereby further reducing product costs. The Group actively promoted the R&D and industrialization of coated glass and thin glass, with small-quantity sales fulfilled for coated glass and some progress in the pilot production of thin glass.

- **Luminous Materials Business**

  In respect of luminous materials business, the Group continued to improve product quality and after-sales services, promote energy saving and enhance cost control as well as to enhance its ability to develop new products, and seek new business growth drivers during the reporting period. As such, the comprehensive competitiveness of the Group's luminous materials business kept improving. In respect of energy saving lamp phosphor, the sales volume saw a moderate year-on-year decrease due to the low utilization of capacity of downstream enterprises and the accelerating marketization of LED lighting. In respect of CCFL phosphor, the sales volume also dropped due to further decrease in demand as a result of the substitution effects of LED backlight technology. On the other side, with proactive market expansion and good quality, products such as lithium battery powder and electronic silver paste witnessed considerable development, with sales volumes posting significant year-on-year increases. Such products have become the Group's major niche products.

- **TFT-LCD Glass Substrate Business**

  During the reporting period, both the product accreditation and sales efforts for the Group's LCD glass substrate catering downstream users achieved a breakthrough. 0.5mm products have been accredited by major users in mainland China and Taiwan and the number of users of 0.7mm products reached eight attributable to good result in the accreditation. Through great efforts in tackling key technical problems and improving quality, the yield rates and product quality of production lines of the Group's three glass substrate bases at Xianyang of Shaanxi Province, Zhangjiagang of Jiangsu Province and Hefei of Anhui Province kept improving. Production line CX02 at Xianyang of Shaanxi Province passed acceptance inspection in June 2012 and was the first to be transferred to fixed assets.

- **Display Device Business and Trading of Liquid Crystal Related Products**

  The Group shut down all its CPT production lines in 2012 and achieved an overall business transformation.

  In respect of the manufacture and sale of LCD televisions, through strengthening production management to reduce costs, in particular, improving procurement system to raise efficiency and establishing a new marketing team to enhance marketing capabilities, the Group posted further increase in production and sales volumes as compared to the same period last year and recorded a year-on-year increase of 18.52% in revenue.

FINANCIAL REVIEW

(1) Overall performance

- ***Turnover and gross profit margin***

  In 2012, the Group recorded a sales of RMB2,645,213,000, representing a decrease of RMB625,135,000, or 19.12% from the same period of 2011. In particular, sales of the CPTs and components business amounted to RMB318,701,000, representing a decrease of RMB192,349,000 or 37.64% from the same period of 2011; sales of luminous materials amounted to RMB520,064,000, representing a decrease of RMB568,670,000 or 52.23% from the same period of 2011; sales of liquid crystal related products amounted to RMB1,552,654,000, representing an increase of RMB242,569,000 or 18.52% from the same period of 2011; and sales of solar photovoltaic glass amounted to RMB171,827,000, representing a decrease of RMB183,648,000 or 51.66% from the same period of 2011. The overall gross profit margin of the Group decreased from 3.24% in 2011 to a gross loss margin of 3.74% in 2012, which was mainly attributable to the following reasons: (i) selling price of photovoltaic glass stayed at low levels as a result of an overall oversupply in the market, which led to a gross loss; and (ii) the profitability of luminous material business declined due to stagnancy in global economy and the industry.

- ***Administrative expenses***

  The Group's administrative expenses for 2012 increased by RMB196,490,000, or 60.33%, to RMB522,193,000 from RMB325,703,000 in 2011. The increase in administrative expenses was mainly due to the following reasons: (i) the provision for resettlement expenses of the redundant staff increased as a result of the full shutdown of the CPT business in the reporting period; and (ii) shutdown losses increased as some production lines were closed down.

- ***Finance costs***

  The Group's finance costs included in profit and loss for 2012 was RMB180,632,000 (net of interest expense capitalised amounting to RMB263,632,000), representing an increase of RMB100,896,000, or 126.54%, from RMB79,736,000 in 2011. The increase in finance costs was mainly attributable to increases in bank borrowings for development of new businesses.

(2) Current assets and financial resources

As at 31 December 2012, the Group's cash and bank balances amounted to RMB1,278,852,000, representing a decrease of 38.53% from RMB2,080,334,000 as at 31 December 2011. For the year ended 31 December 2012, the Group's capital expenditures totalled RMB2,063,219,000 (31 December 2011: RMB3,449,220,000). Net cash used in operating activities amounted to RMB166,754,000 (31 December 2011: net cash from operating activities RMB327,074,000), while net cash from financing activities and net cash used in investing activities were RMB978,477,000 (31 December 2011: RMB2,064,551,000) and RMB1,613,201,000 (31 December 2011: RMB3,009,882,000) respectively. As at 31 December 2012, the Group's total borrowings were RMB7,617,133,000, of which borrowings due within one year amounted to RMB2,723,490,000 and borrowings due beyond one year amounted to RMB4,893,643,000. As at 31 December 2011, the Group's total borrowings were RMB5,777,233,000, of which borrowings due within one year amounted to RMB1,568,601,000 and borrowings due beyond one year amounted to RMB4,208,632,000.

As at 31 December 2012, the Group's bank loans amounting to approximately RMB3,655,333,000 (31 December 2011: RMB3,146,003,000) were secured by certain property, plant and equipment and land use rights of the Group with an aggregate net carrying amount of approximately RMB1,113,822,000 (31 December 2011: RMB2,007,041,000). As at 31 December 2012, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB687,500,000 (31 December 2011: RMB919,000,000).

For the year ended 31 December 2012, the turnover days for trade and bills receivables of the Group was 91 days, representing an increase of 30 days as compared to 61 days for the year ended 31 December 2011, which was mainly attributable to the fact that payback periods in respect of luminous materials and photovoltaic glass and other main businesses under the impact of changes in market supply and demand. For the year ended 31 December 2012, the inventory turnover days of the Group was 41 days, representing a decrease of 5 days from 46 days for the year ended 31 December 2011, which was mainly attributable to the effective measures taken by the Group to strengthen inventory control, timely destock CRT inventories and reduce the inventories of new businesses.

(3) Capital structure

As at 31 December 2012, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2012, the Group's liabilities (including bank borrowings and finance lease commitments) totalled RMB7,716,653,000 (31 December 2011: RMB5,937,476,000) while cash and bank balances was RMB1,278,852,000 (31 December 2011: RMB2,080,334,000) and the gearing ratio (total liabilities/total assets) was 87.0% (31 December 2011: 62.0%).

(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 2012, the operating cost of the Group increased by RMB3,157,000 (31 December 2011: RMB10,875,000) as a result of exchange rate fluctuations.

(5) Commitments

As at 31 December 2012, capital expenditure commitments of the Group amounted to RMB1,170,253,000 (31 December 2011: RMB2,586,802,000), which were mainly financed by the Group's working capital.

(6) Contingent liabilities

As at 31 December 2012, the Group had no material contingent liability.

(7) Pledged assets

As at 31 December 2012, the Group's bank loans amounted to approximately RMB3,655,333,000 (31 December 2011: RMB3,146,003,000), which were secured by certain properties, plants and equipment and land use rights of the Group with a net carrying amount of approximately RMB1,113,822,000 (31 December 2011: RMB2,007,041,000).

(8) Impairment of property, plant and equipment

During the reporting period, as the photovoltaic glass business was affected by the "anti-dumping and anti-subsidy" investigation imposed by Europe and the United States on Chinese photovoltaic products, there was a general oversupply in the market, and the Group recorded a gross loss in its photovoltaic glass business in 2012. Based on its forecast on the market and the assets appraisal result in respect of the production equipment for photovoltaic glass, the Company decided to make a provision of RMB484,292,000 for impairment loss of property, plant and equipment against the above production line.

Due to the lower-than-expected yield rate of the glass substrate production line which was already put into operation, and the prolonged payback time of investment, the Company decided to provide RMB1,205,032,000 for impairment loss of property, plant and equipment for such production line, according to relevant requirements of the Accounting Standards for Enterprises and the appraisal result of the under-construction assets in respect of the LCD substrate glass.

Due to market-related factors and changes in investment expectations, there were signs of impairment in the under-construction production line of the OLED project during the period. The PMOLED production line was also impaired in the period, as a result of relatively large preliminary investment, a shift later into production of touch screen products, and no scale effect accrued. According to relevant requirements of the Accounting Standards for Enterprises and the appraisal results of the under-construction assets in respect of the OLED and PMOLED production lines, the Company decided to provide RMB645,863,000 for impairment loss of property, plant and equipment for such production lines.

As a result of the rapid development of the LCD and OLED sectors, the lifespan of the PDP sector has shrunk sharply. According to relevant requirements of the accounting standards for enterprises, the Company decided to provide RMB12,565,000 for impairment loss for the equipment of the PDP glass powder production line.

Due to the sustained contraction of the CPT industry, the shrinkage in the output and sales volume of the Company's CRT colour powder (彩粉) was worse than expected. According to relevant requirements of the accounting standards for enterprises, the Company decided to make an impairment provision of RMB2,093,000 for the CRT colour powder production line.

FUTURE PROSPECTS

Looking into 2013, the Group will continue to adhere to the strategic direction of transformation and development and the operational guideline of "achieving steady and fast growth by adjustment and optimization", constantly consolidating and expanding the benefits of transformation. Firstly, the Group will accelerate the expansion of emerging businesses, quicken technical innovation and research and offer expedite solutions to key technical problems. Secondly, the Group will improve its product competitiveness through cost reduction and efficiency improvement. Finally, the Group will firmly follow the idea of market orientation, timely developing and producing products that cater to market demands and customers' individual needs.

In 2013, both the output and sales of the Group's solar photovoltaic glass business is expected to have significant increase with more apparent scale advantages, while the coated glass will be put into mass production and sale with increasing market competitiveness.

As to the luminous materials business, while ensuring the satisfactory performance of energy saving lamp phosphor, electronic silver paste and lithium battery powder business, the Group will actively expand into such fields as new luminous materials, electronic materials and energy materials.

The LCD glass substrate business will open a new chapter in development, with rapid growth in sales and more apparent and enhanced scale effects and competitive advantages.

At the end of 2012, as approved by the State-owned Assets Supervision and Administration Commission (the "**SASAC**"), IRICO Group Corporation ("**IRICO Group**"), the controlling shareholder of the Company, was consolidated into China Electronic Corporation* (中國電子信息產業集團有限公司 "**CEC**") by allocation at nil consideration, which was a significant decision made by the SASAC for boosting the reform and reorganisation of central enterprises and also an important measure to accelerate the comprehensive industrial transformation of IRICO Group. CEC is a leading enterprise among central enterprises engaged in electronic information and one of the earliest pilot enterprises in which the SASAC set up the board of directors. It has a standard and efficient decision-making system and has ranked among Fortune Global 500 for two consecutive years since 2011. Upon the consolidation of IRICO Group into CEC, the resources can be fully integrated and the synergy of industrial chain and value chain will be effected under the backdrop of reorganization, integration and synergetic development of industry, which will facilitate the sustainable development of IRICO Group on a larger platform. Accordingly, the Group's comprehensive competitiveness will be further promoted and new development opportunities are expected in future.

PURCHASE, REDEMPTION AND SALE OF SHARES OF THE COMPANY

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

MATERIAL LITIGATION

As at the date of this announcement, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened by or against any member of the Group.

- ***Claims by Fanshawe College against the Company and A Share Company***

  The Company and A Share Company received a statement of claim from 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 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 A Share Company***

  In January 2010, IRICO Group, the Company and A Share Company 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). 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 A Share Company***

  In January 2008, A Share Company, 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 Company and A Share Company's preliminary assessment is that the claim will not pose any negative impact on normal business operation of the Group.

During the reporting period, there was no latest development in the pending litigations disclosed previously. The Directors of the Company consider that such cases will not have any material impact on the financial statements of the Group for the year ended 31 December 2012. For details of such cases, please refer to the 2010 annual report of the Company dated 11 April 2011.

DESIGNATED DEPOSIT AND OVERDUE TIME DEPOSIT

As at 31 December 2012, the Group had no designated deposits in any financial institutions in China. All of the Group's bank deposits are placed with commercial banks in China, and are in compliance with the relevant applicable laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the documents regarding the Company's adoption of relevant corporate governance practices, and is of the opinion that the documents are in compliance with the 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 2012. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2012, including the accounting principles adopted by the Group.

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

The 2012 Annual Report of the Company will be published on the Company's website at http://www.irico.com.cn and the website of the Hong Kong Stock Exchange in due course.

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

Shaanxi Province, the PRC

28 March 2013

As at the date of this announcement, the Board of the Company 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 Xinzhong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua, and Mr. Zhong Pengrong as independent non-executive Directors.

* *For identification purpose only*