

IV. 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 8th December 2004), as at 30th June 2006, the following Directors, Supervisor and senior management members were granted share appreciation rights by the Company as follows:

Name	Number of Share Appreciation Rights (Shares)	Note
Xing Daoqin	800,000	Director
Tao Kui	800,000	Director
Guo Mengquan	600,000	Director
Zhang Shaowen	600,000	Director
Yun Dajun	600,000	Director
Zhang Weichuan	320,000	Supervisor
Zhang Chunning	400,000	Senior Management
Ng Yuk Keung	400,000	Senior Management
Wang Ximin	400,000	Senior Management
Zhang Junhua	320,000	Senior Management
Li Miao	320,000	Senior Management

Note: The Company granted share appreciation rights to the following Directors and senior management members on 21st July 2006 at the closing price of the same day. Directors: Xing Daoqin - 700,000 shares, Tao Kui - 530,000 shares, Guo Mengquan - 530,000 shares, Zhang Shaowen - 400,000 shares and Niu Xinan - 400,000 shares; Senior management members: Zhang Chunning - 270,000 shares, Wang Ximin - 270,000 shares, Li Miao - 270,000 shares and Zhang Junhua - 270,000 shares.

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

As at 30th June 2006, none of the Directors, Supervisors, chief executives or members of senior management of the Company and 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 (the "SFO")) which was required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or which was otherwise required to be entered in the register of interests to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in force as at 30 June 2006.

(iii) Interest 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 the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30th June 2006 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

IRICO Group Corporation had interests in 1,455,880,000 domestic shares of the Company (representing 100% of the domestic share capital), whereas HKSCC Nominees Limited had interests in 483,963,990 H shares of the Company (representing 99.73% of the H share capital).

Notes:

Based on the information available to the Directors as at 30th June 2006 and so far as the Directors are aware, as at 30th June 2006 among the 483,963,990 H shares held by HKSCC Nominees Limited:

J. P. Morgan Chase & Co. through its controlled corporations had interests in 33,742,000 H shares of the Company (representing approximately 6.95% of the H share capital).

Pictet Asset Management on behalf of Pictet Funds Asian Equities had direct interests in 38,100,000 H shares of the Company (representing approximately 7.85% of the H share capital).

Derby Steven P., Goldfarb Lawrence and Lamar Steven M. through their controlled corporations had interests in 49,554,000 H shares of the Company (representing approximately 10.21% of the H share capital).

Morgan Stanley through its controlled corporations had interests in 83,980,000 H shares of the Company (representing approximately 17.30% of the H share capital) and a short position in 73,000,000 H shares of the Company (representing approximately 15.04% of the H share capital).

(iv) Audit Committee

In compliance with the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, the Company has established the Audit Committee. As at 30th June 2006, the Audit Committee comprised four independent non-executive directors: Zha Jianqiu, Feng Fei, Feng Bing and Xu Xinzhong, and a non-executive director, Mr. Zhang Xingxi. The Board agreed to adopt all contents set out in the Code C3.3 as its main obligations. The Audit Committee has considered and reviewed the accounting principles and methods adopted by the Company and other matters relating to the auditing, internal control and financial reporting, which include the unaudited interim financial statements for the six months ended 30th June 2006.

The condensed consolidated interim financial information of this interim report has been reviewed by PricewaterhouseCoopers, our Company's auditor in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

(v) Independent Non-executive Directors

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed five independent non-executive Directors including one with financial management expertise. Details of their biographies are set out in the prospectus of the Company dated 8th December 2004.

(vi) Code on Corporate Governance Practices

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

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of the Directors with the Code for the period ended 30th June 2006. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code.

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

For the six months ended 30th June 2006, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the Model Code. After having made specific enquiry in this reporting period, no Director or Supervisor has breached the requirements as set out in the Model Code.

(viii) Purchase, Sale and Redemption of Shares

During the reporting period, the Company and its subsidiaries had not redeemed any of its shares. Neither had the Company nor any of its subsidiaries purchased or sold any of its issued shares.

(ix) Employees

The Company has a total of 14,557 employees of which approximately 4% are management and administrative staff, 6.4% are technicians, 0.6% are financial and auditing staff, 0.7% are sale and marketing staff and 85% are production workers. The Company's employment and remuneration policies remain unchanged from those described in the prospectus of the Company dated 8th December 2004. The Company's employees are enthusiastic about their work and are committed to the provision of high quality products and reliable services.

(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 Company had at all times during the reporting period maintained the relevant applicable minimum percentage of listed securities as required under the Listing Rules.

(xi) Significant Investments

For the six months ended 30th June 2006, the Company had not made any significant investment.

(xii) Material Acquisitions and Disposals

For the six months ended 30th June 2006, the Company had not made any material acquisition or disposal of subsidiaries and associated companies.

(xiii) Material Events

IRICO Display Devices Co., Ltd (“IRICO Display”), a subsidiary of the Company with its A shares listed on the Shanghai Stock Exchange, in which the Company held 236,440,000 unlisted shares, representing 56.14% of the issued share capital of IRICO Display before the implementation of the Share Reform Proposal of IRICO Display. Pursuant to the rules and regulations issued by the related authorities of the PRC, including the “The Guidelines on Share Reform Proposals of Listed Companies” and “Provisions on Management of Share Reform Proposals of Listed Companies”, the Board proposed a Share Reform Proposal of IRICO Display, in which the Company agreed to offer every 10 listed A shares to 3.5 to 4.2 unlisted shares for implementation of the Share Reform Proposal. IRICO Display completed the Share Reform Proposal in the period between 19th May 2006 and 31st July 2006. Details of which were set out in the announcements dated 19th May, 2nd June, 21st June and 20th July, and the circular dated 12th July 2006. Pursuant to the amended share reform plan, unlisted shareholders offered 4.2 unlisted shares in IRICO Display to each A Shareholders of IRICO Display forever to listed A shares in IRICO Display as a consideration for the agreement to conversion of all unlisted shares into A Shares of IRICO Display. After the implementation of the Revised Share Reform Proposal of IRICO Display, the Company held 179,427,657 shares of IRICO Display, representing approximately 42.6% of the issued share capital of IRICO Display, taking account of the 5,609,057 shares being the consideration shares paid by the Company for the 20 unlisted corporate shareholders. If the 20 unlisted corporate shareholders repay the 5,609,057 shares to the Company under the Share Reform Proposal of IRICO Display, the Company will hold 185,036,712 shares of IRICO Display, representing approximately 43.94% of the issued share capital of IRICO Display. As the Company continues to take the majority board seats and remain as the largest shareholder, the Company still has effective control on IRICO Display, and thus IRICO Display continues to remain as a subsidiary of the Company.

(xiv) Material Litigations

1. The dispute between Xianyang Xingyun Mechanical Company (咸陽星雲機械有限公司) (“Xingyun”) and the Company

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

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

In response to the litigation brought by Xingyun, the Company has retained Beijing Dongyuan Law Firm, Xi’an office, PRC lawyers, to represent us. One month thereafter, the Company completed investigation and collected evidence. Our response and the evidence were submitted to the court.

The investigation and evidence collection are in process. Directors of the Company consider that five Confirmation Agreements have completed, but no purchase agreements are entered therefore the Company has no obligation for the loss claimed by Xingyun. The result of the above case would not have material effects on the Group’s interim financial statements as of 30th June 2006.

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

On or about 11th February 2005, BayStar Capital Management, LLC and BaystarCapital II, LP (hereinafter collectively referred to as “Baystar”), holders of the Company’s H shares, commenced a litigation against Core-Pacific Yamaichi International (H.K.) Limited, et.al (hereinafter referred to as “CPYI”), one of the underwriters that offered the Company’s H shares to investors in the United States pursuant to Rule 144A of the Securities Act of the USA. Baystar alleges that it entered into a strategic business development agreement with CPYI, pursuant to which CPYI acted as an investment consultant to Baystar in the greater China area. Baystar claims that CPYI breached the agreement and its fiduciary duties to Baystar. In addition, Baystar alleges that CPYI made material misrepresentations and omissions to Baystar, in violation of United States federal and state securities laws and the common law. Baystar has alleged no claims against the Company.

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

A copy of the third-party complaint was served on Law Debenture Society on or about 11th June 2005. The Company has retained Jones Day to represent the Company in the litigation. On 18th August 2005, Jones Day filed a motion to dismiss the third-party complaint in its entirety. On 13th October 2005, the Court granted in part and denied in part the motion to dismiss.

Thereafter, on 7th November 2005, the Company filed an answer to CPYI’s claims, denying all liability. Pre-trial discovery has commenced and is currently underway.

On 15th May 2006, the Company filed a motion for summary judgment which was rejected by the Court on 9th August 2006, so evidence finding and litigation procedures would continue. Pursuant to the agenda approved by the Court, the process of evidence finding would complete on 1st December 2006 and jury trial would begin on 1st May 2007.

The result of the above case would not have material effects on the Group's interim financial statements as of 30th June 2006.