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)

2011 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 2011, together with comparative figures, as follows.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3	**1,455,740**	1,281,585
Cost of sales		**(1,300,837)**	(1,090,435)
Gross profit		**154,903**	191,150
Other operating income		**63,709**	24,143
Gain on disposal of an associate		**3,390**	—
Gain on disposal of a subsidiary		**12,871**	—
Selling and distribution costs		**(42,338)**	(53,259)
Administrative expenses		**(113,090)**	(104,502)
Other operating expenses		**(1,402)**	(2,246)
Finance costs	4	**(36,884)**	(35,060)
Share of results of associates		**(19,536)**	37
Profit before taxation	5	**21,623**	20,263
Income tax expense	6	**(9,656)**	(3,735)
Profit for the period		**11,967**	16,528
Profit (loss) attributable to:			
Owners of the Company		**56,413**	10,413
Non-controlling interests		**(44,446)**	6,115
		11,967	16,528
Earnings per share			
— Basic and diluted	8	**RMB2.53 cents**	RMB0.49 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**11,967**	16,528
Exchange difference on translation of foreign operations	**1,590**	597
Share of exchange reserve of an associate	**1,847**	—
Other comprehensive income for the period	**3,437**	597
Total comprehensive income for the period	**15,404**	17,125
Total comprehensive income attributable to:		
Owners of the Company	**59,850**	11,010
Non-controlling interests	**(44,446)**	6,115
	15,404	17,125

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	**30 June 2011**	31 December 2010
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**6,925,773**	5,830,486
Investment properties		**56,738**	50,170
Leasehold land and land use rights		**326,339**	151,533
Intangible assets		**1,393**	1,631
Interests in associates		**307,885**	327,044
Available-for-sale investment		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**230,856**	93,510
		7,873,044	6,478,434
Current assets			
Inventories		**626,094**	609,019
Trade and bills receivables	9	**563,904**	477,457
Other receivables, deposits and prepayments		**781,975**	531,764
Restricted bank balances		**67,037**	49,418
Bank balances and cash		**1,852,687**	2,698,430
		3,891,697	4,366,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

AS AT 30 JUNE 2011

	Note	**30 June 2011**	31 December 2010
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current liabilities			
Trade and bills payables	10	**933,349**	711,943
Other payables and accruals		**444,719**	429,856
Tax payables		**5,835**	3,773
Termination benefits		**2,562**	3,247
Bank and other borrowings			
— due within one year		**957,081**	1,173,272
		2,343,546	2,322,091
Net current assets		**1,548,151**	2,043,997
Total assets less current liabilities		**9,421,195**	8,522,431

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

AS AT 30 JUNE 2011

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**2,232,349**	2,232,349
Other reserves	**1,321,807**	1,332,716
Accumulated losses	**(1,380,031)**	(1,450,790)
Equity attributable to owners of the Company	**2,174,125**	2,114,275
Non-controlling interests	**3,564,274**	3,623,424
Total equity	**5,738,399**	5,737,699
Non-current liabilities		
Bank and other borrowings — due after one year	**3,292,802**	2,446,768
Deferred income	**375,079**	323,230
Deferred income tax liabilities	**7,419**	7,557
Termination benefits	**7,496**	7,177
	3,682,796	2,784,732
	9,421,195	8,522,431

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 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 production and sales of color picture tubes ("**CPTs**") for colored television sets and related CPT components, luminous materials, liquid crystal related products, transistor liquid crystal display ("**TFT-LCD**") and display devices and solar photovoltaic glass products.

The directors of the Company consider that IRICO Group Corporation, a state-owned enterprise established in the PRC, is the Company's parent company and ultimate holding company.

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

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

2. 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 and methods of computation used in the condensed consolidated interim financial information for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("INTs") ("new and revised HKFRSs"), issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except of the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the condensed consolidated interim financial information of the Group for the current and prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has applied HKAS 24 Related Party Disclosures (Revised) in full for the first time in the current period. The application of HKAS 24 (Revised) has resulted in changes in related party disclosures on the following two aspects:

(a) The Group is a government-related entity as defined in HKAS 24 (Revised). HKAS 24 (Revised) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (Revised), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (Revised) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control or significantly influenced over the Group and (b) other entities that are controlled jointly controlled, significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (Revised) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

(b) In addition, HKAS 24 (Revised) has revised the definition of a related party.

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the condensed consolidated interim financial information for the current and prior periods. While the Group did not apply the exemption mentioned above, the application of HKAS 24 (Revised) has no effect on related party disclosures.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1(Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Revised)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.

2 Effective for annual periods beginning on or after 1 January 2012.

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

4 Effective for annual periods beginning on or after 1 January 2013.

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 recognised 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's condensed consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments HKFRS 7 Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The five new or revised standards HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27(2011) and HKAS 28(2011) which are standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's condensed consolidated interim financial information for financial year ending 31 December 2013 and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with condensed consolidated interim financial information. 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) 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 judgement. The directors of the Company is assessing the impact of the HKFRS 10 and is not in the position to comment on the impact to the interim financial information.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the condensed consolidated interim financial information.

3. SEGMENT INFORMATION

The Group's reportable segments, based on information reported to the chief executive officer, being the chief operating decision maker with respect to resource allocation and performance assessment are as follows:

1. CPTs production and sales

2. Luminous material production and sales

3. Liquid crystal related products production and sales

4. TFT-LCD and display devices production and sales

5. Solar photovoltaic glass production and sales

During the period, CPTs and luminous material production and sales was separated into CPTs production and sales; and luminous material production and sales. The management concluded that they should be separately reported, as these two segments were monitored by the chief executive officer separately due to the different trends of their respective markets.

During the period, advanced glass and other products production and sales was separated into TFT-LCD and display devices production and sales; and solar photovoltaic glass production and sales. The management concluded that these two segments should be separately reported, as they were closely monitored by the chief executive officer that these two segments were different segments with potential growth and are expected to materially contribute to group revenue in the future.

The comparatives were restated according to the revised reportable segment information.

3. SEGMENT INFORMATION *(Continued)*

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

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD and display devices production and sales	Solar photovoltaic glass production and sales	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2011						
TURNOVER	330,004	483,132	451,416	—	191,188	1,455,740
SEGMENT RESULTS	(34,080)	57,429	1,906	(8,742)	44,916	61,429
Bank interest income						11,064
Unallocated income						7,516
Unallocated expenses						(1,966)
Finance costs						(36,884)
Share of results of associates						(19,536)
Profit before taxation						21,623

3. SEGMENT INFORMATION *(Continued)*

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD and display devices production and sales	Solar photovoltaic glass production and sales	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2010						
TURNOVER	805,143	220,029	256,413	—	—	1,281,585
SEGMENT RESULTS	45,621	15,870	1,043	(8,564)	—	53,970
Bank interest income						1,991
Unallocated income						2,067
Unallocated expenses						(2,742)
Finance costs						(35,060)
Share of results of associates						37
Profit before taxation						20,263

Segment result represents the profit or loss by each segment without allocation of central administration costs, directors' salaries, depreciation of investment properties, share of results of associates, bank interest income, rental income, dividend income from available-for-sale investment and finance costs. This is the measure reported to the chief executive officers for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(Continued)*

Segment assets

An analysis of the Group's assets by reportable segments is as follows:

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD and display devices production and sales	Solar photovoltaic glass production and sales	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2011						
Segment assets	853,790	566,602	452,123	6,520,140	1,063,679	9,456,334
Unallocated corporate assets						2,308,407
Consolidated total assets						11,764,741
As at 31 December 2010 (Audited)						
Segment assets	1,021,227	480,892	58,962	5,257,848	876,471	7,695,400
Unallocated corporate assets						3,149,122
Consolidated total assets						10,844,522

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

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**35,934**	23,860
Bank and other borrowings wholly repayable over five years	**19,507**	8,234
Amount due to ultimate holding company	**1,075**	12,466
Total borrowing costs	**56,516**	44,560
Less: amounts capitalised	**(19,632)**	(9,500)
	36,884	35,060

Borrowing costs capitalised during the period arose on certain bank borrowings and are calculated at the interest rate of 5.87% per annum (2010: 5.75% per annum) to expenditure on qualifying assets.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**238**	185
Amortisation of leasehold land and land use rights	**2,703**	2,169
Depreciation of property, plant and equipment	**55,917**	19,609
Depreciation of investment properties	**1,024**	505
Cost of inventories recognised as an expense	**1,268,221**	1,090,435
Employee benefit expenses	**278,606**	267,803
Research and development costs	**11,704**	8,816
Provision for warranty	**1,061**	6,649
Impairment losses on trade receivables	**744**	—
Impairment losses on other receivables, deposits and prepayments (included in administrative expenses)	**—**	634
Operating lease expenses	**15,527**	19,829
Write-down of (reversal of allowance) inventories (included in cost of sales)	**32,616**	(377)
Share of tax of associates	**7**	—
Amortisation of deferred income on grants received *(Note i)*	**(3,119)**	(3,972)
Dividend income from available-for-sale investments	**(2,175)**	(1,893)
Net gain on disposals of property, plant and equipment	**(25,588)**	(8,513)
Reversal of impairment losses on trade receivables	**(915)**	(5,001)
Bank interest income	**(11,064)**	(1,991)

5. PROFIT FOR THE PERIOD *(Continued)*

Note:

i) Government grants mainly represents subsidies for the Group's research and development in luminous materials, liquid crystal related products, TFT-LCD and display devices and solar photovoltaic glass.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**9,794**	3,735
Deferred income tax	**(138)**	—
	9,656	3,735

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 both periods ended 30 June 2011 and 2010.

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 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.

6. INCOME TAX EXPENSE *(Continued)*

The operations of IRICO Display Devices Co., Ltd ("**A Share Company**") and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the six months ended 30 June 2011 and 2010, 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. IRICO Shadow Mask is in the exemption period for the period ended 30 June 2010 and is in the 50% relief period for the period ended 30 June 2011.

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 15% to 22% for both periods ended 30 June 2011 and 2010.

7. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the both periods ended 30 June 2011 and 2010.

8. EARNINGS PER SHARE

The calculation of basic earnings per share are based on the Group's profit attributable to owners of the Company for the period approximately RMB56,413,000 (2010: RMB10,413,000) and the weighted average number of approximately 2,232,349,000 (2010: 2,135,291,000) ordinary shares in issue during the period.

As there were no dilutive potential shares during both periods ended 30 June 2011 and 2010, the diluted earnings per share is the same as basic earnings per share for both periods.

9. TRADE AND BILLS RECEIVABLES

The Group offers credit terms to its customers ranging from cash on delivery to 90 days. The following is aged analysis of trade receivables (net of accumulated impairment losses of approximately RMB15,281,000 (2010: net of accumulated impairment losses of approximately RMB16,758,000) at the end of the reporting period:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
0 to 90 days	**333,066**	250,252
91 to 180 days	**26,574**	15,923
181 to 365 days	**13,455**	15,463
Over 365 days	**3,568**	795
	376,663	282,433
Bills receivables	**187,241**	195,024
	563,904	477,457

10. TRADE AND BILLS PAYABLES

At the end of the reporting period, the aged analysis of trade payables is as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
0 to 90 days	**710,957**	601,704
91 to 180 days	**73,580**	57,335
181 to 365 days	**33,501**	26,186
Over 365 days	**4,556**	17,718
	822,594	702,943
Bills payables	**110,755**	9,000
	933,349	711,943

RESULTS AND DIVIDEND

During the reporting period, the Group recorded sales of approximately RMB1,455,740,000, representing an increase of 13.59% compared to the corresponding period last year; the profit attributable to shareholders of the Company amounted to approximately RMB56,413,000, representing an increase of 441.76% compared to the corresponding period last year.

As there was no accumulated surplus in the first half of 2011, the Board resolved not to distribute any interim dividends for the six months ended 30 June 2011.

BUSINESS REVIEW AND OUTLOOK

1. Operation Highlights

During the reporting period, the Group experienced significant increase in results over the corresponding period last year, which is due to the rapid development of new businesses such as solar photovoltaic glass and luminous materials, the expansion of their scale and the improvement of their profitability. In the first half of 2011, the Group recorded sales of RMB1,455,740,000, representing an increase of 13.59% compared to the corresponding period last year. Profit attributable to shareholders of the Company amounted to RMB56,413,000, representing an increase of 441.76% compared to the corresponding period last year.

2. Progress of New Operations

(1) Solar Photovoltaic Glass Business

During the reporting period, the Group achieved remarkable progress in the industrialization and scale development of its solar photovoltaic glass business. The four solar photovoltaic glass production lines of the Xianyang Phase I Project and the Xianyang Phase II Project, both completed and put into production, were in good working order and achieved strong production and sales. In addition, the expansion projects were progressing steadily. In particular, the Xianyang Phase III Project was proceeding smoothly on schedule and was expected to be ready for furnace ignition and start pilot production by the end of 2011; the Xianyang Phase IV Project, which is a redevelopment project based on the former color picture tube ("**CPT**") glass plant, launched in March 2011 and was expected to be ready for furnace ignition and start pilot production by the end of 2011; the Hefei Project, which comprises three furnaces and 12 production lines, commenced construction in November 2010 and was expected to ignite its first furnace and start pilot production by the end of 2011.

(2) Luminous Materials Business

During the first half of 2011, with respect to luminous materials business, in response to the complex business environment, the Group took the initiative and conducted prudent analysis to successfully secure orderly production. In addition, by way of improving product quality and after-sales services and implementing differentiated marketing campaigns, the Group effectively passed relevant costs onto customers through adjusting market prices, and thus achieved satisfactory results in marketing. During the reporting period, the results of the Group's luminous materials business recorded a significant increase as compared to the corresponding period last year.

In the first half of 2011, the sales volume of the Group's energy saving lamp phosphor recorded an increase of approximately 44% compared to the corresponding period last year; and the sales volume of CCFL phosphor nearly doubled as compared to the corresponding period last year. Besides, thanks to the successful marketing of new products such as PDP phosphor, electronic silver paste and lithium battery powder, the sales volumes of PDP phosphor, electronic silver paste and lithium battery powder amounted to approximately 6 tonnes, 6 tonnes and 10 tonnes respectively.

(3) TFT-LCD Glass Substrate Business

During the reporting period, leveraging its production practices and technical experience accumulated for a long time, the Group continued to upgrade the manufacturing standard of the production lines for the Phase I Project of LCD glass substrates. The Group already signed supply agreements with a number of downstream companies and commenced the supply from June 2011. Construction of some production lines of its Phase II Project have been completed and the pilot production for products with different specifications such as 0.5mm and 0.7mm has also been completed, with their yield of fine products improving steadily. Client accreditation and trial use progressed smoothly. Other production lines in the Phase II Project are under construction as at the date hereof.

(4) Display Device Business

IRICO (Foshan) Flat Panel Display Co., Ltd., a subsidiary of the Company, successfully illuminated its first PM-OLED product in December 2010. Its production line was successfully completed in the reporting period and its AM-OLED project is under construction.

During the reporting period, as the CPT industry experienced rapid contraction, the Group, by adopting a series of measures such as enhancing marketing efforts, reinforcing cost control and streamlining personnel, managed to minimize the impact of CPT business on its results.

(III) FINANCIAL REVIEW

1. Overall performance

The overall gross profit margin of the Group decreased from 14.92% for the first half of 2010 to 10.64% for the first half of 2011, which was mainly attributable to the sharp contraction of CPT market and the erosion of profit margins of CPT and its components. Profit attributable to owners of the Company for the first half of 2011 was RMB56,413,000, representing an increase of 441.76% compared to the same period last year, which was mainly attributable to the rapid development of the Group's new businesses such as solar photovoltaic glass and luminous materials, the expansion of their the scale and the improvement of their profitability.

2. Capital structure

As at 30 June 2011, 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 intended 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 2011, its total liabilities including bank borrowings amounted to RMB6,026,342,000 in aggregate (as at 31 December 2010: RMB5,106,823,000) with its cash and bank balances amounting to RMB1,919,724,000 in aggregate (as at 31 December 2010: RMB2,747,848,000) and its gearing ratio (i.e. total liabilities divided by total assets) of 51% (as at 31 December 2010: 47%).

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 2011, the operating cost of the Group increased by RMB3,666,000 as a result of exchange rate fluctuations (as at 30 June 2010: RMB976,000). There was no material impact on the operating capital or liquidity as a result of exchange rate fluctuations.

4. Commitments

As at 30 June 2011, the capital commitments of the Group amounted to RMB2,648,530,000 (as at 31 December 2010: RMB1,874,721,000).

5. Contingent liabilities

As at 30 June 2011, the Group had no material contingent liability.

6. Pledged assets

As at 30 June 2011, the bank loans of the Group amounted to approximately RMB228,400,000, which were secured by certain leasehold land and land use rights, buildings, equipment, trade receivables and inventories of the Group.

As at 31 December 2010, the bank loans of the Group amounted to approximately RMB238,000,000, 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 2011, 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 Fanshawe College against the Company and the A Share Company

  The Company and IRICO Display Device Co., Ltd. (the "**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 normal business operation of the Group.

- Claims by Curtis Saunders against the Company and the A Share Company

  In January 2010, IRICO Group, the Company and the 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 normal business operation of the Group.

- Claims by American Crago Company against the A Share Company

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

  During the reporting period, there was no update on the pending litigations which were disclosed by the Company previously. In the opinion of the Directors, such cases will not have any material impact on the Group's interim financial statements for the six months ended 30 June 2011. For details of such cases, please refer to the Company's 2010 annual report dated 11 April 2011.

CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the documents regarding the Company's adoption of relevant corporate governance, and is of the opinion that such documents are in compliance with the principles and code provisions as set out in the Code on Corporate Governance Practices (the "**Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Directors are not aware of any information that would reasonably indicate the non-compliance of the Company or any of the Directors regarding the Code at any time during the period ended 30 June 2011. 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, the Company established an audit committee of the Company (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 2011.

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

The 2011 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
IRICO Group Electronics Company Limited
Xing Daoqin
Chairman

Shaanxi Province, the PRC
26 August 2011

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*