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彩虹集團電子股份有限公司
IRICO GROUP ELECTRONICS COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0438)

2010 INTERIM RESULTS ANNOUNCEMENT

The board (the "**Board**") of Directors (the "**Directors**") of IRICO Group Electronics Company Limited* (the "**Company**") hereby announce the unaudited consolidated interim results and financial status of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2010, together with comparative figures, as follows.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Restated) (Unaudited)
Turnover	5	**1,281,585**	818,277
Cost of sales		**(1,090,435)**	(840,992)
Gross profit (loss)		**191,150**	(22,715)
Other operating income		**24,143**	22,772
Selling and distribution costs		**(53,259)**	(37,973)
Administrative expenses		**(104,502)**	(137,559)
Other operating expenses		**(2,246)**	(764)
Finance costs	6	**(35,060)**	(18,423)
Share of results of associates		**37**	3,187
Profit (loss) before taxation	7	**20,263**	(191,475)
Taxation	8	**(3,735)**	30
Profit (loss) for the period		**16,528**	(191,445)
Profit (loss) attributable to:			
Owners of the Company		**10,413**	(121,373)
Non-controlling interests		**6,115**	(70,072)
		16,528	(191,445)
Earnings (loss) per share — Basic and diluted	10	**RMB0.49 cents**	(RMB5.68 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	(Unaudited)
Profit (loss) for the period	**16,528**	(191,445)
Exchange differences on translation of foreign operations	**597**	28
Total comprehensive income (expense) for the period	**17,125**	(191,417)
Total comprehensive income (expense) attributable to :		
Owners of the Company	**11,010**	(121,345)
Non-controlling interests	**6,115**	(70,072)
	17,125	(191,417)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**3,111,012**	1,718,922
Investment property		**17,008**	17,513
Leasehold land and land use rights		**159,224**	161,044
Intangible assets		**1,198**	1,383
Interests in associates		**350,403**	350,366
Available-for-sale investments		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**—**	100,652
		3,662,905	2,373,940
Current assets			
Inventories		**448,179**	486,343
Trade and bills receivables	11	**751,001**	906,489
Other receivables, deposits and prepayments		**322,753**	207,720
Bank balances and cash		**1,394,251**	1,077,661
		2,916,184	2,678,213

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

Current liabilities			
Trade and bills payables	12	**470,894**	400,152
Other payables and accruals		**700,193**	809,328
Tax payables		**1,626**	2,204
Current portion of long-term provisions		**3,589**	2,815
Bank and other borrowings			
— due within one year		**2,189,548**	1,221,949
		3,365,850	2,436,448
Net current (liabilities) assets		**(449,666)**	241,765
		3,213,239	2,615,705
Capital and reserves			
Share capital		**2,135,291**	1,941,174
Other reserves		**535,118**	730,061
Accumulated losses		**(1,469,452)**	(1,479,865)
Equity attributable to			
Owners of the Company		**1,200,957**	1,191,370
Non-controlling interests		**715,402**	709,824
		1,916,359	1,901,194
Non-current liabilities			
Bank and other borrowings			
— due after one year		**980,108**	593,502
Deferred income		**300,607**	104,801
Deferred income tax liabilities		**7,960**	7,960
Long-term provisions		**8,205**	8,248
		1,296,880	714,511
		3,213,239	2,615,705

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

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 PRC laws. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 December 2004. The address of its registered office and principal place of business is No.1 Caihong Road, Xianyang, Shaanxi Province, PRC.

The Company and its subsidiaries (collectively referred to as the "**Group**") is engaged in the manufacturing and trading of colour picture tubes ("**CPTs**") for colored television sets and related CPT components, trading and assembly of glass related products and the development of other advanced glass products.

The condensed consolidated interim financial information are presented in thousands of units of Renminbi ("**RMB**") which is the same as the functional currency of the Company.

IRICO Group Corporation ("**IRICO Group**"), a state-owned enterprise established in the PRC, is the Company's parent company and ultimate holding company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

On 17 September 2009, IRICO Group Corporation, Shaanxi IRICO Electronics Glass Company Limited ("**IRICO Glass**"), a subsidiary of the Company, and other independent third parties, entered into agreements pursuant to which, IRICO Glass agreed to inject RMB500 million and RMB15 million capital into IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. ("**IRICO (Zhangjiagang)**") and IRICO (Hefei) LCD Glass Company Limited ("**IRICO (Hefei)**"), respectively (the "**Capital Injections**").

2. BASIS OF PREPARATION *(Continued)*

IRICO (Zhangjiagang) was established in October 2008 with paid-up capital of RMB23 million and IRICO Group Corporation held 60% equity interest before the Capital Injections.

IRICO (Hefei) was established in August 2009 with paid-up capital of RMB5 million and IRICO Group Corporation held 100% equity interest before the Capital Injections.

The Capital Injections were completed on 24 December 2009. Upon the completion of the Capital Injections, IRICO Glass owned 95.6% and 75% of the enlarged capital of IRICO (Zhangjiagang) and IRICO (Hefei), respectively, and the Group had effective interest of 52.40% and 41.11% in IRICO (Zhangjiagang) and IRICO (Hefei), respectively. Details of the Capital Injections were set out in the circular of the Company dated 13 November 2009.

The above Capital Injections were accounted for using merger accounting under common control combination. The Company, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) were all under the control of IRICO Group Corporation, and thus regarded as different entities under common control. The condensed consolidation financial information have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "**Merger Accounting for Common Control Combinations**" issued by the HKICPA, assuming that the current structure of the Group has been in existence since the date when the Company, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) first came under the control of IRICO Group Corporation.

In preparing the condensed consolidated interim financial information, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately RMB449,666,000. The Group's liabilities as at 30 June 2010 included bank and other borrowings of approximately RMB2,189,548,000 that were repayable within twelve months from the end of the reporting period. As at the date of this report, IRICO Display Devices Co., Ltd. ("**IRICO Display**"), a subsidiary of the Company, had issued 315,608,888 ordinary shares denominated in RMB (A shares) to 10 specific investors at an issue price of RMB11.25 per share and raised gross proceeds and net proceeds of approximately RMB3,550,600,000 and RMB3,497,870,000 respectively. In addition, the Group intends to maintain its strong business relationship with its bankers to maintain their continuing support and is actively discussing with its bankers for the renewal of short term banking facilities when they fall due. The Directors are confident that the short term banking facilities will be renewed.

2. BASIS OF PREPARATION *(Continued)*

Taking into account of the internally generated funds, the net proceeds received and ongoing support from its banks, the Directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. The condensed consolidated interim financial information does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretation ("**new and revised HKFRSs**") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) — INT 17	Distribution of Non-cash Assets to Owners

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

The application HKFRS 3 (Revised) had no effect on the condensed consolidated interim financial information of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated interim financial information of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

[1] Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

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

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

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

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

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

4. SUMMARY OF THE EFFECTS FOR COMMON CONTROL COMBINATION

The effects of the adoption of common control combination for six months ended 30 June 2009 by line items are as follows:

	Six months ended 30 June 2009 *RMB'000*
Increase in other income	85
Increase in administrative expenses	(1,978)
Increase in loss for the period	(1,893)
Attributable to:	
Owners of the Company	(983)
Non-controlling interests	(910)
	(1,893)

The effects of the adoption of common control combination on the Group's basic and diluted loss per share for six months ended 30 June 2009:

	Six months ended 30 June 2009 *RMB*
Expressed in RMB per share	
Reported figures before adjustments	(5.60 cents)
Adjustments arising on common control combination	(0.08 cents)
Restated	(5.68cents)

5. TURNOVER AND SEGMENT INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker who are the executive Directors of the Company (the "**Executive Directors**") for the purposes of resource allocation and performance assessment are as follows:

1. Production and sales of CPT ("**CPT production and sales**")

2. Trading and assembly of glass related products ("**Trading and assembly of glass related products**")

3. Development of other advanced glass products ("**Development of Others**")

Information regarding the above segments is reported below.

An analysis of the Group's turnover, which represents sales of goods, and results by reporting segments is as follows:

	CPT production and sales	**Trading and assembly of glass related products**	**Development of others**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2010				
TURNOVER	1,025,172	256,413	—	1,281,585
SEGMENT RESULTS	59,525	1,043	(6,598)	53,970
Interest income				1,991
Unallocated income				2,067
Unallocated expenses				(2,742)
Finance costs				(35,060)
Share of profit of associates				37
Profit before taxation				20,263

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	CPT production and sales *RMB'000*	Trading and assembly of glass related products *RMB'000*	Development of others *RMB'000*	Consolidated *RMB'000*
Period ended 30 June 2009				
TURNOVER	632,392	185,885	—	818,277
SEGMENT RESULTS	(178,766)	516	3,047	(175,203)
Interest income				1,150
Unallocated income				1,111
Unallocated expenses				(3,297)
Finance costs				(18,423)
Share of profits of associates				3,187
Loss before taxation				(191,475)

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, Directors' salaries, depreciation of investment properties, share of profit of associates, interest income, rental income, dividend income from available-for-sale investments and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets

An analysis of the Group's consolidated statement of financial position by reportable segments is as follows:

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2010				
ASSETS				
Segment assets	2,021,219	78,160	2,693,988	4,793,367
Interest in associates				350,403
Unallocated corporate assets				1,435,319
Consolidated total assets				6,579,089
At 31 December 2009				
ASSETS				
Segment assets	2,161,776	45,572	1,375,205	3,582,553
Interest in associates				350,366
Unallocated corporate assets				1,119,234
Consolidated total assets				5,052,153

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than interest in associates, investment properties, available-for-sale investments, and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

6. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**23,860**	20,596
Bank and other borrowings wholly repayable over five years	**8,234**	5,033
Finance charge on discounted trade bills to bank	**—**	399
Amount due to ultimate holding company	**12,466**	3,562
Total borrowing costs	**44,560**	29,590
Less: amounts capitalised	**(9,500)**	(11,167)
	35,060	18,423

Borrowing costs capitalised during the period arose on certain bank borrowings and are calculated at the interest rate of 5.75% per annum (2009: 7.01%) to expenditure on qualifying assets.

7. PROFIT (LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**185**	718
Amortisation of leasehold land and land use rights	**2,169**	946
Depreciation of property, plant and equipment	**19,609**	119,003
Depreciation of investment properties	**505**	390
Cost of inventories recognised as an expense	**1,090,435**	840,992
Employee benefit expenses	**267,803**	232,146
Research and development costs	**8,816**	9,635
Provision for warranty	**6,649**	8,852
Impairment losses on other receivables, deposits and prepayments (included in administrative expenses)	**634**	—
Operating lease expenses	**19,829**	24,591
(Reversal of) write down of inventories (included in cost of sales)	**(377)**	55,775
Share of tax of associates	**—**	32
Dividend income from available-for-sale investments	**(1,893)**	—
Net (gain) loss on disposal of property, plant and equipment	**(8,513)**	1,907
Reversal of impairment loss on trade and other receivables	**(5,001)**	(131)
Bank interest income	**(1,991)**	(1,150)

8. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current PRC income tax	**3,735**	1,314
Deferred income tax	**—**	(1,344)
	3,735	(30)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arose in nor was derived from Hong Kong for the six months ended 30 June 2010 and 2009.

The provision for PRC current enterprise income tax ("**EIT**") is calculated based on the statutory income tax rate of 25% (2009: 25%) of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2010 except for the Company and certain subsidiaries described below. All corresponding EIT relating to the taxable profit during the six months ended 30 June 2010 have been recognised in the condensed consolidated statement of comprehensive income.

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%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the OUWC Policy, and accordingly, EIT has been provided at 15% since then.

The operations of IRICO Display and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the six months ended 30 June 2010 and 2009, and accordingly, EIT has also been provided at 15%.

Zhuhai Caizhu Industrial Co., Ltd. is registered in a special economic zone and are entitled to pay EIT at 20% for the six months ended 30 June 2010 and 2009.

8. TAXATION *(Continued)*

Kunshan Caihong Yingguang Electronics Co., Ltd. is registered in a technological economic development zone and is required to pay EIT at a rate of 20% for the six months ended 30 June 2010 and 2009.

Xianyang IRICO Electronics Shadow Mask Co., Ltd. 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, Xianyang IRICO Electronics Shadow Mask Co., Ltd. which was established in 2003 and the entity is in the exemption period for the six months ended 30 June 2010.

9. DIVIDEND

The Directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: nil).

10. EARNINGS (LOSS) PER SHARE

On 3 December 2009, the board of Directors of the Company approved a capitalisation issue to holders of H shares and domestic shares on the basis of one capitalisation H shares for every ten H shares and one capitalisation domestic shares for every ten domestic shares in issue on the relevant record date. When calculating the earnings (loss) per share amount for six months ended 30 June 2010 and 2009, the number of ordinary shares outstanding was adjusted as if the conversion of the Company's capital reserve to new shares had taken place on 1 January 2009.

The calculations of basic earnings (loss) per share are based on the Group's profit attributable to owners of the Company of approximately RMB10,413,000 (Six months ended 30 June 2009: loss of approximately RMB121,373,000) and the weighted average number of approximately 2,135,291,000 (Six months ended 30 June 2009: 2,135,291,000) ordinary shares in issue during the period.

As there were no dilutive potential shares during the six months ended 30 June 2010 and 2009, the diluted earnings (loss) per share is the same as basic earnings (loss) per share for both periods.

11. TRADE AND BILLS RECEIVABLES

The Group offers credit terms to its customers ranging from cash on delivery to 90 days. The following is an aged analysis of trade receivables (net of accumulated impairment losses of approximately RMB43,642,000 (31 December 2009: net of accumulated impairment losses of approximately RMB48,643,000)) at the end of the reporting period:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-90 days	**337,164**	318,158
91-180 days	**14,562**	100,027
181-365 days	**18,181**	14,688
Over 365 days	**12,504**	5,523
	382,411	438,396
Bills receivables	**368,590**	468,093
	751,001	906,489

12. TRADE AND BILLS PAYABLES

At the end of the reporting period, the ageing analysis of trade payables was as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0-90 days	**235,798**	254,934
91-180 days	**65,253**	48,614
181-365 days	**51,687**	69,498
Over 365 days	**75,866**	26,374
	428,604	399,420
Bills payables	**42,290**	732
	470,894	400,152

RESULTS AND DIVIDEND

During the reporting period, the turnover of the Group was RMB1,281,585,000, representing an increase of 56.62% as compared to the corresponding period last year. The profit attributable to owners of the Company amounted to RMB10,413,000, as compared to the loss attributable to owners of the Company of RMB121,373,000 in the corresponding period last year.

In light of the absence of accumulated surplus in the first half of 2010, the Board resolved not to distribute any interim dividends for the six months ended 30 June 2010.

BUSINESS REVIEW AND OUTLOOK

1. Operation Highlights

During the reporting period, in light of the rapid expansion of its new businesses and the stable and effective operation of traditional CPTs, the Group turned from loss-making to profit-making. In the first half of 2010, the turnover of the Group amounted to RMB1,281,585,000, representing a year-on-year increase of 57%. Profit attributable to shareholders amounted to RMB10,413,000, representing a year-on-year increase of RMB131,786,000.

The Group has been shifting its business focus from traditional CPTs and spare parts to flourishing industries such as panel display devices and its relevant products, solar photovoltaic glass and luminous materials. With the commissioning and expansion of its new TFT-LCD glass substrate and solar photovoltaic glass projects, as well as further expansion of the luminous materials business, the Group's strategic transformation has been gradually drawing closer to completion.

2. Progress of New Operations

(1) TFT-LCD Glass Substrate Business

With regard to the Group's TFT-LCD glass substrate business, the phase I TFT-LCD glass substrate project, which is the first domestic production line of the fifth generation TFT-LCD glass substrate, has completed construction and is operating in good condition. Through adjusting and optimizing glass materials, production equipment and craftwork conditions, the quality yield of products was maintained at a relatively high level. Several customers orderly conducted the work of market certification, of which some achieved mass sales.

The Group has commenced the construction of the phase II project of 12 new production lines of TFT-LCD glass substrate in Xianyang, Hefei and Zhangjiagang. The construction is in smooth progress and the preliminary preparations of the trial production were carried out in an orderly manner. It is expected to be completed in phase and put into production gradually by the end of September 2010. Looking ahead, the Group will see continuous enhancement in the scale effect and competitiveness of its TFT-LCD glass substrate business and the Group is set to become a key supplier of TFT-LCD glass substrate across the nation and even the world.

(2) Solar Photovoltaic Glass Business

During the reporting period, the Company has constructed a glass furnace with a daily melting capacity of 250 tonnes together with the ancillary construction of two 125 tonnes/day glass rolling production lines and two glass tempering production lines with a production capacity of 6,788,000 square metres/year, which have an annual production capacity of 5,026,000 square metres of tempered solar photovoltaic glass. Currently, the production lines have been put into full operation with mass production and sales. The product is of high quality. Phase II of the project (which has the same scale as Phase I) commenced construction in March 2010 and is expected to commence operation in October 2010 and put into trial production in November 2010. With an aim to swiftly expand its scale and with a hope of becoming an industry leader, the Company will steadily expand the business of solar photovoltaic glass according to market condition in the future.

(3) Luminous Materials Business

As the global economy gradually regained its strength and relevant industries developed swiftly during the reporting period, the luminous materials business of the Group increased as compared to the corresponding period last year. With ceaseless efforts in improving product quality and enhancing its technical services, the Group saw a 96.66% growth in the sales of energy saving lamp phosphors as compared to the corresponding period last year. Driven by the commencement of operation of the new production line and the promotional measures of sales and marketing, sales volume of CCFL phosphor increased by over 20 times as compared to the corresponding period last year. Furthermore, the Group's PDP phosphor and electronic silver paste business have realised sales revenue whilst the industrialization and market promotion of lithium battery powder, LED phosphor and other new products are in full swing.

(4) FPD Devices Business

The Group's production lines of OLED, the third generation display device, which officially commenced construction in Shunde District, Foshan, Guangdong Province in May 2009, has completed construction of the main parts of the project. Currently, the equipment are under installation preparations. Equipment installation and testing process are expected to be completed and undergo trial operation in October 2010.

As for the PDP project jointly established by the Company and Sichuan Changhong Electrical Group Co., Ltd. (四川長虹電子集團有限公司), in January 2010, the monthly comprehensive quality yield of products has reached the designed and planned level and the project has been put into full production.

3. Traditional CPT Business

During the reporting period, the domestic CRT television and CPT industry saw a rally. The Group achieved effective operation of CPT business by increasing marketing efforts, strengthening cost control and adjusting organisational structure. CPT sales volume of the Group amounted to 4,301,000 units in the first half of 2010, representing an increase of 848,000 units or approximately 24.56% as compared with the corresponding period last year; turnover was RMB702,548,000, representing an increase of RMB129,568,000 or approximately 22.61% as compared to the corresponding period last year.

(III) FINANCIAL REVIEW

1. Overall performance

The overall gross profit margin of the Group increased from -2.78% for the first half of 2009 to 14.92% for the first half of 2010, which was mainly attributable to the increased profitability of CPT as a result of the increase in the price of CPT and the continuous reduction in costs due to strengthened cost control initiatives. Besides, the profitability of our new business segments was further enhanced, increasing the gross profit margin of the Group as a whole.

2. Capital structure

As at 30 June 2010, 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 an appropriate ratio of share capital to liabilities, so as to ensure that an effective capital structure is maintained from time to time. As at 30 June 2010, its total liabilities including bank borrowings aggregated to RMB4,662,730,000 (as at 31 December 2009: RMB3,150,959,000) with cash and bank balances aggregated to RMB1,394,251,000 (as at 31 December 2009: RMB1,077,661,000) and a gearing ratio (i.e. total liabilities divided by total assets) of 71% (as at 31 December 2009: 62%).

3. Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollars. For the six months ended 30 June 2010, the operating cost of the Group increased by RMB976,000 as a result of exchange rate fluctuations (as at 30 June 2009: RMB426,000). There was no material impact on the operating capital or liquidity as a result of exchange rate fluctuations.

4. Commitments

As at 30 June 2010, capital commitments of the Group amounted to RMB2,146,751,000 (31 December 2009: RMB228,950,000).

5. Contingent liabilities

As at 30 June 2010, the Group had no material contingent liability.

6. Pledged assets

As at 30 June 2010, bank loans of the Group amounted to approximately RMB343,000,000, which were secured by certain leasehold land and land use rights, buildings, equipment, trade receivables and inventories of the Group.

As at 31 December 2009, the bank loans of the Group amounted to approximately RMB197,000,000, which were secured by certain leasehold land and land use rights, buildings, equipment and trade receivables of the Group.

PURCHASE, SALE OR REPURCHASE OF SHARES

During the reporting period, the Group had not purchased, sold or repurchased any of the shares in the Company in issue.

MATERIAL LITIGATIONS

As at 30 June 2010, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened against any member of the Group.

- Claims by Curtis Saunders against the Company and IRICO Display

  In January 2010, IRICO Group Corporation ("**IRICO Group**"), the Company and IRICO Display Device Co., Ltd. ("**IRICO Display**") received a statement of class action from the Registry of Supreme Court of British Columbia, Vancouver, Canada（加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處). Curtis Saunders, the plaintiff, accused over 50 global CRT manufacturing enterprises, including IRICO Group, the Company and IRICO Display, of a conspiracy or a collusion to enter into agreements raising the price of CRT to an unreasonable level and lifting the profits from selling CRT products from 1 January 1995 to 1 January 2008. All these were alleged to cause damage to the interests of the plaintiff and other buyers of CRT products. Therefore, the plaintiff claimed for damages. As at the date of this report, Supreme Court of British Columbia Canada has accepted the case. Upon respective investigations and as confirmed by the Company, IRICO Group and IRICO Display, the Company, IRICO Group and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1995. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group. Please refer to the announcement of the Company dated 25 January 2010 for the details of the class action.

- Claims by Fanshawe College against the Company and IRICO Display

  The Company and IRICO Display received statement of claim from Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology ("Fanshawe College") in August 2009 and July 2009 respectively. The plaintiff, accused various global CRT manufacturing enterprises, including the Company and IRICO Display, of a conspiracy to sustain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and to enter into agreements raising the price of CRT to an unreasonable level. All these were alleged to coerce the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Therefore, the plaintiff claimed for damages. As at the date of this report, Ontario Superior Court of Justice Canada has accepted the case. Upon respective investigations and as confirmed by the Company and IRICO Display, the Company and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1998. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group.

- Claims by American Crago Company against IRICO Display

  In January 2008, IRICO Display, a subsidiary of the Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action being brought by American Crago Company on behalf of itself and other companies for the similar issue. The plaintiff accused various CRT manufacturing enterprises, including IRICO Display, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. At present, U.S. District Court, Northern District of California has accepted the case. Upon investigations, IRICO Display have not sold any CRT products in the market of USA since 1995. The Company and IRICO Display's preliminary assessment is that the claim will not pose any negative impact on our ordinary business operation.

In the opinion of the Directors, the above case did not have any material impact on the Group's interim financial statements for the six months ended 30 June 2010.

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.

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 during the period ended 30 June 2010. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

AUDIT COMMITTEE

In compliance with the provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules, the Company has established the Audit Committee.

The Board adopted all contents set out in Code Provisions C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which included the unaudited interim financial statements for the six months ended 30 June 2010.

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

The 2010 Interim Report of the Company will be published on the Company's website at http://www.irico.com.cn and the website of the Hong Kong Stock Exchange in due course.

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

Shaanxi Province, the PRC
18 August 2010

As at the date of this announcement, the Board consists of Mr. Xing Daoqin, Mr. Tao Kui and Mr. Zhang Junhua as executive Directors, Mr. Guo Mengquan, Mr. Niu Xinan, Mr. Fu Jiuquan and Mr. Zhang Weichuan as non-executive Directors, and Mr. Xu Xinzhong, Mr. Feng Bing, Mr. Wang Jialu, Mr. Lv Hua, and Mr. Zhong Pengrong as independent non-executive Directors.

* *For identification purposes only*