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)

Interim Report **2010**

* For identification purposes only

CONTENTS

I. RESULTS HIGHLIGHTS

(RMB'000)	**First half of 2010**	First half of 2009 (Restated)	Increase/ (decrease)	Percentage Change *(%)*
Turnover	**1,281,585**	818,277	463,308	56.62
Gross profit/(loss)	**191,150**	(22,715)	213,865	(941.51)
Operating profit/(loss)	**55,286**	(176,239)	231,525	(131.37)
Profit/(loss) before tax	**20,263**	(191,475)	211,738	(110.58)
Profit/(loss) for the period	**16,528**	(191,445)	207,973	(108.63)
Attributable to:				
Owners of the Company	**10,413**	(121,373)	131,786	(108.58)
Non-controlling interests	**6,115**	(70,072)	76,187	(108.73)
Total comprehensive income (expenses) for the period	**17,125**	(191,417)	208,542	(108.95)
Attributable to:				
Owners of the Company	**11,010**	(121,345)	132,355	(109.07)
Non-controlling interests	**6,115**	(70,072)	76,187	(108.73)
Gearing ratio	**71%**	62%	9%	N/A

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Conditions of the Industry

1. Display Devices

During the reporting period, the global display device industry continued its shift towards flat panels.

During the first half of 2010, the output volume of global liquid crystal display ("LCD") panels accounted for 71,000,000 square metres, representing a year-on-year growth of 53%, of which the output volume of LCD panels for LCD television sets exceed 100,000,000 units, representing a year-on-year increase of 68%. In China, LCD industry is in fast growing stage. The domestic output volume of LCD panels accounted for 1,810,000 square metres in the first half of 2010, representing a year-on-year increase of 53%. Meanwhile, investment in the domestic LCD panel industry remained competitive. In the beginning of the year, a 8.5-generation LCD panel line in Shenzhen owned by another company had commenced construction while investment plans for several LCD panel lines are under review. Three years in the future, as more LCD panel lines being built and put into production, the output volume of domestic LCD panels will hopefully sustain rapid annual growth of approximately 85% in the next three years.

The performance of the global cathode ray tube ("CRT") (with colour picture tube ("CPT"), being a type of CRT) television set industry was broadly in line with expectation in the first half of 2010, with significantly narrowed loss despite continuing recession. In China, the production volume and exports of CRT television sets accounted for 10,385,000 units and 7,412,000 units in the first half of the year respectively, representing a year-on-year increase of 12.5% and 37.9%, respectively. Exports had then provided a strong underpinning to the partial recovery of the domestic CRT industry. As for CPTs, the production volume of CPTs in China increased by 13.8% year-on-year to 13,063,000 units in the first half of the year, well above the general estimate in the beginning of the year. Such growth was mainly attributed to the resume in demand for CRT television sets and CPTs from developing countries in the first half of the year. However, under continuous price downturn of flat TV, future for the CRT industry will still be exposed to substantial risks but further reorganization and adjustment in the industry as well as the shortage of CPT raw materials will present industry leaders with opportunities to run a successful business.

In the organic light-emitting diode ("OLED'') industry, the global output volume of PM-OLED ("Passive Matrix'') accounted for 25,200,000 units in the first half of the year, representing a modest increase of 3.1% while that of AM-OLED ("Active Matrix'') which will be the mainstream OLED in the future accounted for 18,650,000 units, representing a year-on-year increase of 127%. The annual output volume of AM-OLED products is expected to increase to 47,630,000 units with the year-on-year growth rate of more than 100%, which will exceed the annual output volume of PM-OLED for the first time.

2. LCD Glass Substrate

Strong momentum in the global LCD panel industry in the first half of 2010 had also driven the thin film transistor liquid crystal display ("TFT-LCD") glass substrate ("LCD glass substrate") market to solid growth in the same period. In the first half of the year, the global LCD glass substrate market reached a scale of 142,000,000 square metres, representing a year-on-year increase of 53%, which is the fastest growth rate in the last three years. Due to an accelerating demand for LCD glass substrate, the global supply of LCD glass substrate in the first half of the year remained tight. For instance, the shortage of the fifth and sixth generation glass substrates in Taiwan region accounted for 10 to 20% of the total demand during the first quarter. Looking over the year as a whole, the demand for LCD glass substrates is expected to hurdle over 300,000,000 square metres over the year-on-year increase of nearly 40%. As for the market in Mainland China, the increase in capacity utilization of panel enterprises and the expansion of production of certain manufacturers in the first half of the year had stimulated demand for LCD glass substrates to increase by more than 50% year-on-year. With new panel lines to come on stream in China in the second half of the year, demand for LCD glass substrates is expected to grow substantially going forward.

3. Solar Photovoltaic Glass

In recent years, low-carbon economy, energy saving and emission reduction as well as renewable energy development have become a consensus among governments around the world and solar photovoltaic has been one of the fastest-growing branches in the new energy industry up to date. The global solar photovoltaic market will have the better-than-expected growth in 2010, with installed global solar photovoltaic modules expected to increase by 93% year-on-year to 13.57GW. As the world's largest manufacturing and export base of photovoltaic modules, China had a year-on-year increase of 162% and 223%in its export volume and export value respectively in the first half of the year. In the same period, exports of domestic photovoltaic glass witnessed a strong growth. In the context of a booming photovoltaic module industry, the market of solar photovoltaic glass for encapsulation of photovoltaic modules is also expected to have the better-than-expected growth in 2010. Taking exports into account, the output volume of solar photovoltaic glass in Mainland China looks set to increase by nearly 50% year-on-year to over 100,000,000 square metres in 2010.

4. Luminous Materials

Luminous materials are yet another business focus of the Group. As Australia and European Union launched policies to prohibit use of incandescent lamp, global energy saving lamp market recorded admirable growth in 2010. Further, in October 2009, European Union revoked anti-dumping duty which has been imposed on energy saving lamps exported from China for 8 years. Therefore, China's energy saving lamp industry operated in a more favourable environment in 2010. In the first half of the year, exports of China's energy saving lamps amounted to 1,456,000,000 units, representing a year-on-year increase of 64%. As a result, market demand for domestic energy saving lamp phosphors grew rapidly. Apart from energy saving lamp phosphors, cold cathode fluorescent lamp ("CCFL") phosphor ("CCFL phosphor") for LCD backlight business, light emitting diode ("LED") phosphor business and plasma display panel ("PDP") phosphor ("PDP phosphor") business in Mainland China also experienced varying degree of growth in the first half of 2010, thanks to the stable momentum of China's panel display industry.

(II) Business Review

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 tons together with the ancillary construction of two 125 tons/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. Business Results

1) *Unaudited profit and loss (RMB'000)*

	For the six months ended 30 June			
(RMB'000)	**2010**	2009 (Restated)	Increase/ (decrease)	Percentage Change (%)
Turnover	**1,281,585**	818,277	463,308	56.62
Sales of CPTs	**702,548**	572,979	129,569	22.61
Sales of components and materials	**579,037**	245,298	333,739	136.05
Cost of sales	**(1,090,435)**	(840,992)	(249,443)	29.66
Gross profit/(Gross loss)	**191,150**	(22,715)	213,865	(941.51)
Operating expenses				
Administrative expenses	**(104,502)**	(137,559)	33,057	(24.03)
a) General administrative expenses	**(95,686)**	(127,924)	32,238	(25.20)
b) Research and development expenses	**(8,816)**	(9,635)	819	8.5
Selling and distribution costs	**(53,259)**	(37,973)	(15,286)	40.25
Other operating expenses	**(2,246)**	(764)	(1,482)	193.98
Operating profit/(loss)	**55,286**	(176,239)	231,525	(131.37)
Finance costs	**(35,060)**	(18,423)	(16,637)	90.31
Profit/(loss) for the period	**16,528**	(191,445)	207,973	(108.63)
Attributable to:				
Owners of the Company	**10,413**	(121,373)	131,786	(108.58)
Non-controlling interests	**6,115**	(70,072)	76,187	(108.73)
Total comprehensive income (expenses) for the period	**17,125**	(191,417)	208,542	(108.95)

2) Turnover

Turnover by product *(RMB'000)*

Name	**2010**	2009	**Increase/ (decrease)**	**Change** (%)
CPTs	**702,548**	572,979	129,569	22.61
Components and materials	**579,037**	245,298	333,739	136.05
Total	**1,281,585**	818,277	463,308	56.62

3. Change Over Corresponding Period Last Year and Reasons

1) Turnover and gross profit margin

In the first half of 2010, the turnover of the Group increased by RMB463,308,000 or 56.62% to RMB1,281,585,000, as compared to the corresponding period in 2009. Of which, turnover from CPT increased by RMB129,569,000 or 22.61% to RMB702,548,000 when compared to that of the corresponding period in 2009. Turnover from components and materials increased by RMB333,739,000 or 136.05% to RMB579,037,000 as compared to the corresponding period in 2009. The overall gross profit margin of the Group increased from -2.78% in the first half of 2009 to 14.92% in the first half of 2010, mainly due to the increase in gross profit margin of the whole Group as a result of the increased profitability of our new business segments and the increased profitability of our products due to continuous reduction in costs through strengthened cost control initiatives and optimization of product mix.

2) Administrative expenses

The Group's administrative expenses in the first half of 2010 decreased by RMB33,057,000 or approximately 24.03%, to RMB104,502,000 from RMB137,559,000 for the corresponding period in 2009. The decrease in administrative expenses was mainly attributable to the increase in production capacity of traditional business segments and significant decrease in losses arising from suspension of production as a result of the strengthening of marketing efforts and timely adjustment of product mix.

3) Finance cost

The Group's finance costs in the first half of 2010 was RMB35,060,000 (excluding interest expense capitalized amounting to RMB9,500,000), representing an increase of RMB16,637,000 or approximately 90.31%, from RMB18,423,000 for the corresponding period in 2009. The increase in finance cost was mainly attributable to an increase in borrowings due to the development of new business segments.

4. Current assets and financial resources

As at 30 June 2010, the Group's cash and bank balances aggregated to RMB1,394,251,000, representing an increase of RMB316,590,000 or 29.38%, from RMB1,077,661,000 as at 31 December 2009. For the half year ended 30 June 2010, the Group's capital expenditures totaled RMB1,408,797,000 (as at 30 June 2009: RMB64,494,000). Net cash flow from operating activities was RMB297,458,000 (as at 30 June 2009: RMB214,600,000), while net cash flow from financing activities and used for investing activities were RMB1,309,645,000 (as at 30 June 2009: RMB45,231,000) and RMB1,291,110,000 (as at 30 June 2009: RMB61,783,000), respectively.

As at 30 June 2010, the Group's total borrowings aggregated to RMB3,169,656,000, of which borrowings due within one year amounted to RMB2,189,548,000 and borrowings with maturity beyond one year amounted to RMB980,108,000. As at 31 December 2009, the Group's borrowings was RMB1,815,451,000, of which borrowings due within one year amounted to RMB1,221,949,000 and borrowings with maturity beyond one year amounted to RMB593,502,000. As at 30 June 2010, bank loans amounted to approximately RMB343,000,000 (as at 31 December 2009: RMB197,000,000) were secured by certain land and land use rights, buildings, equipment, trade receivables and inventories of the Group.

For the half year ended 30 June 2010, the turnover period for accounts receivable of the Group was 105 days, representing a decrease of 71 days from 176 days for the half year ended 30 June 2009. The decrease in the turnover days for accounts receivable was mainly attributable to the quickening of the turnover of trade receivable following a 56.62% year-on-year increase in turnover along with a 17.15% decrease in trade receivable as compared with the beginning of the year under doubled efforts in the collection of trade receivables during the Group's market expansion. For the half year ended 30 June 2010, the inventory turnover days of the Group decreased by 90 days from 164 days for the half year ended 30 June 2009 to 74 days, mainly attributable to the Group's strengthening of marketing efforts as well as its sales-oriented approach to production, which led to scientific and logical production and procurement as well as the reduction of inventories and fund appropriation.

5. 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%).

6. Interim dividend

As there was no accumulated surplus in the first half of 2010, the Board resolved not to distribute any interim dividends.

7. 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.

8. Commitments

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

9. Contingent liabilities

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

10. 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.

III. OTHER INFORMATION

(1) Share Appreciation Rights Plan

Pursuant to the Share Appreciation Rights Plan of the Company (details of which were set out in the Company's prospectus dated 8 December 2004), as at 30 June 2010, the following Directors, Supervisors and senior management members were granted share appreciation rights by the Company:

Name	Number of Share Appreciation Rights *(Shares)*	Note
Xing Daoqin	3,600,000	Director
Tao Kui	2,920,000	Director
Zhang Junhua	1,950,000	Director
Guo Mengquan	2,460,000	Director
Niu Xinan	1,600,000	Director
Fu Jiuquan	1,050,000	Director
Zhang Weichuan	1,320,000	Director
Fu Yusheng	600,000	Supervisor
Tang Haobo	400,000	Supervisor
Zhang Chunning	1,570,000	Senior Management
Zou Changfu	1,320,000	Senior Management
Ma Jianchao	1,120,000	Senior Management
Chu Xiaohang	330,000	Senior Management

(2) Interests and Short Positions of Directors, Supervisors and Senior Management

Save as disclosed in (1) above, as at 30 June 2010, none of the Directors, Supervisors, chief executive or senior management members of the Company or their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which was required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which any such Directors, Supervisors, chief executive or senior management members was deemed or taken to have under provisions of such chapters of the SFO), or which was otherwise required to be entered in the register to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(3) Interests and Short Positions of Substantial Shareholders and Other Persons

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of senior management of the Company, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2010 and as entered in the register of interests to be kept pursuant to section 336 of the SFO: IRICO Group Corporation had interests in 1,601,468,000 domestic shares of the Company (representing 100% of the Domestic Share capital), whereas HKSCC (Nominees) Limited had interests in 531,899,189 H shares of the Company (representing 99.63% of the H share capital). Xing Daoqin, Tao Kui, Guo Mengquan and Fu Jiuquan are the Company's Directors, and are IRICO Group Corporation's General Manager, Vice General Manager, Vice General Manager and Chief Accountant respectively.

Notes:

As at 30 June 2010, based on the information available to Directors and so far as the Directors are aware, HKSCC (Nominees) Limited held 531,899,189 H shares, among which:

Baystar Capital II, L.P. had beneficial interests in 54,509,400 H shares of the Company (representing approximately 10.21% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same tranche of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P..

J.P. Morgan Fleming Asset Management Holdings Inc. held 37,116,200 H shares of the Company (representing 6.95% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 36,517,800 H shares of the Company were held by JF Asset Management Limited and 598,400 H shares of the Company were held by JF International Management Inc..

Pictet Asset Management Limited held direct interests in 30,236,800 H shares (representing approximately 5.66% of the H Share capital) in the Company on behalf of Pictet Funds Asian Equities, which had interests in 31,354,400 shares.

(4) 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.

(5) Independent Non-executive Directors

The Group has complied with the requirement concerning the appointment of sufficient independent non-executive Directors and that at least one of them possesses appropriate professional qualification or appropriate accounting or relevant financial management expertise set out in Rule 3.10(1) and 3.10(2) of the Listing Rules. The Company has appointed five independent non-executive Directors, one of whom possesses financial management expertise.

(6) 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.

(7) Model Code for Securities Transactions by the Directors of Listed Issuers

For the six months period ended 30 June 2010, the Company has adopted a model code for securities transactions by Directors and Supervisors of the Company which is no less exacting than the standard stipulated by the Model Code. Having made specific enquiry in the reporting period, the Company has confirmed that all Directors and Supervisors have complied with the requirements set out in the Model Code.

(8) 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.

(9) Employees

As at 30 June 2010, the Group has a total of 5,796* employees. Of which, approximately 9.3% are management and administrative staff, 7.9% are technicians, 1.4% are financial and auditing staff, 1.6% are sales and marketing staff, 77.5% are production workers and others are 2.3%.

The Company's employment and remuneration policies remain unchanged from those described in the prospectus of the Company dated 8 December 2004. The Group's employees are enthusiastic about their work and are committed to the provision of high quality products and reliable services.

* *Excluding service dispatch worker*

(10) Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, the Directors believe that the percentage of shares of the Company in public hands at all times during the reporting period was in compliance with the prescribed level of the minimum public float as set out in Rule 8.08 of the Listing Rules.

(11) Significant Investments

During the reporting period, save as disclosed below, the Company had not made any other significant investment.

Leveraging on the successful establishment of the first phase of the self-developed photovoltaic glass production line project, the Company further established the second phase of the solar photovoltaic glass production line project with an investment of RMB187.26 million in March 2010. According to the project plan, a glass furnace with a daily melting capacity of 250 tons will be built together with the ancillary construction of two 125 tons/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. The project is expected to commence operation in October 2010 and will commence trial production in November 2010.

(12) Material Acquisition and Disposal

During the reporting period, the Company did not have any material acquisition or disposal of subsidiaries and associated companies.

(13) 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.

IV. CORPORATE INFORMATION

Executive Directors

Xing Daoqin	*Chairman*
Tao Kui	*Vice Chairman*
Zhang Junhua	*President*

Non-executive Directors

Guo Mengquan
Niu Xinan
Fu Jiuquan
Zhang Weichuan

Independent Non-executive Directors

Xu Xinzhong
Feng Bing
Wang Jialu
Lv Hua
Zhong Pengrong

Chief Financial Controller

Ma Jianchao (Appointed on 17 May 2010)

Joint Company Secretaries

Chu Xiaohang
Lam Chun Lung

Qualified Accountant

Lam Chun Lung

Authorized Representatives

Zhang Junhua (Appointed on 12 July 2010)
Chu Xiaohang (Appointed on 12 July 2010)

Legal address in the PRC
No. 1 Caihong Road
Xianyang, Shaanxi Province
The People's Republic of China
Postal code: 712021

Place of business in Hong Kong
Unit 3103, 31st Floor
Office Tower, Convention Plaza,
1 Harbour Road, Wanchai
Hong Kong

Company website
www.irico.com.cn

Legal adviser
Baker & McKenzie
14th Floor, Hutchison House
10 Harcourt Road, Hong Kong

Auditor
SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

Registrar of H Shares
Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Center
183 Queen's Road East
Hong Kong

Investor and media relations
Wonderful Sky Financial Group Limited
Unit 3103, 31st Floor
Office Tower, Convention Plaza, 1 Harbour Road
Wanchai
Hong Kong

INDEPENDENT REVIEW REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

To the board of directors of
IRICO Group Electronics Company Limited
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 27 to 80 which comprises the condensed consolidated statement of financial position of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes.

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REVIEW CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Ip Yu Chak
Practising certificate number: P04798

Hong Kong
18 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 profit 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)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Notes	Six months ended 30 June **2010** **RMB'000** **(Unaudited)**	2009 RMB'000 (Restated) (Unaudited)
Other comprehensive income			
Exchange difference on translation of foreign operations		**597**	28
Total comprehensive income (expense) for the period		**17,125**	(191,417)
Profit (loss) attributable to:			
Owners of the Company		**10,413**	(121,373)
Non-controlling interests		**6,115**	(70,072)
		16,528	(191,445)
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)
Earnings (loss) per share — Basic and diluted	10	**RMB0.49 cents**	(RMB5.68 cents)

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	11	**3,111,012**	1,718,922
Investment properties	11	**17,008**	17,513
Leasehold land and land use rights	11	**159,224**	161,044
Intangible assets	11	**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	12	**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)*

AS AT 30 JUNE 2010

	Notes	**30 June 2010 RMB'000 (Unaudited)**	31 December 2009 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	13	**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	14	**2,189,548**	1,221,949
		3,365,850	2,436,448
Net current (liabilities) assets		**(449,666)**	241,765
Total assets less current liabilities		**3,213,239**	2,615,705

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2010

	Notes	**30 June 2010 *RMB'000* (Unaudited)**	31 December 2009 *RMB'000* (Audited)
Capital and reserves			
Share capital	15	**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	14	**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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company					
	Share capital	**Other reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010 (audited)	1,941,174	730,061	(1,479,865)	1,191,370	709,824	1,901,194
Profit for the period	—	—	10,413	10,413	6,115	16,528
Other comprehensive income for the period	—	597	—	597	—	597
Total comprehensive income for the period	—	597	10,413	11,010	6,115	17,125
Issue of shares by capitalisation of capital reserve	194,117	(194,117)	—	—	—	—
Acquisition of additional interest in a subsidiary	—	(1,423)	—	(1,423)	(20,137)	(21,560)
Capital contribution from a non-controlling interest	—	—	—	—	19,600	19,600
	194,117	(195,540)	—	(1,423)	(537)	(1,960)
Balance at 30 June 2010	2,135,291	535,118	(1,469,452)	1,200,957	715,402	1,916,359

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009 (audited)	1,941,174	768,328	(366,851)	2,342,651	1,150,831	3,493,482
Loss for the period (restated)	—	—	(121,373)	(121,373)	(70,072)	(191,445)
Other comprehensive income for the period	—	28	—	28	—	28
Total comprehensive income (expense) for the period	—	28	(121,373)	(121,345)	(70,072)	(191,417)
Dividend paid to non-controlling interests	—	—	—	—	(3,555)	(3,555)
Balance at 30 June 2009 (restated)	1,941,174	768,356	(488,224)	2,221,306	1,077,204	3,298,510

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Net cash from operating activities	**297,458**	214,600
Net cash used in investing activities	**(1,291,110)**	(61,783)
Net cash from (used in) financing activities	**1,309,645**	(45,231)
Net increase in cash and cash equivalents	**315,993**	107,586
Cash and cash equivalents at 1 January	**1,077,661**	556,606
Effect of foreign exchange rate changes	**597**	28
Cash and cash equivalents at 30 June	**1,394,251**	664,220

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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").

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

2. BASIS OF PREPARATION *(Continued)*

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 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. Certain comparative figures of the condensed consolidated interim financial information have been restated and details are disclosed in Note 4.

In preparing the condensed consolidated interim financial information, the directors of the Company 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

2. BASIS OF PREPARATION *(Continued)*

Taking into account of the internally generated funds, the net proceeds received and ongoing support from its bankers, 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 has 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 interpretations ("new and revised HKFRSs") issued by the HKICPA.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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]

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.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 of the Company 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

4. SUMMARY OF THE EFFECTS FOR COMMON CONTROL COMBINATION

As described in Note 2, the Group had undertook common control combination during the year ended 31 December 2009.

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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

4. SUMMARY OF THE EFFECTS FOR COMMON CONTROL COMBINATION *(Continued)*

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:

Expressed in RMB per share	**Six months ended 30 June 2009** *RMB'000*
Reported figures before adjustments	(5.60 cents)
Adjustments arising on common control combination	(0.08 cents)
Restated	(5.68 cents)

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

	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 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 profit of associates				3,187
Loss before taxation				(191,475)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment assets *(Continued)*

	CPT production and sales *RMB'000*	Trading and assembly of glass related products *RMB'000*	Development of others *RMB'000*	Consolidated *RMB'000*
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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*
		(Restated)
	(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**	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

7. PROFIT (LOSS) BEFORE TAXATION *(Continued)*

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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)

8. TAXATION *(Continued)*

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%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

8. TAXATION *(Continued)*

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

10. EARNINGS (LOSS) PER SHARE *(Continued)*

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. CAPITAL EXPENDITURE

During the six months ended 30 June 2010, the Group spent approximately RMB1,408,797,000 (Six months ended 30 June 2009: RMB39,093,000) on additions of property, plant and equipment. There were no additions for leasehold land and land use right (Six months ended 30 June 2009: RMB25,401,000), investment properties and intangible assets for the six months ended 30 June 2010 and 2009.

During the six months ended 30 June 2010, the Group received cash proceeds of approximately RMB15,111,000 (Six months ended 30 June 2009: RMB1,201,000) on disposals of property, plant and equipment with carrying values of approximately RMB6,598,000 (Six months ended 30 June 2009: RMB3,108,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

12. 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)
Trade receivables		
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

13. TRADE AND BILLS PAYABLES

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

	30 June 2010 **RMB'000** **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
Trade payables		
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

14. BANK AND OTHER BORROWINGS

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans — secured	**343,000**	197,000
Bank loans — unsecured		
Guaranteed by the ultimate holding company	**1,770,108**	983,501
Advanced from banks on discounted trade receivables	**—**	34,950
Other loans — unsecured	**50,000**	50,000
Other loans — unguaranteed	**1,006,548**	550,000
	3,169,656	1,815,451

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

14. BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The bank and other borrowings are repayable as follows:		
Within one year or on demand	**2,189,548**	1,221,949
More than one year, but not exceeding two years	**—**	—
More than two years, but not exceeding five years	**700,000**	320,000
More than five years	**280,108**	273,502
	3,169,656	1,815,451
Less: Amounts due within one year shown under current liabilities	**(2,189,548)**	(1,221,949)
Amounts due over one year shown under non-current liabilities	**980,108**	593,502

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

14. BANK AND OTHER BORROWINGS *(Continued)*

During the period, the Group obtained new bank borrowings amounting to approximately RMB1,854,599,000. The bank and other borrowings carry interests ranging from 2.89% to 7.00% (31 December 2009: 2.92% to 5.94%) per annum. The loans raised during the period were used to finance the operations of the Group.

As at 30 June 2010, bank borrowings of approximately RMB343,000,000 (31 December 2009: RMB197,000,000) were secured by certain leasehold land and land use rights, buildings and machineries, trade and bills receivables and inventories of the Group respectively, and bank borrowings of approximately RMB1,770,108,000 (31 December 2009: RMB983,501,000) were guaranteed by the Company's ultimate holding company. Details of the pledge of assets are disclosed in Note 18.

As at 30 June 2010, included in the unsecured bank borrowings of approximately RMB145,000,000 (31 December 2009: RMB145,000,000), representing unguaranteed bank borrowings which were secured by certain land and buildings with carrying amount of approximately RMB164,757,000 (31 December 2009: RMB169,059,000) of IRICO Group, the Company's ultimate holding company. In addition to the above securities, 37.5% of the issued shares of the Company held by the ultimate holding company were pledged against the borrowing granted to the Group during both periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

15. SHARE CAPITAL

A summary of the movements in the registered, issued and fully paid capital of the Company is as follows:

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid:		
At 1 January 2009, 31 December 2009 and 1 January 2010		
Domestic shares of RMB1 each	1,455,880,000	1,455,880
H shares of RMB1 each	485,294,000	485,294
	1,941,174,000	1,941,174
Issue by capitalisation of the capital reserve during the period *(Note)*:		
Domestic shares of RMB1 each	145,588,000	145,588
H shares of RMB1 each	48,529,400	48,529
	194,117,400	194,117
At 30 June 2010	2,135,291,400	2,135,291

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

15. SHARE CAPITAL *(Continued)*

Note: 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.

The capitalisation issue was approved by the shareholders at the extraordinary general meeting held on 28 January 2010 and the new shares were issued to the shareholders on 1 February 2010. The details are stated in the Company's announcement dated 3 December 2009 and circular dated 14 December 2009.

16. RELATED PARTY TRANSACTIONS

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 75% of the Company's shares. The remaining 25% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and jointly controlled entities (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influences, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

IRICO Group Corporation is controlled by the PRC government. In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are also regarded as related parities of the Group and defined as "Other state controlled enterprise". For purpose of related transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, in the opinion of the directors, the majority of the Group's activities have been conducted with other state controlled enterprises in the Group's ordinary course of business. In the meantime, the meaningful information relating to related party transactions has been adequately disclosed.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

The following transactions were carried out with related parties:

(a) Sales of goods

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods *(Note)*		
The IRICO Group		
— Shenzhen Hongyang Industry & Trade Company	**2,343**	3,800
— Xianyang IRICO Thermoelectricity Co., Ltd.	**153**	—
— Caihong Labour Services Company	**1**	51
— Shannxi IRICO Photo Electronic Material Corporation	**1,315**	99
— The ultimate holding company	**4**	1,284
— Shannxi IRICO Construction Engineering Co., Ltd.	**18**	—
— IRICO Colour Picture Tube Plant	**1,426**	133
	5,260	5,367
Other state-controlled entities	**408,795**	312,344

Note: *Sales to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of goods from the IRICO Group *(note i)*		
— Shannxi IRICO Photo Electronic Material Corporation	**71**	11,472
— Caihong Labour Services Company	**—**	18,522
— Xianyang Cailian Packaging Materials Co., Ltd.	**265**	16,587
— Xianyang Caihong Adhesive Belt Co., Ltd.	**—**	580
— Shenzhen Hongyang Industry & Trade Company	**11,441**	9,577
— Xianyang IRICO Digital Display Co., Ltd.	**11,129**	—
— Xianyang IRICO Thermoelectricity Co., Ltd.	**1,073**	—
— the ultimate holding company	**—**	107,017
	23,979	163,755
Other state-controlled entities	**68,270**	134,557

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Provision of services from the IRICO Group		
— Utility charges to Color Picture Tube Plant *(note ii)*	**86,823**	55,037
— Network fee to the ultimate holding company	**22**	144
— Rental expense to the ultimate holding company *(note (iii))*	**18,251**	18,207
— Trademark license fee to the ultimate holding company *(note (iv))*	**704**	569
— Miscellaneous charges to Color Picture Tube Plant	**65**	—
— Interest expense paid to the ultimate holding company	**12,466**	3,562
	118,331	77,519

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Purchases of goods and provision of services *(Continued)*

Notes:

(i) *Purchases from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.*

(ii) *Various kinetic energy charges were paid/payable by the companies of the Group to the Colour Picture Tube Plant of the ultimate holding company based on the agreed rates for the six months ended 30 June 2010 and 2009.*

(iii) *From 1 January 2004 to 31 December 2009, the Group is required to pay RMB11 per square metre per annum for the use of land use rights and RMB9 and RMB30 per square metre per month for the use of buildings in Xianyang and Beijing respectively, pursuant to the Premises Leasing Agreement. The Group is required to pay RMB14.5 per square metre per annum for the use of land use rights and RMB9.5 and RMB30 per square metre per month for the use of buildings in Xianyang and Beijing respectively, pursuant to the Premises Leasing Agreement signed from 1 January 2010 onwards. Accordingly, rental charges for the six months ended 30 June 2010 amounted to approximately RMB18,251,000 (2009: RMB18,207,000).*

(iv) *License fee for using the trademark owned by the ultimate holding company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, IRICO Display, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice, and it was revised to the end on 31 December 2006. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed and further renewed for a term of 3 years up to 31 December 2009 and 31 December 2012 respectively.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with ultimate holding company

(i) Loans from the ultimate holding company

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other payables and accruals	**28,329**	87,565

Loans from the ultimate holding company were unsecured and bore interests at 5.47% to 6.22% (31 December 2009: 5.47% to 6.22%) per annum and were repayable on demand. The interest expense paid to the ultimate holding company during the period amounted to approximately RMB12,466,000 (Six months ended 30 June 2009: RMB3,562,000).

(ii) Amount due from the ultimate holding company

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other receivables, deposits and prepayments	**63,474**	60,296

The balances are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with ultimate holding company *(Continued)*

(iii) Amount due to the ultimate holding company

	30 June 2010 ***RMB'000*** **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
Included in other payables and accruals	**189,558**	183,313

The balances are unsecured, interest-free and repayable on demand.

(iv) Directors' emolument borne by the ultimate holding company

The emoluments of four non-executive directors of the Company, Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan and Mr. Guo Mengquan were borne by the Group's ultimate holding company, IRICO Group for both six months ended 30 June 2010 and 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with ultimate holding company *(Continued)*

(v) Guarantees granted or assets pledged by the ultimate holding company

As at 30 June 2010 and 31 December 2009, the ultimate holding company granted a guarantee and pledged certain of its land and buildings to the Company and the Group for certain bank borrowings (Note 14).

As at 30 June 2010 and 31 December 2009, the ultimate holding company had pledged its 37.5% equity interests in the Company to secure certain bank borrowings granted to the Group (Note 14).

(d) Amount due to a fellow subsidiary

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other payables and accruals		
Rui Bou Electronics (HK) Limited	**68,431**	69,076

The balance is unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Key management compensation

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**689**	732
Retirement benefit contributions	**79**	58
	768	790

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales/purchases of goods/provision of services

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from related parties *(note)*:		
The IRICO Group		
— Shannxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**2,089**	744
— Xianyang IRICO Construction Engineering Co., Ltd	**—**	7
— IRICO Hospital	**—**	1
— Shanghai Language Technology Co., Ltd	**2,045**	2,044
— Xianyang IRICO Thermoelectricity Co., Ltd	**—**	3
— Caihong Labour Services Company	**—**	18
— IRICO Group Co.	**—**	323
— Color Picture Tube Plant	**—**	1

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales/purchases of goods/provision of services *(Continued)*

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
— Xianyang IRICO Digital Display Co., Limited	**19**	7
— Shenzhen Hongyang Industry & Trade Company	**811**	785
	4,964	3,933
Other state-controlled entities	**356,217**	423,790
	361,181	427,723
Representing:		
Trade receivables	**123,969**	188,907
Bills receivables	**237,212**	238,816
	361,181	427,723

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales/purchases of goods/provision of services *(Continued)*

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables to related parties *(Note)*:		
The IRICO Group		
— Shannxi IRICO Photo Electronic Material Corporation	**208**	12
— Caihong Labour Service Company	**4,029**	6,979
— Xianyang Cailian Package Material Co. Ltd.	**11,878**	5,588
— Shenzhen Caihong Electronics Co. Ltd.	**1,437**	—
— The ultimate holding company	**53,991**	415
— Xianyang Caihong Adhesive Belt Co., Ltd.	**241**	1,050
— Shenzhen Hongyang Industry & Trade Company	**17,219**	2,048

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Balances arising from sales/purchases of goods/provision of services *(Continued)*

	30 June 2010 ***RMB'000*** **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
— Xianyang IRICO Electronic Materials Co., Ltd	**—**	184
— Color Picture Tube Plant	**—**	12,209
— Xianyang IRICO Digital Display Co., Limited	**3,257**	2,154
	92,260	30,639
Other state-controlled entities	**16,613**	8,505
	108,873	39,144
Representing:		
Trade payables	**108,243**	38,714
Bills payables	**630**	430
	108,873	39,144

Note:

The trade balance in respect of sales and purchases are under the Group's normal trading terms.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

16. RELATED PARTY TRANSACTIONS *(Continued)*

(g) Bank balances in and borrowings from state-controlled banks

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank balances in state-controlled banks	**324,027**	795,286
Bank borrowings from state-controlled banks	**1,713,108**	992,000

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from state-controlled banks	**626**	683
Interest expense to state-controlled banks	**27,561**	24,791

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

17. COMMITMENTS

Capital commitments at the end of the reporting period is as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted for but not provided for		
— Construction of organic light-emitting diode production lines	**151,537**	132,256
— Construction of photovoltaic glass production line	**189,789**	63,326
— Construction of LCD glass substrate production lines	**1,805,425**	29,192
— Construction of PDP/cold cathode fluorescent lamp production lines	**—**	4,176
	2,146,751	228,950

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

17. COMMITMENTS *(Continued)*

As lessee

The future aggregate minimum lease payments under non-cancelable operating leases in respect of plants, office premises and warehouses and prepaid lease payments are as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**40,330**	40,878
In the second to fifth years inclusive	**58,754**	80,271
	99,084	121,149

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

17. COMMITMENTS *(Continued)*

As lessor

At the reporting date, investment properties are leased out for a period of 1 year to 10 years (2009: 1 year to 10 years) from the date of commencement of operation of a lessee that occupies the property and the lease did not have any renewal options given to the lessee. The rental yield for the six months ended 30 June 2010 is 5.76% (31 December 2009: 11.1%). The Group had contracted with tenants for the following future minimum lease payments:

	30 June 2010 *RMB'000* **(Unaudited)**	31 December 2009 *RMB'000* (Audited)
Within one year	**749**	988
In the second to fifth years inclusive	**1,145**	926
Over five years	**327**	594
	2,221	2,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

18. PLEDGE OF ASSETS

At 30 June 2010, certain assets of the Group were pledged to secure bank borrowings granted to the Group as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**172,550**	177,650
Leasehold land and land use rights	**86,772**	19,763
Trade and bills receivables	**255,871**	192,252
Inventories	**138,207**	51,161
	653,400	440,826

19. MATERIAL LITIGATION

The litigation of The Fanshawe College of Applied Arts and Technology (hereafter referred as "Fanshawe College") against IRICO Display

As set out in the announcement published on the Shanghai Stock Exchange on 7 July 2009 by IRICO Display, IRICO Display received a statement of claim from Ontario Superior Court of Justice Canada in respect of the litigation brought by Fanshawe College.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

19. MATERIAL LITIGATION *(Continued)*

Fanshawe College, the plaintiff, accused approximately 30 global CRT manufacturers, including IRICO Display, of a conspiracy to maintain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and enter into agreements raising the price of CRT products to an unreasonable level. All these coerced the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Hence, the parties filed a claim for damages. Ontario Superior Court of Justice Canada has accepted this claim but there is no judgment or ruling yet.

Upon inspection of IRICO Display, it has never sold CRT products in the Canadian market directly or via agency since 1998. IRICO Display's preliminary assessment is that the litigation will not pose any negative impact on its normal business operation.

The Company has also received a statement of claim from Fanshawe College on January 2010, the content and the subject of proceedings of which are basically consistent with the above statement of claim. Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1998. The Company considers that the litigation will not pose any negative impact on its normal business operation.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2010

20. EVENTS AFTER THE INTERIM PERIOD

Reference is made to the announcements of the Company dated 18 September 2009, 22 October 2009 and 30 June 2010 respectively, and the circular of the Company dated 13 November 2009, IRICO Display, a subsidiary of the Company and a company listed in the Shanghai Stock Exchange, has received the approval from China Securities Regulatory Commission on 30 June 2010, that IRICO Display's non-public issue of not more than 540,000,000 new shares has been duly approved. On 29 July 2010, IRICO Display, by way of non-public offering, issued 315,608,888 ordinary shares denominated in RMB (A shares) to 10 specific investors, including IRICO Group, 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. The details are stated in the Company's announcement dated 29 July 2010.

21. COMPARATIVE FIGURES

Certain comparative figures for the consolidated statement of comprehensive income have been reclassified to conform with the current year's presentation. No consolidated statement of financial position as at 1 January 2009 has been presented as the reclassifications would not affect consolidated statement of financial position as at 31 December 2008 and 1 January 2009. Details are set out as follows:

	As previously reported	Reclassification	Merger restatement	As restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other operating income	37,446	(14,759)	85	22,772
Administrative expenses	(135,581)	—	(1,978)	(137,559)
Other operating expenses	(15,523)	14,759	—	(764)