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

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

(Stock Code: 0438)

2011 Interim Report

* For identification purposes only

CONTENTS

I. RESULTS HIGHLIGHTS

(RMB'000)	**First half of 2011**	First half of 2010 (Restated)	Increase/ (decrease)	Percentage Change *(%)*
Turnover	**1,455,740**	1,281,585	174,155	13.59
Gross profit/(loss)	**154,903**	191,150	(36,247)	(18.96)
Operating profit / (loss)	**61,782**	55,286	6,496	11.75
Profit/(loss) before tax	**21,623**	20,263	1,360	6.71
Profit/(loss) for the period	**11,967**	16,528	(4,561)	(27.60)
Attributable to:				
Equity holders of the Company	**56,413**	10,413	46,000	441.76
Minority interests	**(44,446)**	6,115	(50,561)	(826.84)
Total comprehensive income (expenses) for the period	**15,404**	17,125	(1,721)	(10.05)
Attributable to:				
Equity holders of the Company	**59,850**	11,010	48,840	443.60
Minority interests	**(44,446)**	6115	(50,561)	(826.84)
Gearing ratio	**51%**	71%	–20%	N/A

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Conditions of the Industry

1. Solar Photovoltaic Glass

During the reporting period, the global output volume of solar cell modules amounted to 11.61GW, representing an increase of approximately 32% compared to the corresponding period last year. Despite the slowdown of demand from Europe as a result of cutbacks in government subsidies for photovoltaic products by certain countries, demand from countries such as the United States, Japan, India and China still increased rapidly. China is the world's main photovoltaic glass production base. In the first half of 2011, the output volume of photovoltaic glass in China increased by more than 30% compared to the corresponding period last year. However, prices fell as a result of the significant increase in production capacity. Generally, the global photovoltaic industry maintained its burgeoning momentum.

Looking into the second half of 2011, the global photovoltaic industry is expected to be prosperous. This is mainly because the inventories in the global photovoltaic industrial chain in June fell to the average normal level in history; the policies for adjusting government subsidies for photovoltaic products in countries such as German and Italy tended to be stabilize; and the lower prices of photovoltaic products will further stimulate new demand. The output volume of global photovoltaic modules is expected to reach 24.6GW in 2011, among which, the output volume in the second half of 2011 is expected to be 13GW, representing an increase of over 12% as compared to the first half of 2011. Demand for photovoltaic glass is also expected to grow accordingly.

2. Luminous Materials

During the reporting period, prices of rare earth materials and relevant downstream products increased substantially as Chinese government strengthened its regulation and control over rare earth materials and adjusted its export policy. With respect to energy saving lamp phosphors, demand for energy saving lamps from developed countries decreased due to sluggish economy in developed economies such as European countries and the United States, but the anticipation for continuous price increase led to the purchase of lamp phosphors and replenishment of inventories by many manufacturers. Generally, the output volume of China's energy saving lamp phosphors industry in the first half of 2011 was approximately 2,500 tonnes, which remained in the same level as compared to the corresponding period last year. With respect to other luminous materials, such as LED phosphors and PDP phosphors, they maintained growth momentum at different levels in the first half of 2011.

Looking into the second half of 2011, some manufacturers' inventories of energy saving lamp phosphors accumulated in the first half of 2011 will be digested gradually. Therefore, the actual output volume of energy saving lamp phosphors in China in the second half of 2011 is expected to decrease slightly compared to the corresponding period last year, while other luminous materials, such as LED phosphors and PDP phosphors, are expected to enjoy further growth.

3. TFT-LCD Glass Substrate

In the first half of 2011, the overseas industry of liquid crystal display ("LCD") panel and glass substrate slowed down slightly. The global output volume of large-size LCD panels increased to 340 million pieces, representing an increase of approximately 6.3% compared to the corresponding period last year, and the LCD glass substrate increased to 165 million square metres, representing an increase of approximately 8.5% compared to the corresponding period last year. Mainland China is an emerging LCD industry base over the world and LCD industry maintained robust growth momentum in the first half of 2011. The first 8.5th generation LCD panel production line in China commenced quantity production in Beijing in the first half of 2011, while the output volume of glass substrates by the two 6th generation panel production lines in Hefei and Nanjing respectively also rapidly increased. In the first half of 2011, demand for glass substrates in the domestic market exceeded 10 million square metres and China's import value of glass substrates increased by approximately 93% compared to the corresponding period last year. The substitution market for importing glass substrates was still huge.

Looking into the second half of 2011, given the strong demand for end products such as panel computer and smart phone, the LCD industry is expected to rebound, the global output volume of LCD glass substrates is expected to be 180 million square metres, and the demand in the domestic glass substrate market will continue to outstrip its supply.

4. Display Devices

In the first half of 2011, a differentiated development trend emerged in the global display devices industry. The global output volume of CRT TV sets amounted to approximately 14 million units, representing a decrease of more than 30% compared to the corresponding period last year. The percentage of the output volume of CRT TV out of that of all TV sets decreased to below 15%. It is expected that this percentage will continue to drop in the coming years. In the first half of 2011, the output volume of LCD TV panels increased by approximately 4.1%, which is slower than the average growth of the past ten years. Looking into the second half of 2011, the growth of LCD industry is expected to accelerate as driven by the demands for LCD TV sets and notebook from new and emerging markets, countries and regions as well as the demands for panel computers and smart phones from all around the world. The demands for PDP TV sets, from China in particular, is expected to increase significantly as a result of factors, such as the adjustments in manufacturers' marketing strategies and the development of 3D technology. OLED maintained its growth momentum and is expected to keep growing steadily in the future.

(II) Business Review

1. Operation Highlights

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

2. Progress of Operations

(1) Solar Photovoltaic Glass Business

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

(2) Luminous Materials Business

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

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

(3) TFT-LCD Glass Substrate Business

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

(4) Display Device Business

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

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

(III) FINANCIAL REVIEW

1. Overall performance

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

2. Business Results

1) Unaudited profit and loss

(RMB'000)	**2011**	2010 (Restated)	Increase/ (decrease)	Percentage Change *(%)*
	For the six months ended 30 June			
Turnover	**1,455,740**	1,281,585	174,155	13.59
Sales of CPTs and components	**330,004**	805,143	(475,139)	(59)
Sales of luminous materials	**483,132**	220,029	263,103	120
Sales of liquid crystal related products	**451,416**	256,413	195,003	76
Sales of solar photovoltaic glass	**191,188**	—	191,188	—
Cost of sales	**(1,300,837)**	(1,090,435)	(210,402)	19.30
Gross profit	**154,903**	191,150	(36,247)	(18.96)
Operating expenses				
Administrative expenses	**(113,090)**	(104,502)	(8,588)	8.22
a) General administrative expenses	**(101,386)**	(95,686)	(5,700)	5.96
b) Research and development expenses	**(11,704)**	(8,816)	(2,888)	32.76
Selling and distribution costs	**(42,338)**	(53,259)	10,921	(20.51)
Other operating expenses	**(1,402)**	(2,246)	844	(37.58)
Operating profit	**61,782**	55,286	6,496	11.75
Finance costs	**(36,884)**	(35,060)	(1,824)	5.20
Profit/(loss) for the period	**11,967**	16,528	(4,561)	(27.60)
Attributable to:				
Owners of the Company	**56,413**	10,413	46,000	441.76
Minority shareholders	**(44,446)**	6,115	(50,561)	(826.84)
Total comprehensive income (expenses) for the period	**15,404**	17,125	(1,721)	(10.05)

2) Turnover

Turnover by product *(RMB'000)*

Name	**2011**	2010	Increase/ (decrease)	Change (%)
CPTs and components	**330,004**	805,143	(475,139)	(59)
Luminous materials	**483,132**	220,029	263,103	120
Liquid crystal related products	**451,416**	256,413	195,003	76
Solar photovoltaic glass	**191,188**	—	191,188	—
Total	**1,455,740**	1,281,585	174,155	13.59

3. Changes compared to corresponding period last year and reasons

1) Turnover and gross profit margin

In the first half of 2011, the turnover of the Group increased by RMB174,155,000 or 13.59% to RMB1,455,740,000, as compared to the corresponding period in 2010. Of which, turnover from CPTs and components business decreased by RMB475,139,000 or 59.01% to RMB330,004,000 as compared to the corresponding period in 2010. Turnover from luminous materials, solar photovoltaic glass and liquid crystal related products increased by RMB649,294,000 or 136.28% to RMB1,125,736,000 as compared to the corresponding period in 2010. The overall gross profit margin of the Group decreased from 14.92% for the first half of 2010 to 10.64% for the first half of 2011, which was mainly attributable to the sharp contraction of CPT market and erosion of profit margins of CPT and its components.

2) Administrative expenses

The Group's administrative expenses in the first half of 2011 increased by RMB8,588 or approximately 8.22% to RMB113,090,000 from RMB104,502,000 for the corresponding period in 2010. The increase in administrative expenses was mainly attributable to the shrinking CPT industry which led to more shutdown losses.

3) Finance cost

The Group's finance costs in the first half of 2011 was RMB36,884,000 (excluding RMB19,632,000 of interest expense capitalized), representing an increase of RMB1,824,000 or approximately 5.2%, from RMB35,060,000 for the corresponding period in 2010. The increase in finance cost was mainly attributable to more borrowings for development of new business and higher interest rates for bank loans.

4. Current assets and financial resources

As at 30 June 2011, the Group's cash and bank balances amounted to RMB1,919,724,000, representing a decrease of RMB828,124,000 or 30.14%, from RMB2,747,848,000 as at 31 December 2010. For the half year ended 30 June 2011, the Group's capital expenditures amounted to RMB1,237,205,000 in total (as at 30 June 2010: RMB1,408,797,000). Net cash flow from operating activities was RMB24,571,000 (as at 30 June 2010: RMB297,458,000), while net cash flow from financing activities and net cash flow from investing activities were RMB789,668,000 (as at 30 June 2010: RMB1,309,645,000) and RMB-1,661,572,000 (as at 30 June 2010: RMB-1,291,110,000), respectively.

As at 30 June 2011, the Group's total borrowings aggregated to RMB4,249,883,000, of which borrowings due within one year amounted to RMB957,081,000 and borrowings with maturity beyond one year amounted to RMB3,292,802,000. As at 31 December 2010, the Group's borrowings was RMB3,620,040,000, of which borrowings due within one year amounted to RMB1,173,272,000 and borrowings with maturity beyond one year amounted to RMB2,446,768,000. As at 30 June 2011, bank loans amounting to approximately RMB228,400,000 (as at 31 December 2010: RMB238,000,000) 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 2011, the turnover period for accounts receivable of the Group was 70 days, representing a decrease of 35 days from 105 days for the half year ended 30 June 2010. The decrease in the turnover days for accounts receivable was mainly attributable to the intensified efforts made by the Group to collect trade receivables while expanding the market share which led to an increase in sales by 13.59% compared to the corresponding period last year and speeded up the turnover of accounts receivables. For the half year ended 30 June 2011, the inventory turnover days of the Group increased to 87 days by 13 days from 74 days for the half year ended 30 June 2010, which was mainly attributable to the increase in the inventory of raw materials, work in progress and finished goods resulting from the expansion in the production scale of new business.

5. Capital structure

As at 30 June 2011, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intended to maintain an appropriate ratio of share capital to liabilities, so as to ensure that an effective capital structure is maintained from time to time. As at 30 June 2011, its total liabilities including bank borrowings amounted to RMB6,026,342,000 in aggregate (as at 31 December 2010: RMB5,106,823,000) with its cash and bank balances amounting to RMB1,919,724,000 in aggregate (as at 31 December 2010: RMB2,747,848,000) and its gearing ratio (i.e. total liabilities divided by total assets) of 51% (as at 31 December 2010: 47%).

6. Dividend

As there was no accumulated surplus in the first half of 2011, the board of Directors (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 2011, the operating cost of the Group increased by RMB3,666,000 as a result of exchange rate fluctuations (as at 30 June 2010: RMB976,000). There was no material impact on the Group's operating capital or liquidity as a result of exchange rate fluctuations.

8. Commitments

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

9. Contingent liabilities

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

10. Pledged assets

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

As at 31 December 2010, the bank loans of the Group amounted to approximately RMB238,000,000, which were secured by certain leasehold land and land use rights, buildings, equipment and trade receivables of the Group.

III. OTHER INFORMATION

(i) 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 2011, details of the share appreciation rights of the Company held by the directors of the Company (the "Directors"), the supervisors of the Company (the "Supervisors") and the senior management of the Company are set out as follows:

Name	Number of the Share Appreciation Rights *(shares)*	Note
Xing Daoqin	2,100,000	Director
Tao Kui	1,590,000	Director
Zhang Junhua	1,360,000	Director
Guo Mengquan	1,530,000	Director
Niu Xinan	1,200,000	Director
Fu Jiuquan	850,000	Director
Zhang Weichuan	1,000,000	Director
Fu Yusheng	600,000	Supervisor
Tang Haobo	400,000	Supervisor
Zhang Chunning	600,000	Senior Management
Zou Changfu	800,000	Senior Management
Ma Jianchao	600,000	Senior Management
Chu Xiaohang	330,000	Senior Management

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

Save as disclosed in (1) above, as at 30 June 2011, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, Supervisors, chief executive or senior management members was deemed or taken to have under such provisions of the SFO), or which was otherwise required to be recorded in the register 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 of Hong Kong Limited (the "Listing Rules").

(iii) 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 shares of the Company (the "Shares") or underlying Shares (as the case may be) as at 30 June 2011 and as entered in the register required to be kept under section 336 of the SFO: IRICO Group Corporation ("IRICO Group") had interests in 1,601,468,000 domestic Shares (representing 100% of the domestic share capital of the Company), whereas HKSCC (Nominees) Limited had interests in 629,096,189 H shares of the Company (the "H Shares") (representing 99.71% of the H share capital of the Company). Xing Daoqin, Tao Kui, Guo Mengquan, Zhang Junhua and Fu Jiuquan, each being a Director and concurrently the general manager, the assistant general manager, the assistant general manager, the assistant general manager and the chief accountant of IRICO Group, respectively.

Notes:

As at 30 June 2011, based on the information available to the Directors and so far as the Directors are aware, HKSCC (Nominees) Limited held 629,096,189 H Shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H Shares (representing approximately 7.85% of the issued H Shares). 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 by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H Shares (representing 5.35% of the issued H Shares) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H Shares were held by JF Asset Management Limited and 544,000 H Shares were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H Shares (representing approximately 4.36% of the share capital of H Shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,000 H Shares).

(iv) 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 established an audit committee of the Company (the "Audit Committee").

The Board adopted all contents set out in Code Provisions C.3.3 of the Code as the terms of reference of the Audit Committee. The Audit Committee has considered and reviewed the accounting standards and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which included the unaudited interim financial statements for the six months ended 30 June 2011.

(v) Independent Non-executive Directors

The Group has complied with the requirements 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 as set out in Rules 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.

(vi) Corporate Governance Practices

The Board has reviewed the relevant corporate governance documents adopted by the Company, and is of the opinion that such documents are in compliance with the principles and code provisions as set out in the Code.

The Directors are not aware of any information that would reasonably indicate the non-compliance of the Company or any of the Directors regarding the Code at any time during the period ended 30 June 2011. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

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

For the six months period ended 30 June 2011, the Company has adopted a model code for securities transactions by Directors and Supervisors which is no less exacting than the required standard set out in 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.

(viii) Purchase, Sale or Repurchase of Shares

During the reporting period, the Group did not purchase, sell or repurchase any of the issued Shares.

(ix) Employees

As at 30 June 2011, the Group had a total of 6,909* employees with various talents, of which, approximately 10.9% were management and administrative personnel, 9.8% were technical personnel, 1.1% were accounting and audit personnel, 1.1% were sales and marketing personnel and 77.1% were production workers.

The employee and remuneration policies of the Company remain the same as those set out in the Company's prospectus dated 8 December 2004. The Group's dedicated and enthusiastic employees are committed to ensure the high quality and reliability of products and services.

* *Excluding service dispatch workers*

(x) Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the percentage of Shares 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.

(xi) Significant Investments

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

(1) Xianyang Phase III of Solar Photovoltaic Glass Project

On 18 August 2010, the Board passed a resolution in respect of the investment in and construction of the Xianyang Phase III of Solar Photovoltaic Glass Project. The project, with an investment of approximately RMB280 million, involved building two calendering solar photovoltaic glass production lines as well as solar photovoltaic glass tempering production lines with corresponding capacity in the Xianyang Plant of the Company in Xianyang, Shaanxi Province. Construction of the project commenced in October 2010. The furnace ignition and the pilot production are scheduled at the end of 2011.

(2) Xianyang Phase IV of Solar Photovoltaic Glass Project

On 30 March 2011, the Board passed a resolution in respect of the investment in and construction of the Xianyang Phase IV of Solar Photovoltaic Glass Project. The project, with an investment of approximately RMB190 million, involved refurbishing the Company's former CPT glass plant, and building two calendering solar photovoltaic glass production lines as well as solar photovoltaic glass coating and tempering production lines with corresponding capacity in the Xianyang Plant of the Company in Xianyang, Shaanxi Province. Construction of the project commenced in April 2011. The furnace ignition and the pilot production are scheduled at the end of 2011.

(3) Solar Photovoltaic Glass Project of IRICO (Hefei) Solar Photovoltaic Glass Company Limited (a wholly-owned subsidiary of the Company)

On 3 November 2010, the Board passed a resolution in respect of the investment in and construction of the Heifei Solar Photovoltaic Glass Project. The project, with an investment of approximately RMB1,850 million and was responsible by IRICO (Hefei) Solar Photovoltaic Glass Company Limited (彩虹(合肥)光伏有限公司), a wholly-owned subsidiary of the Company, involved building twelve calendering solar photovoltaic glass production lines as well as solar photovoltaic glass coating and tempering production lines with corresponding capacity in Xinzhan Comprehensive Development Pilot Zone of Hefei, Anhui Province. Construction of the project commenced on 10 November 2010. The ignition of the first furnace and the pilot production are scheduled at the end of 2011.

(xii) Material Acquisition and Disposal

During the reporting period, save as disclosed below, the Company did not have any material acquisition or disposal of subsidiaries and associated companies:

(a) On 7 April 2011, the Company entered into an equity transfer agreement with Shannxi IRICO Photo Electronic Material Corporation (陝西彩虹光電材料總公司) ("IRICO Photo Electronic"), pursuant to which, the Company will transfer 87.16% equity interests in Xianyang Caiqin Electronic Device Co., Ltd. (咸陽彩秦電子器件有限責任公司) to IRICO Photo Electronic at a consideration of RMB36,288,885. Please refer to the announcement of the Company dated 8 April 2011 for details of this transaction.

(b) On 31 May 2011, the Company and Sunlink Power Holdings Co. ("Sunlink Power") entered into a share purchase agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire and Sunlink Power has conditionally agreed to sell, 21% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited* (江蘇永能光伏科技有限公司), for a total consideration of RMB73,500,000 (equivalent to approximately HK$87,500,000). Please refer to the announcements of the Company dated 31 May 2011 and 1 June 2011 respectively for details of this transaction.

(xiii) Material Litigation

As at 30 June 2011, save as disclosed below, the Directors were not aware of any new litigation or claim of material importance pending or threatened against any member of the Group.

- **Claims by Fanshawe College against the Company and the A Share Company**

  The Company and IRICO Display Device Co., Ltd. (the "A Share Company") received a statement of claim from the Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology ("Fanshawe College") in August 2009 and July 2009 respectively. The Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

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

  In January 2010, IRICO Group, the Company and the A Share Company received a statement of class action from Vancouver Registry of the Supreme Court of British Columbia, Canada. The Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

- **Claims by American Crago Company against the A Share Company**

  In January 2008, the A Share Company, a subsidiary of the Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action being brought by American Crago Company on behalf of itself and other companies for the similar issue. The Company and the A Share Company's preliminary assessment is that the claim will not pose any negative impact on the normal business operation of the Group.

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

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

Joint Company Secretaries

Chu Xiaohang
Lam Chun Lung

Qualified Accountant

Lam Chun Lung

Authorized Representatives

Zhang Junhua
Chu Xiaohang

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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 the "Group") as of 30 June 2011 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 a summary of significant accounting policies 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 a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, 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 of interim financial information 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.

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
26 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Notes	Six months ended 30 June **2011** ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited)
Turnover	3	**1,455,740**	1,281,585
Cost of sales		**(1,300,837)**	(1,090,435)
Gross profit		**154,903**	191,150
Other operating income		**63,709**	24,143
Gain on disposal of an associate		**3,390**	—
Gain on disposal of a subsidiary	16	**12,871**	—
Selling and distribution costs		**(42,338)**	(53,259)
Administrative expenses		**(113,090)**	(104,502)
Other operating expenses		**(1,402)**	(2,246)
Finance costs	4	**(36,884)**	(35,060)
Share of results of associates		**(19,536)**	37
Profit before taxation		**21,623**	20,263
Income tax expense	6	**(9,656)**	(3,735)
Profit for the period	5	**11,967**	16,528

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Other comprehensive income			
Exchange difference on translation of foreign operations		**1,590**	597
Share of exchange reserve of an associate		**1,847**	—
Other comprehensive income for the period		**3,437**	597
Total comprehensive income for the period		**15,404**	17,125
Profit (loss) attributable to:			
Owners of the Company		**56,413**	10,413
Non-controlling interests		**(44,446)**	6,115
		11,967	16,528
Total comprehensive income attributable to:			
Owners of the Company		**59,850**	11,010
Non-controlling interests		**(44,446)**	6,115
		15,404	17,125
Earnings per share — Basic and diluted	8	**RMB2.53 cents**	RMB0.49 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**6,925,773**	5,830,486
Investment properties	9	**56,738**	50,170
Leasehold land and land use rights	9	**326,339**	151,533
Intangible assets	9	**1,393**	1,631
Interests in associates		**307,885**	327,044
Available-for-sale investment		**24,060**	24,060
Deposits paid for acquisition of property, plant and equipment		**230,856**	93,510
		7,873,044	6,478,434
Current assets			
Inventories		**626,094**	609,019
Trade and bills receivables	10	**563,904**	477,457
Other receivables, deposits and prepayments		**781,975**	531,764
Restricted bank balances		**67,037**	49,418
Bank balances and cash		**1,852,687**	2,698,430
		3,891,697	4,366,088

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Current liabilities			
Trade and bills payables	11	**933,349**	711,943
Other payables and accruals		**444,719**	429,856
Tax payables		**5,835**	3,773
Termination benefits		**2,562**	3,247
Bank and other borrowings — due within one year	12	**957,081**	1,173,272
		2,343,546	2,322,091
Net current assets		**1,548,151**	2,043,997
Total assets less current liabilities		**9,421,195**	8,522,431

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AS AT 30 JUNE 2011

	Notes	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Capital and reserves			
Share capital	13	**2,232,349**	2,232,349
Other reserves		**1,321,807**	1,332,716
Accumulated losses		**(1,380,031)**	(1,450,790)
Equity attributable to owners of the Company		**2,174,125**	2,114,275
Non-controlling interests		**3,564,274**	3,623,424
Total equity		**5,738,399**	5,737,699
Non-current liabilities			
Bank and other borrowings — due after one year	12	**3,292,802**	2,446,768
Deferred income		**375,079**	323,230
Deferred income tax liabilities		**7,419**	7,557
Termination benefits		**7,496**	7,177
		3,682,796	2,784,732
		9,421,195	8,522,431

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	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 2011

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011 (audited)	2,232,349	1,332,716	(1,450,790)	2,114,275	3,623,424	5,737,699
Profit (loss) for the period	—	—	56,413	56,413	(44,446)	11,967
Other comprehensive income for the period	—	3,437	—	3,437	—	3,437
Total comprehensive income (expense) for the period	—	3,437	56,413	59,850	(44,446)	15,404
Released on disposal of a subsidiary	—	(14,346)	14,346	—	(3,450)	(3,450)
Dividend paid to non-controlling interest in a subsidiary	—	—	—	—	(11,254)	(11,254)
	—	(14,346)	14,346	—	(14,704)	(14,704)
Balance at 30 June 2011	2,232,349	1,321,807	(1,380,031)	2,174,125	3,564,274	5,738,399

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**24,571**	297,458
Net cash used in investing activities	**(1,661,572)**	(1,291,110)
Net cash from financing activities	**789,668**	1,309,645
Net (decrease) increase in cash and cash equivalents	**(847,333)**	315,993
Cash and cash equivalents at 1 January	**2,698,430**	1,077,661
Effect of foreign exchange rate changes	**1,590**	597
Cash and cash equivalents at 30 June	**1,852,687**	1,394,251

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL INFORMATION

IRICO Group Electronics Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 10 September 2004 as a joint stock company with limited liability under the PRC laws. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2004. The address of its registered office and principal place of business are No.1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in the production and sales of colour picture tubes ("CPTs") for colored television sets and related CPT components, luminous materials, liquid crystal related products, transistor liquid crystal display ("TFT-LCD") and display devices and solar photovoltaic glass products.

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKAS 24 (Revised) requires retrospective application. The application of HKAS 24 (Revised) has had no effect on the amounts recognised or recorded in the condensed consolidated interim financial information for the current and prior periods. While the Group did not apply the exemption mentioned above, the application of HKAS 24 (Revised) has no effect on related party disclosures set out in Note 14.

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2012.*
[3] *Effective for annual periods beginning on or after 1 July 2012.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with condensed consolidated interim financial information. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The directors of the Company is assessing the impact of the HKFRS 10 and is not in the position to comment on the impact to the interim financial information.

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

3. SEGMENT INFORMATION

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

1. CPTs production and sales

2. Luminous material production and sales

3. Liquid crystal related products production and sales

4. TFT-LCD and display devices production and sales

5. Solar photovoltaic glass production and sales

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

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

3. SEGMENT INFORMATION *(Continued)*

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

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

Period ended 30 June 2011

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

3. SEGMENT INFORMATION *(Continued)*

Period ended 30 June 2010

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

3. SEGMENT INFORMATION *(Continued)*

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

Segment assets

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

At 30 June 2011

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD and display devices production and sales	Solar photovoltaic glass production and sales	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	853,790	566,602	452,123	6,520,140	1,063,679	9,456,334
Unallocated corporate assets						2,308,407
Consolidated total assets						11,764,741

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

3. SEGMENT INFORMATION *(Continued)*

Segment assets *(Continued)*

At 31 December 2010 (Audited)

	CPTs production and sales	Luminous materials production and sales	Liquid crystal related products production and sales	TFT-LCD and display devices production and sales	Solar photovoltaic glass production and sales	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	1,021,227	480,892	58,962	5,257,848	876,471	7,695,400
Unallocated corporate assets						3,149,122
Consolidated total assets						10,844,522

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

4. FINANCE COSTS

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

5. PROFIT FOR THE PERIOD

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

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

5. PROFIT FOR THE PERIOD *(Continued)*

Note:

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

6. INCOME TAX EXPENSE

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

No provision for Hong Kong Profits Tax has been made as the Group's income neither arose in nor was derived from Hong Kong for both periods ended 30 June 2011 and 2010.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25% from 1 January 2008 onwards.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

6. INCOME TAX EXPENSE *(Continued)*

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 Devices Co., Ltd ("A Share Company") and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the six months ended 30 June 2011 and 2010, and accordingly, EIT has also been provided at 15%.

Xianyang IRICO Electronics Shadow Mask Co., Ltd. ("IRICO Shadow Mask") is Sino-foreign equity joint ventures engaging in the production business and is exempted from taxation for the first two profitable years and a 50% relief from the national PRC income tax rate (also exempted from paying the 3% local income tax) for the next three profitable years thereafter. IRICO Shadow Mask is in the exemption period for the period ended 30 June 2010 and is in the 50% relief period for the period ended 30 June 2011.

Certain subsidiaries of the Group, which are registered in a special economic zone or a technological economic development zone, are taxed at preferential rates ranging from 15% to 22% for both periods ended 30 June 2011 and 2010.

7. DIVIDEND

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

8. EARNINGS PER SHARE

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

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

9. CAPITAL EXPENDITURE

During the period, the Group spent approximately RMB1,237,205,000 (2010: RMB1,408,797,000) on additions of property, plant and equipment and RMB179,129,000 (2010: Nil) on additions of leasehold land and land use rights. There were no additions for investment properties and intangible assets for both periods ended 30 June 2011 and 2010.

During the period, the Group received cash proceeds of approximately RMB95,339,000 (2010: RMB15,111,000) on disposals of property, plant and equipment with carrying values of approximately RMB69,751,000 (2010: RMB6,598,000).

10. TRADE AND BILLS RECEIVABLES

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

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

11. TRADE AND BILLS PAYABLES

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

12. BANK AND OTHER BORROWINGS

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank loans — secured	**228,400**	238,000
Bank loans — unsecured		
— Guaranteed by the ultimate holding company	**3,538,669**	2,653,768
— Advanced from banks on discounted trade receivables	**22,813**	28,272
Other loans — secured	**300,000**	300,000
Other loans — unsecured	**—**	50,000
Bank loans — unguaranteed	**160,001**	350,000
	4,249,883	3,620,040

12. BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
The bank and other borrowings are repayable as follows:		
Within one year or on demand	**957,081**	1,173,272
More than two years, but not exceeding five years	**2,542,537**	1,932,921
More than five years	**750,265**	513,847
	4,249,883	3,620,040
Less: Amounts due within one year shown under current liabilities	**(957,081)**	(1,173,272)
	3,292,802	2,446,768

12. BANK AND OTHER BORROWINGS *(Continued)*

During the period, the Group obtained new bank borrowings amounting to approximately RMB1,547,267,000. The bank and other borrowings carry interests ranging from 2.96% to 8.00% per annum (2010: 2.92% to 8.00% per annum). The loans raised during the period were used to finance the operations of the Group.

As at 30 June 2011, bank borrowings of approximately RMB228,400,000 (2010: RMB238,000,000) were secured by certain leasehold land and land use rights, buildings and machineries, trade and bills receivables and inventories of the Group, and bank borrowings of approximately RMB3,538,669,000 (2010: RMB2,653,768,000) were guaranteed by the Company's ultimate holding company. Details of the pledge of assets are disclosed in Note 17.

As at 30 June 2011, the Group's unguaranteed bank borrowings were secured by certain land and buildings with carrying amount of approximately RMB66,823,000 (2010: RMB82,834,000) the Company's ultimate holding company. In addition to the above securities, 37.5% (2010: 37.5%) of the issued shares of the Company held by the ultimate holding company were pledged against the borrowings granted to the Group during both periods.

13. SHARE CAPITAL

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

	Domestic shares		H shares		Total	
	Number of shares *'000*	Amount *RMB' 000*	Number of shares *'000*	Amount *RMB' 000*	Number of shares *'000*	Amount *RMB' 000*
Registered, issued and fully paid :						
At 1 January 2010	1,455,880	1,455,880	485,294	485,294	1,941,174	1,941,174
Issue by capitalisation of capital reserve *(Note i)*	145,588	145,588	48,529	48,529	194,117	194,117
Issue of shares upon placing *(Note ii)*	—	—	97,058	97,058	97,058	97,058
At 31 December 2010, 1 January 2011 and 30 June 2011	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

Notes:

(i) *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 and circular dated 14 December 2009 and 3 December 2009 respectively.

(ii) *As set out in the Company's announcement dated 29 November 2010, 97,058,000 H shares of HK$1 each were issued and allotted to the independent third parties at HK$1.26 per share by placing on 30 November 2010.*

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

13. SHARE CAPITAL *(Continued)*

These shares rank pari passu in all respects with the respective domestic shares and H shares in issue.

The H shares rank pari passu in all respects with the domestic shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of any other country other than the PRC. The transfer of the domestic shares is subject to such restrictions as the PRC laws may impose from time to time.

14. RELATED PARTY TRANSACTIONS

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% 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.

IRICO Group Corporation, the immediate parent of the Company, is owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC Government ("SASAC"). SASAC is the Company's ultimate controlling party, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises"). Neither IRICO Group Corporation nor the state-owned enterprises published financial statements available for public use.

14. RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the related party information disclosed elsewhere in the unaudited condensed consolidated interim financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, during the six months ended 30 June 2011 and 2010 and balances as at 30 June 2011 and 31 December 2010 with related parties.

The following transactions were carried out with related parties:

(a) Sales of goods

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of goods to the IRICO Group *(Note)*		
— Shenzhen Hongyang Industrial Trade Company	**10,739**	2,343
— Xianyang IRICO Thermoelectricity Co., Ltd.	**92**	153
— Caihong Labour Services Company	**1,975**	1
— Shannxi IRICO Photo Electronic Material Corporation ("IRICO Photo") (previously known as Shaanxi IRICO General Service Corporation)	**3,795**	1,315
— The ultimate holding company	**—**	4
— Shannxi IRICO Construction Engineering Co., Ltd.	**3**	18
— IRICO Colour Picture Tube Plant	**850**	1,426
	17,454	5,260
Other state-controlled enterprises	**124,256**	408,795

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

14. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Sales of goods *(Continued)*

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

(b) Purchases of goods and provision of services

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchases of goods from the IRICO Group *(Note i)*		
— IRICO Photo	**5,395**	71
— Caihong Labour Services Company	**3,718**	—
— Xianyang Cailian Packaging Materials Co., Ltd.	**20,488**	265
— Xianyang Caihong Adhesive Belt Co., Ltd.	**106**	—
— Shenzhen Hongyang Industrial Trade Company	**4,492**	11,441
— Xianyang IRICO Digital Display Co., Ltd.	**4,460**	11,129
— Xianyang IRICO Thermos Co., Ltd.	**491**	1,073
	39,150	23,979
Other state-controlled enterprises	**199,022**	68,270

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Acceptance of services from the IRICO Group		
— Utility charges to Color Picture Tube Plant	**165,290**	86,823
— Network fee to the ultimate holding company	**1**	22
— Rental expense to the ultimate holding company *(Note ii)*	**22,919**	18,251
— Trademark license fee to the ultimate holding company *(Note iii)*	**192**	704
— Miscellaneous charges to Color Picture Tube Plant	**748**	65
— Interest expense paid to the ultimate holding company	**1,075**	12,466
— IRICO Hospital	**710**	—
	190,935	118,331

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

14. 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) *From 1 January 2010, the Group is required to pay RMB14.5 (2010: RMB14.5) per square metre per annum for the use of land use rights and RMB9.5 (2010: RMB9.5) per square metre per month for the use of buildings in Xianyang, pursuant to the premises leasing agreement. Accordingly, rental charges for the six months ended 30 June 2011 amounted to approximately RMB22,919,000 (2010: RMB18,251,000).*

(iii) *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, A Share Company, 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 for a term of 3 years up to 31 December 2012.*

14. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Disposal of a subsidiary

Disposal of 87.16% equity interests in Xianyang Caiqin Electronic Device Co., Limited ("Xianyang Caiqin")

As mentioned in the announcement of the Company dated 8 April 2011, the Company and IRICO Photo, a wholly-owned subsidiary of IRICO Group Corporation, entered into an agreement, pursuant to which the Company agreed to sell and IRICO photo agreed to purchase the 87.16% equity interests held by Xianyang Caiqin for a total consideration approximately of RMB36,289,000. The details of the disposal are set out in Note 16.

(d) Balance with ultimate holding company

(i) Loans from the ultimate holding company

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Included in other payables and accruals	**60,977**	29,999

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

(i) Loans from the ultimate holding company *(Continued)*

Loans from the ultimate holding company were unsecured and bore interests at 5.47% to 6.22% (31 December 2010: 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 RMB1,075,000 (Six months ended 30 June 2010: RMB12,466,000).

(ii) Amount due from the ultimate holding company

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 RMB'000 (Audited)
Included in other receivables, deposits and prepayments	**60,352**	63,103

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

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

(iii) Amount due to the ultimate holding company

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other payables and accruals	**143,675**	124,622

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

(iv) Directors' emolument born 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 and not required to reimburse to the Group's ultimate holding company, IRICO Group for both periods ended 30 June 2011 and 2010.

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

At 30 June 2011 and 31 December 2010, 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 12).

At 30 June 2011 and 31 December 2010, the ultimate holding company had pledged its 37.5% equity interests in the Company to secure certain bank borrowings granted to the Group (Note 12).

(e) Amount due to a fellow subsidiary

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in other payables and accruals Rui Bou Electronics (HK) Limited	**9**	9

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

14. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Key management compensation

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	**1,497**	689
Retirement benefit contributions	**50**	79
	1,547	768

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 2011

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Trade receivables from related parties *(Note)*:		
The IRICO Group		
— IRICO Photo	**14**	65
— Shanghai Languang Technology Co., Ltd	**2,045**	2,045
— Caihong Labour Services Company	**—**	71
— IRICO Group Corporation	**56**	—
— Color Picture Tube Plant	**3**	—
— Xianyang IRICO Digital Display Co., Limited	**40**	—
— Shenzhen Hongyang Industrial Trade Company	**—**	724
	2,158	2,905
Other state-controlled enterprises	**98,848**	107,811
	101,006	110,716

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Representing:		
Trade receivables	**70,495**	71,987
Bills receivables	**30,511**	38,729
	101,006	110,716

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Trade payables to related parties *(Note)*:		
The IRICO Group		
— IRICO Photo	**10**	67
— Caihong Labour Services Company	**1,034**	1,917
— Xianyang Cailian Packaging Material Co., Ltd.	**20,908**	21,476
— Shenzhen Caihong Electronics Co., Ltd.	**—**	197
— The ultimate holding company	**106,064**	127,045
— Xianyang Caihong Adhesive Belt Co., Ltd.	**240**	783
— Shenzhen Hongyang Industrial Trade Company	**7,737**	10,424
— Xianyang IRICO Electronic Materials Co., Ltd	**—**	212
— Color Picture Tube Plant	**8,262**	3,210
— Xianyang IRICO Digital Display Co., Limited	**617**	512
	144,872	165,843
Other state-controlled enterprises	**24,650**	11,259
	169,522	177,102

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Representing:		
Trade payables	**168,820**	176,652
Bills payables	**702**	450
	169,522	177,102

Note:

The trade balances 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 2011

14. RELATED PARTY TRANSACTIONS *(Continued)*

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

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Bank balances in state-controlled banks	**1,714,202**	2,666,431
Bank borrowings from state-controlled banks	**2,519,016**	1,073,272

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from state-controlled banks	**4,851**	626
Interest expense to state-controlled banks	**44,141**	27,561

15. COMMITMENTS

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

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Contracted for but not provided for		
Commitments in respect of:		
— Construction of organic light-emitting diode production lines	**494,419**	533,044
— Construction of photovoltaic glass production line	**977,907**	215,168
— Construction of liquid crystal display glass substrate production lines	**1,102,704**	1,126,509
Capital expenditure in respect of:		
— Acquisition of interests in an associate *(Note)*	**73,500**	—
	2,648,530	1,874,721

Note:

On 31 May 2011, the Company entered into an agreement to acquire 21% equity interests from an independent third party in Jiangsu Yongneng Photovoltaic Technology Company Limited for a total consideration of RMB73,500,000. For details, please refer to announcement of the Company dated 31 May 2011.

15. COMMITMENTS *(Continued)*

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**42,403**	42,648
In the second to fifth years inclusive	**21,201**	42,403
	63,604	85,051

Operating lease payments represent rentals payable by the Group for certain of its land use rights and leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

15. COMMITMENTS *(Continued)*

Operating leases *(Continued)*

As lessor

Property rental income earned during the period was approximately RMB8,116,000 (2010: RMB5,290,000). Certain of the Group's properties held for rental purposes, with a carrying amount of approximately RMB56,738,000 (2010: RMB50,170,000). The remaining properties are expected to generate rental yields of 14.3% (2010: 10.5%) on an ongoing basis. All the properties held have committed tenants for the next 1 year to 9 years (2010: 1 year to 9 years).

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**7,004**	7,921
In the second to fifth years inclusive	**14,260**	16,290
Over five years	**6,299**	8,157
	27,563	32,368

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

16. DISPOSAL OF A SUBSIDIARY

On 7 April 2011, the Group disposed of its entire 87.16% interests in Xianyang Caiqin to Shannxi IRICO Photo, a wholly-owned subsidiary of IRICO Group Corporation, at a consideration approximately of RMB36,289,000. The net assets of Xianyang Caiqin at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,830
Leasehold land and land use rights	127
Inventories	4,331
Trade and bills receivables	7,471
Other receivables, deposits and prepayments	32,047
Bank balances and cash	1,257
Trade payables	(7,374)
Other payables and accruals	(11,029)
Tax payables	(1,792)
Non-controlling interests	(3,450)
	23,418
Gain on disposal	12,871
Total consideration	36,289

16. DISPOSAL OF A SUBSIDIARY *(Continued)*

	RMB'000
Satisfied by:	
Cash	36,289
Net cash inflow arising on disposal:	
Cash consideration received	36,289
Bank balances and cash disposed of	(1,257)
	35,032

17. PLEDGE OF ASSETS

At 30 June 2011, certain assets of the Group was pledged to secure bank borrowings granted to the Group as follows:

	30 June 2011 **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Property, plant and equipment	**418,852**	487,613
Leasehold land and land use rights	**32,711**	22,537
Trade and bills receivables	**208,090**	234,730
Inventories	**78,012**	87,045
	737,665	831,925

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

18. MATERIAL LITIGATION

(i) The litigation of Curtis Saunders against the Company, A Share Company and IRICO Group Corporation

As set out in the announcement published on the Shanghai Stock Exchange on 25 January 2010 by A Share Company, IRICO Group Corporation, the Company and A Share Company received a statement of claim from Supreme Court of British Columbia in respect of the litigation brought by Curtis Saunders.

Curtis Saunders, the plaintiff, accused approximately 50 global Cathode Ray Tube ("CRT") manufacturers, including IRICO Group Corporation, the Company and A Share Company, of a collusion to manipulate the market and enter into agreements raising the price of CRT to an unreasonable level during the period from 1 January 1995 to 1 January 2008. 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. Supreme Court of British Columbia has accepted this claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company considers that the above litigations 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 condensed consolidated interim financial information for the period ended 30 June 2011 and 31 December 2010.

18. MATERIAL LITIGATION *(Continued)*

(ii) The litigation of The Fanshawe College of Applied Arts and Technology (hereafter referred as "Fanshawe College") against A Share Company

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

Fanshawe College, the plaintiff, accused approximately 30 global CRT manufacturers, including A Share Company, 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 judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of Canada directly or via agency since 1995. The directors of the Company considers that the above litigations 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 condensed consolidated interim financial information for the period ended 30 June 2011 and 31 December 2010.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2011

18. MATERIAL LITIGATION *(Continued)*

(iii) The litigation of American Crago Company against A Share Company

As set out in the announcement published on the Shanghai Stock Exchange on 30 January 2008 by A Share Company, A Share Company received a statement of claim from the U.S. District Court, Northern District of California in respect of the litigation brought by American Crago Company.

American Crago Company, the plaintiff, accused a various CRT manufacturing enterprises, including A Share Company, 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. U.S. District Court, Northern District of California has accepted t his claim but there is no judgement or ruling yet.

Upon inspection of the Company, the Company has never sold CRT products in the market of USA directly or via agency since 1995. The directors of the Company considers that the above litigations 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 condensed consolidated interim financial information for the period ended 30 June 2011 and 31 December 2010.