

Overview



In 2006, IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (the "Group"), in accordance with the strategy of "Strengthening its colour picture tubes ("CPTs") business and exploring new businesses", turned loss into profit after a series of effective operational strategies which are cost-

leading, marketing-driven and new technology supporting. Operating profit for the year amounted to RMB250,337,000, representing an increase of RMB1,089,718,000. Gross profit margin increased from -11% in 2005 to 13% in 2006. The Company turned loss to profit with its profit attributable to equity holders amounted to RMB129,512,000.

During 2006, the Group sold 15,022,000 CPTs in total, representing an increase of 671,000 units or approximately 4.7%, as compared with 2005. The Group's output volume of CPTs attained record high in 2006 accounted for up to 22.3% of the total output volume of CPT manufacturers in the PRC, securing a leading position in the industry.

In 2006, the Group actively sought innovation and achieved major breakthrough in the strategic transformation. The plasma display devices ("PDP") panel joint venture project with Sichuan Changhong Electrical Group Co., Ltd ("Sichuan Changhong") started smoothly. The sales volume of the trichromatic energy saving phosphor project utilizing the relative advantage of resources amounted to 410 tonnes, which is leading domestically. The first glass based panel project for LCD in the People's Republic of China (the "PRC" or "China") invested by the controlling shareholder of the Company, IRICO Group corporation, has also started. As the same time, the Group paid close attention to the development of optoelectronic materials and components and new model display devices such as FED.

The competitive advantages of the Group are the capacity of its centralized and complete production chain, a leading localized and large-scale production capacity in the industry, strong customer relations over the world, a management team which is strong in decision-making and execution, a technological team with fast product development standard, excellent asset quality, good internal and external resources, which support the exploration of new businesses and strategic transformation.

Looking to 2007 and ahead, the Group will on the one hand strengthen the traditional CPT business by relying on its unique competitive advantages, and on the other hand further enhance innovation on modern display devices, components materials and modern optoelectronic perspectives, in order to achieve transformation in strategies, so as to establish the Group into a growing enterprise in the realm of display devices and optoelectronics within China or even in the globe to secure booming results to shareholders.