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: 438)

2007 INTERIM RESULTS ANNOUNCEMENT

The board (the "**Board**") of the directors (the "**Directors**") of IRICO Group Electronics Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results and financial status as for the six months ended 30 June 2007 for the Company and its subsidiaries (together as the "**Group**").

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended 30 June	
		2007	2006
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover		**1,412,346**	1,887,894
Cost of sales		**(1,285,154)**	(1,633,472)
Gross profit		**127,192**	254,422
Other operating income		**81,775**	26,714
Selling and distribution expenses		**(66,139)**	(71,318)
Administrative expenses		**(85,780)**	(110,057)
Other operating expenses		**(5,771)**	(15,315)
Finance costs	4	**(31,070)**	(30,233)
Share of results of associates		**4,004**	195

Profit before taxation	5	**24,211**	54,408
Taxation	6	**(7,245)**	(10,129)
Profit for the period		**16,966**	44,279
Attributable to :			
Equity holders of the Company		**17,686**	34,738
Minority interests		**(720)**	9,541
		16,966	44,279
Earnings per share -Basic	8	**RMB0.91 cents**	RMB1.79 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,385,464**	2,497,428
Prepaid lease payments		**33,821**	34,861
Intangible assets		**9,352**	11,615
Interests in associates		**345,865**	232,220
Available-for-sale financial assets		**24,060**	24,060
		2,798,562	2,800,184
Current assets			
Prepaid lease payments		**2,080**	2,080
Inventories		**745,456**	631,915
Trade and bills receivables	9	**1,228,392**	1,512,292
Other receivables, deposits and prepayments		**75,517**	65,083
Bank balances and cash		**651,503**	479,503
		2,702,948	2,690,873

	Note		
Current liabilities			
Trade and bills payables	10	**889,539**	575,718
Other payables and accruals		**490,896**	726,511
Tax payable		**9,967**	6,701
Current portion of long-term payables		**2,347**	2,347
Bank borrowings -due within one year		**860,386**	932,676
		2,253,135	2,243,953
Net current assets		**449,813**	446,920
Total assets less current liabilities		**3,248,375**	3,247,104
Representing :			
Share capital		**1,941,174**	1,941,174
Reserves		**257,410**	239,724
Equity attributable to equity holders of the Company		**2,198,584**	2,180,898
Minority interests		**1,021,036**	1,035,713
		3,219,620	3,216,611
Non-current liabilities			
Deferred income		**2,606**	4,344
Deferred taxation		**15,577**	15,577
Long-term payables		**10,572**	10,572
		28,755	30,493
		3,248,375	3,247,104

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IRICO Group Electronics Company Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**") are principally engaged in the manufacture, distribution and sales of display devices and its components and materials. 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 PRC laws. The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 20 December 2004.

The Group's ultimate holding company is IRICO Group Corporation ("**IRICO Group**"), a company established in the PRC.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and with the Hong Kong Accounting Standard ("**HKAS**") No.34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statement has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group had applied for the first time, certain new standards, amendments and interpretations (hereinafter collectively referred to as "**new HKFRS**") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new HKFRSs has no material effect on the results and financial position of the Group for the current or prior accounting periods as prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial positions of the Group:

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Interpretation ("Int") 11	HKFRS 2-Group and Treasury Shares Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009.

2 Effective for annual periods beginning on or after 1 March 2007.

3 Effective for annual periods beginning on or after 1 January 2008.

4. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on short-term bank borrowings	**30,143**	28,914
Interest expense to ultimate holding company	**897**	787
Finance charge on discounted bills receivable	**30**	532
	31,070	30,233

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**2,263**	3,039
Amortisation of prepaid lease payments	**1,040**	440
Depreciation	**142,364**	163,262

6. TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current PRC income tax	**7,245**	12,795
Deferred tax	**—**	(2,666)
	7,245	10,129

The provision for PRC current enterprise income tax ("**EIT**") is calculated based on the statutory income tax rate of 33% (2006: 33%) of the assessable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30th June 2007 except for the Company and certain subsidiaries described below. The estimated average annual tax rate used for 2007 is 15% (the estimated tax rate for the first half of 2006 is 15%). All corresponding EIT relating to the taxable profit during the six months ended have been recognised in the condensed consolidated interim income statement.

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 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%. The operations of the Company and certain of its subsidiaries have met the requirements under the OUWC Policy, and accordingly, EIT has been provided at 15%.

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the period ended 30 June 2007 (Period ended 30 June 2006: Nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the Group's profit attributable to equity holders of the Company of approximately RMB17,686,000 (Period ended 30 June 2006: RMB34,738,000) and the weighted average number of approximately 1,941,174,000 (Period ended 30 June 2006: 1,941,174,000) ordinary shares in issue during the period.

There were no dilutive potential shares outstanding during the six months ended 30 June 2007 and 2006 and accordingly no diluted earnings per share is presented.

9. TRADE AND BILLS RECEIVABLES

The Group offers credit terms to its customers ranging from cash on delivering to 90 days. The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts of approximately RMB14,778,000) (31 December 2006: RMB3,312,000) at the balance sheet date:

	30 June 2007 *RMB'000* **(Unaudited)**	31 December 2006 *RMB'000* (Audited)
0 — 90 days	**641,444**	602,268
91 — 180 days	**146,149**	57,774
181 — 365 days	**61,673**	7,580
Over 365 days	**7,438**	900
	856,704	668,522
Bills receivable	**371,688**	843,770
	1,228,392	1,512,292

10. TRADE AND BILLS PAYABLES

At the balance sheet date, the ageing analysis of trade payables was as follows:

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 — 90 days	**646,922**	497,373
91 — 180 days	**20,626**	12,237
181 — 365 days	**114,444**	17,145
Over 365 days	**21,540**	21,176
	803,532	547,931
Bills payable	**86,007**	27,787
	889,539	575,718

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2007, the turnover amounted to RMB1,412,346,000, representing a decrease of 25.19% as compared with that of the corresponding period last year, while profit attributable to equity holders of the Company was RMB17,686,000.

The Board does not recommend payment of interim dividends as there were no retained earnings in the first half of 2007.

The resolution of increasing share capital by transferring capital reserves on basis of one additional share for every ten shares had been passed at the twelfth meeting of the first board of the Company on 25 July 2007, subject to the review and approval at the general meeting prior to execution as soon as possible.

Business Review

1. *Operation highlights*

Color picture tube ("**CPT**") and its components remained to be the core businesses of the Group in the first half of 2007. Meanwhile, the Company made further progress in new businesses such as flat panel displays (FPD) as well as luminous materials. Adversely affected by a depression in the CPT industry, the turnover of the Group in the first half was RMB1,412,346,000, representing a decrease of 25.19% as compared with that of the corresponding period last year. Although the operating results of the Group in the first half were less impressive than that of the corresponding period last year, certain profit had still been realized, bringing a stable supply of cash flow for the Company's continuous operation.

2. *Research and Development*

During the reporting period, the Group had actively fostered the upgrading of CPT products, out of which the bulk production of 74 cm PF AK CPT had already commenced. Design of the second generation ultra slim 54cmPF CPT, which was much slimmer, had been completed. The unprecedented design of ultra slim widescreen 61cmPF CPT in China had also been completed. By these developments, the quality of the Company's CPT products is expected to be further improved. In the areas of luminous materials, the quality of tri-color fluorescent lamps phosphors had also been further enhanced. CCFL backlight phosphors had been introduced in the market, coupled with a successful development in the ingredient of PDP Slurry in the reporting period.

3. *Business of CPT and its components*

During the reporting period, the Group recorded a sales volume of 6,410,000 CPT, representing a decrease of 14.86% as compared with that of the corresponding period last year. Sales revenue of CPT amounted to RMB1,191,274,000, representing a decrease of 29.07% as compared with that of the corresponding period last year. During the reporting period, the shipment of CPT of the Group represented 28% of the total output of domestic CPT manufacturers, which was a record high at such a stage and represented a growth of 3 percentage points as compared with that of the corresponding period last year.

During the reporting period, the sales revenue of CPT components was RMB221,072,000, representing an increase of RMB12,760,000 or approximately 6.13% as compared with that of the corresponding period last year.

During the reporting period, the Group continues to initiate technological innovation and optimize product structure, maintain its effort in cost reduction, enhancement of market competitiveness, reinforcement of marketing and sales and expansion of its market share. As for the CPT components, the Group will proactively seek development in related industries.

4. *FPD business*

In the end of 2006, the Group established a joint venture with Sichuan Changhong Electrical Group Co., Ltd. to invest in the construction of PDP project. In April this year, construction of the PDP project has been commenced and the main bodies of the plant has been constructed. Manufacturing of equipment has already been started.

During the reporting period, Xiamen Ocular LCD Co., Ltd. (廈門高卓立液晶公司), a subsidiary of IRICO Group which specializes in STN-LCD business, recorded a satisfied operating performance.

5. *Electronic glass business*

In the field of electronic glass, the construction of the first production line of glass substrate for the fifth generation TFT-LCD featured with independent intelligence property rights ("IIPR") in China, and which were incubated and constructed by IRICO Group, had commenced during the early reporting period. Currently, the development of glass recipe with IIPR had been accomplished and application for national patents had been filed. The design of the parameters of overflow bricks (溢流磚) and computer simulation of key craftsmanship had been completed, the tender and procurement of main equipments had been facilitated at large and product authentication and exchange about technological specifications among downstream panel manufacturers ran smoothly. Overall speaking, the project has been conducted as scheduled.

On 17 August 2007, the Company and IRICO Group entered into an acquisition agreement, pursuant to which the Company purchased the 69.53% equity interests held by IRICO Group in Shaanxi IRICO Electronics Glass Company Limited. It is expected to transform the Company into a dominant player in the industry of new flat panel displays capable of catering for the trend of industrial development upon acquisition, and poses a positive influence on product upgrading and its future development of the Company. In addition, it will enhance the Company's position in the industrial chain of flat panel display, which has been highly recognised and supported by the relevant governmental authorities in the PRC.

6. *Business of luminous materials*

During the reporting period, Shaanxi IRICO Phosphor Material Co., Ltd. ("**IRICO Phosphor**"), a subsidiary of the Group, sold 956.49 tons of luminous materials, recording a sales revenue of RMB148,959,000 and a profit of RMB23,658,000. Among which trichromatic phosphors for tri-color fluorescent lamps recorded an aggregate sales volume of 306 tons, which represented an increase of 72% as compared with that of the corresponding period last year. CCFL phosphorous had also been introduced and sold in the market. Other new products are still under development.

7. *Business of processed metallic components*

As the Group possessed billions of equipment resources for metallic stamping and processing, backed by technology and human resources in this aspect, the Group established a metallic components department in the reporting period, which had integrated relevant resources and initiated its expansion in external market. The Group is now seeking market development potentials in metal component sectors such as vehicles, aircrafts and home appliances. Out of which, certain business of metallic punching had recorded sales.

8. *Business integration and assets reorganization*

With a view to better formulate the direction of the business development of the Group, to realize effective operations and management, enhance profitability and sustainability in development, the Group reorganizes its assets and entered into several agreements on 27 July 2007, mainly including a transfer of assets for manufacturing of CPTs to IRICO Display Devices Co., Ltd., a subsidiary of the Company and a company listed in Shanghai, the PRC (hereafter referred to the "**A Share Company**"), under which the A Share Company will transfer the assets for manufacturing colour picture tube glass and deflection yokes to the Company, coupled with the integration of assets of IRICO Display Technology Co. Ltd., a subsidiary of the Company located in the export and processing region of Xian Caihui Display Technology Co., a subsidiary of the A Share Company the transfer by A Share Company of its 41.67% equity interest in Xian New Century International Club Co., Ltd to IRICO Group, the transfer of 51% and 49% equity interest in Xianyang IRICO Digital Display Co., Ltd (K Line) by the Company and the A Share Company to IRICO Group respectively. The details are set out in the announcement of the Company dated 1 August 2007.

Financial Review

1. *Overall performance*

   The profit margin of the Group decreased from 13.48% for the first half of 2006 to 9.01% for the first half of 2007, mainly attributable to a reduction in the sales volume and the price of key products of the Company in the first half of 2007 under the influence of industrial factors.

2. *Current Assets and Financial Resources*

   As at 30 June 2007, the Group's cash and bank balances aggregated to RMB651,503,000, representing an increase of RMB172,000,000 or 35.87%, from RMB479,503,000 as at 31 December 2006. The Group expended RMB33,880,000 for capital expenditure during the half year ended 30 June 2007. Net cash inflow from operating activities was RMB431,233,000, and net cash outflow from financing activities and investing activities were RMB117,317,000 and RMB141,916,000 respectively.

   As at 30 June 2007, the Group's borrowings totalled RMB860,386,000 as compared with RMB932,676,000 as at 31 December 2006. The borrowings would all be due within one year. As at 30 June 2007, the Group's short-term bank loans amounting to approximately RMB200,000,000 (as at 31 December 2006: RMB140,000,000) were secured by its properties, plants and equipment.

   For the half year ended 30 June 2007, the turnover period for accounts receivable of the Group was 157 days, representing an increase of 14 days from 143 days for the half year ended 30 June 2006 which was mainly attributable to the increase of CPT sales in June. For half year ended 30 June 2007, the inventory turnover days of the Group increased from 69 days for half year ended 30 June 2006 by 35days to 104 days, mainly attributable to stiff competition in the market of color picture tubes.

3. *Capital Structure*

   On 30 June 2007, 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, so as to ensure an effective capital structure from time to time. As at 30 June 2007, its liabilities including bank loans aggregated to RMB 2,281,890,000 with cash and bank balances totalling RMB651,503,000 and a gearing ratio (defined as: total liabilities/total assets) of 41%.

Future Outlook

For the prospect in the second half of 2007, adjustment in display devices industry is still underway. With continued recession in CPT industry, the operating pressure in CPT industry would relive as the second half is the traditional sales peak season and many manufacturers ceased production and withdrew from the industry. On the other hand, flat panel display devices such as LCD and related upstream and downstream industry will gain a growth momentum. The Company estimated that output area of LCD glass substrate in the PRC would achieve an increase of 24% over the first half of 2007, and a shortage of supply will persist in the PRC. For luminous materials business, estimated the demand for phosphors for energy saving lamps exceeds 3,200 tons in China in the year 2007, representing a year-on-year increase of 19%. For CCFL phosphor for LCD backlight, the rapid growth in the first half of 2007 is expected to continue and even accelerate.

As a professional company dedicated to the display devices industry in the PRC for years, the Company is expected to maintain its momentum in the prosperous business of flat panel display devices and relevant components. Accordingly, by different means of assets restructuring, development of new business, technological improvement and capital market operation, the Company is accelerating its pace of moderately diversifying from CPTs business to areas such as novel flat display devices and relevant components, thereby ultimately enabling the Company to become an innovative leader in areas of novel display devices and related components in the PRC. The Company believes that such transition can further boost the Company's market competitiveness and further elevate its investment value.

Repurchase, Sale and Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares for the six months ended June 30, 2007.

Material litigations

1. *The dispute between Xianyang Xingyun Mechanical Company Limited ("**Xingyun**") and the Company*

On or about 19 June 2006, Xingyun brought an action against the Company in the People's High Court of Shaanxi. The Company received a notice ((2006) Shaan Min Chu Zi No. 16) from the court on 20 June 2006 requesting the Company to respond to the action and produce evidence in relation thereto.

On 28 July 2003, five Confirmation Agreements on Parts and Materials ("**Confirmation Agreements**") were entered into between Xingyun and the IRICO Colour Picture Tube Plant No. 1 CPT plant (彩虹彩色顯像管總廠彩管一廠) ("**No. 1 CPT Plant**"). According to the five Confirmation Agreements, Xingyun shall provide No. 1 CPT Plant with 5 types of parts samples including 37cm CPT model L shadow mask frame and anti-implosion band for mass pre-sale quality confirmation. In around February 2005, since the parties failed to agree on the price of bulk provision of goods upon the completion of the Confirmation Agreements, No. 1 CPT Plant notified Xingyun to suspend the provisions of parts as agreed in the Confirmation Agreements. Xingyun believes that this caused a total loss of RMB30,300,000 which was incurred from the investments in the construction of facilities and the purchase of materials.

The hearing of the case has ended. On 27 December 2006, the Company received a civil verdict ((2006) Shaan Min Er Chu Zi No. 16) from the People's High Court of Shaanxi. The court ruled that the claim by Xingyun against the Company to bear its investment loss of RMB26,340,000 and its claim against the Company to bear its production loss of RMB3,960,000 were not justified and were dismissed. The court also ruled that, according to the principle of fairness, the Company should acquire finished products, semi-finished products and raw materials held by Xingyun in the value of RMB3,880,000 according to the quantities, types and prices determined by both parties. Those finished products, semi- finished products and raw materials can still be utilized in the process of production by the Company, and therefore no loss would be incurred.

The period allowed for appeal stipulated in the civil verdict ((2006) Shaan Min Er Chu Zi No.16) expired on 14 January 2007, and Xingyun has not filed an appeal to the People's Supreme Court of the PRC within such stipulated period.

On 11 April 2007, the Company received a writ of summons ((2007) Shaan Min Er Chu Zi No.10)) from the People's High Court of Shaanxi, and was informed that Xingyun brought an action for a second time against the Company in respect of the same matter.

The Company denied all of its liabilities in its written statement of defence in the litigation against Xingyun. As the Company believes that Xingyun's malicious repeated litigations breach the legal principle of "ne bis in sadem" (legal procedure shall not be launched again after a binding judgment has been delivered), its claim should be dismissed. The case is still in trial.

2. *Baystar Capital II, LP et al. v. Core-Pacific Yamaichi International (HK) Ltd. et al., Case No 05 1091 ABC (CWx) (filed in the United States District Court for the Central District of California) (the "**Baystar Litigation**").*

On or about 11 February 2005, BayStar Capital Management, LLC and BaystarCapital II, LP (hereinafter collectively referred to as "**Baystar**"), holders of the Company's H shares, commenced a litigation against Core-Pacific Yamaichi International (H.K.) Limited, et.al (hereinafter referred to as "**CPYI**"), one of the underwriters that offered the Company's H shares to investors in the United States pursuant to Rule 144A of the Securities Act of the United States. Baystar alleges that it entered into a strategic business development agreement with CPYI, pursuant to which CPYI acted as an investment consultant to Baystar in the greater China area. Baystar claims that CPYI breached the agreement and its fiduciary duties to Baystar. In addition, Baystar alleges that CPYI made material misrepresentations and omissions to Baystar, in violation of United States federal securities laws, California securities laws and the common law. Baystar has not commenced any action against the Company.

On or about 20 May 2005, CPYI commenced a third-party action against the Company and the lead underwriter of the Company, as part of the Baystar Litigation. CPYI seeks contractual and common law indemnification and / or contribution from the Company in the event that CPYI is found liable to Baystar.

A copy of the third-party complaint was served by Law Debenture Society on the Company on or about 11 June 2005. The Company has retained a law firm to represent the Company in the litigation. On 18 August 2005, such law firm filed a motion to dismiss the third-party complaint in its entirety. On 13 October 2005, the court granted in part and denied in part the motion to dismiss. Thereafter, on 7 November 2005, the Company filed an answer to CPYI's claims, denying all liabilities.

Because no party has identified a single material misrepresentation or omission made by the Company in the offering circular, the Company filed a motion for summary judgement on 15 May 2006. On 9 August 2006, the court partly dismissed the motion, and the discovery procedure and the expected litigation procedure continued to proceed. The discovery procedure has now ended.

Following the close of discovery procedure, CPYI and Baystar moved for summary judgment. The Court granted CPYI's motion and dismissed the underlying case in all its litigations. Shortly thereafter, CPYI approached the Company and offered to dismiss the case against the Company with prejudice and without any payment or compensation from the Company. The Company is evaluating that offer. Based on legal advice, the Company anticipates that it will accept the offer, thus ending this litigation.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the documents regarding the Company's adoption of relevant corporate governance, and is of the opinion that they have met the principles and code provisions set out in the Code on Corporate Governance Practices (the "**Code**") in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of the Directors with the Code for the six-month period ended 30 June 2007. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code.

AUDIT COMMITTEE

In compliance with the code provisions set out in the Code in Appendix 14 to the Listing Rules, the Company has established the Audit Committee. As at 30 June 2007, the Audit Committee comprised four independent non-executive directors: Mr. Zha Jianqiu, Mr. Feng Fei, Mr. Feng Bing and Mr. Xu Xinzhong, and a non-executive director, Mr. Zhang Xingxi.

The Board agreed to adopt all contents set out in the Code C3.3 as its main obligations. The Audit Committee has considered and reviewed the accounting principles and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which include the unaudited interim financial statements for the six months ended 30 June 2007.

This interim financial report has been reviewed by SHINEWING (HK) CPA Limited, the Company's auditor in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
IRICO Group Electronics Company Limited
Xing Daoqin
Chairman

Shaanxi Province, the PRC
29 August 2007

As at the date of this announcement, the Board consists of Mr. Xing Daoqin, Mr. Tao Kui, Mr. Guo Mengquan, Mr. Zhang Shaowen and Mr. Niu Xinan as executive directors, Mr. Zhang Xingxi and Mr. Yun Dah Jiunn as non-executive directors, and Mr. Feng Fei, Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Zha Jianqiu and Mr. Wang Jialu as independent non-executive directors.