IRICO

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

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

(Stock Code: 0438)

Annual Report 2008

* *For identification purposes only*

Contents

Financial Highlights

1. Results

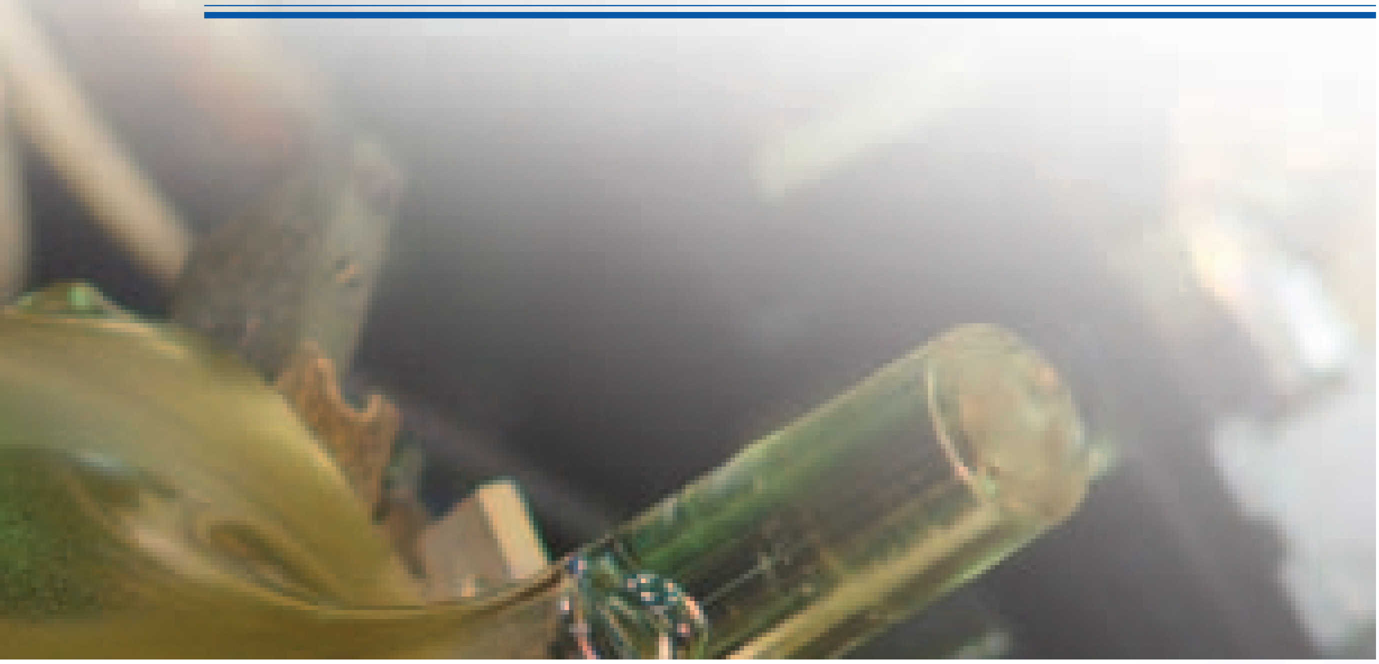
	2008 **(RMB'000)**	2007 *(RMB'000)*	Increase/ (decrease) *(RMB'000)*	Percentage of change *(%)*
Turnover	**3,541,920**	3,358,990	182,930	5.45
Cost of sales	**(2,913,300)**	(3,002,987)	89,687	(2.99)
Gross (loss)/Profit	**628,620**	356,003	272,617	76.58
Gross profit margin *(%)*	**17.75%**	10.60%	7.15%	N/A
Operating (loss)/Profit	**158,870**	91,520	67,350	73.59
Operating profit margin	**4.49%**	2.72%	1.76%	N/A
(Loss)/profit of the year attributable to the equity holders of the Company	**95,324**	64,663	30,661	47.42
Net profit margin *(%)*	**2.69%**	1.93%	0.77%	N/A
(Loss)/Earnings per share of the year attributable to equity holders of the Company (expressed in RMB per share) — basic	**0.0491**	0.0333	0.0158	47.45
Dividend per share *(RMB)*	**0**	0		

2. Financial position

	2008 (RMB'000)	2007 (RMB'000)
Property, plant and equipment	**2,642,474**	2,094,667
Net current assets	**645,611**	1,203,274
Cash and bank balances	**457,415**	374,674
Total liabilities	**2,243,032**	1,807,841
Short-term bank borrowings	**673,000**	962,684
Total equity	**3,394,284**	3,687,489

3. Operating indices

	2008	2007
Returns per share *(annual)*	**4.91%**	3.33%
Inventory turnover *(days)*	**88**	84
Trade receivable turnover *(days)*	**122**	157
Trade payable turnover *(days)*	**69**	69
Current ratio	**1.34**	1.67
Debt equity ratio	**1.16**	0.93



Chairman's Statement

Dear Shareholders,

I am pleased to present the results of IRICO Group Electronics Company Limited ("IRICO" or the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2008 (the "reporting period").

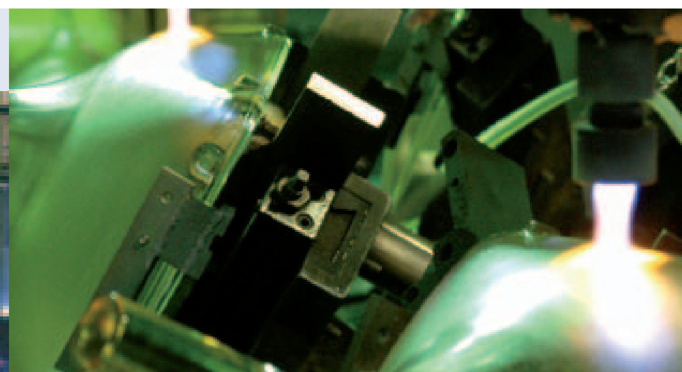
In 2008, by virtue of tenacious efforts and diligence of the management and staff of the Group, we secured desirable operating results despite challenges posed by storm disaster, earthquake and global financial crisis. During the reporting period, turnover of the Group amounted to RMB3,541,920,000, representing an increase of 5.45% from last year. Gross profit margin increased by 7.15 percentage points to 17.75%. Profit attributable to equity holders amounted to RMB95,324,000, representing an increase of 47.42% from last year.

2008 is a year which the Group witnessed rapid growth in its new operations, a critical year to aggress on all fronts for strategic transformation. During the reporting period, the Group had achieved a comparatively greater progress and breakthrough in new operations including electronic glass and luminous materials. Colour picture tube ("CPT") business remained stable, contributing steady revenue and cash flow to the Group. Furthermore, the Group stepped up strategic planning research, enhancing financing capacity and risk management to ensure its healthy development.

Advancing new operations to aggress on all fronts for strategic transformation

In September 2008, our first thin film transistor liquid crystal display ("TFT-LCD") glass substrate production line in the People's Republic of China (the "PRC") was successfully put into full operation, resulting in the rolling off of the first fifth generation TFT-LCD glass substrate product in the PRC. Marking a breakthrough in the upstream core sector and an important development in the PRC's flat panel display ("FPD") device industry, the production line is believed to have ended the PRC's historical reliance on imported LCD glass substrate. Its completion not only had important meaning to improving the nation's FPD industry chain but also unveiled the new breakthrough in the Group's strategic transformation.

Photovoltaic glass enjoys enormous prospects as an essential component of solar cells which are fast growing in recent years. To keep up with the new energy trend, the Group embarked on constructing a 5,026,000 square metre solar photovoltaic glass project during the reporting period, capitalizing on its glass production resources and technical advantages. Based on extensive preliminary study, testing and preparation, the construction project was officially commenced on 13 January 2009. The project has been listed as one of the key new energy construction projects supported by Shaanxi provincial government for 2009.



Advancing new operations to aggress on all fronts for strategic transformation *(continued)*

On luminous material segment, the Group upgraded capacity of energy saving lamp phosphors following completion of capacity expansion and renovation. Though many export-oriented lamp manufacturers were hammered by financial crisis, the Group took effective steps which resulted in a minor boosted in the sales of energy saving lamp phosphors and expanded its domestic market share to 23%, maintaining its leading position domestically.

The 50-tonne specialized production line of cold cathode fluorescent lamp ("CCFL") phosphor ("CCFL phosphor") for LCD backlight successfully commenced production with bulk sales. Samples of Plasma Display Panel ("PDP") phosphor ("PDP phosphor") have been submitted for appraisals. Lithium iron phosphate battery powder ("lithium battery powder") samples were also sent for product certification. Such new products are expected to be on the market gradually in 2009.

On FPD device segment, at the end of 2008, IRICO Display Devices Company Limited (彩虹顯示器件股份有限公司) ("IRICO Display"), a subsidiary of the Company, and Shenzhen Hongyang Industry & Trade Company Limited (深圳虹陽工貿公司) ("Shenzhen Hongyang"), a wholly-owned subsidiary of IRICO Group Corporation (彩虹集團公司) ("IRICO Group"), entered into an agreement ("Joint Venture Contract") to jointly invest in the establishment of IRICO (Foshan) Flat Panel Display Company Limited (彩虹(佛山)平板顯示有限公司) and to construct production lines of organic light-emitting diode ("OLED"), the third generation display device. An annual capacity of 12 million units of OLED display screen (2.2 inch product) is expected upon completion of the project phase I. Thus, the Group's flat display device business has taken a step forward.

Reinforcing CPT to lay down solid foundation for strategic transformation

We believe that given the large customer base of the cathode ray tube ("CRT"), CPT being a type of CRT, television-set market and a disparate gap existing among different countries and social groups in terms of living standards, CRT television sets is expected to be remained as a core integral part of the global television-set market in the relatively distant future. As one of the leading CPT manufacturers in the industry, we adopt "reinforcing CPT" as an important strategy. The Group fully capitalized on its various competitive edges such as presence of manufacturing stations, economies of scale and strong control over the production chain, and continued to adopt a series of pro-active and effective operational strategies including overall cost control, marketing-driven and technology innovation initiatives that further enhanced the competitiveness of the Group in the CPT industry. During 2008, facing the challenges posed by storm disaster, earthquake, financial tsunami and the shrink of CPT industry, the Group sold 14,809,000 units of CPTs. The domestic market share reached approximately 29.6% in 2008, bringing stable cash flows and profit to the Group and providing a strong financial back-up for the Group in realizing the Group's goals of developing new products and strategic transformation.

Confidence in the future

Looking into 2009, new businesses of the Group are believed to be experiencing rapid development and the strategic transformation may lead us to fruitions.

First of all, the Group will strive to improve the capacity and quality of our first TFT-LCD glass substrate production line constructed by the Group, and phase II of the TFT-LCD glass substrates project is expected to be commenced soon. The Group believes that it will further enhance its economies of scale and competitiveness. Solar photovoltaic glass project is expected to be basically completed in 2009, upon which our electronic glass business is expected to be boosted.

Secondly, the Group believes that the output and the market share of our energy saving lamp phosphors will increased, while new products including CCFL phosphor, PDP phosphor and lithium battery powder are expected to be in bulk production.

On display devices, while the construction of the OLED project is expected to be basically completed, a stable operation of the Group's traditional CPT business will be maintained, being backed by the Group's uniqueness of scale, industry chain and cost advantage.

Capitalising on the background as a state-owned enterprise, and technology, human resources and customers that we accumulated for years, the Group will strive to enhance its profitability and sustainable development capacity as all new operations are expected to grow.

With our strategic transformation taking shape, we believe a brighter tomorrow for the Group as well as bringing better returns for its shareholders ahead.

Acknowledgement

I have the pleasure to extend my gratitude on behalf of the board (the "Board") of directors (the "Directors") of the Company to the Company's shareholders (the "Shareholders"), business partners and members of the community for their care and support for the Company, and to express my heartfelt gratitude to all of our management members and employees for their dedicated hard work.

IRICO Group Electronics Company Limited
Xing Daoqin
Chairman

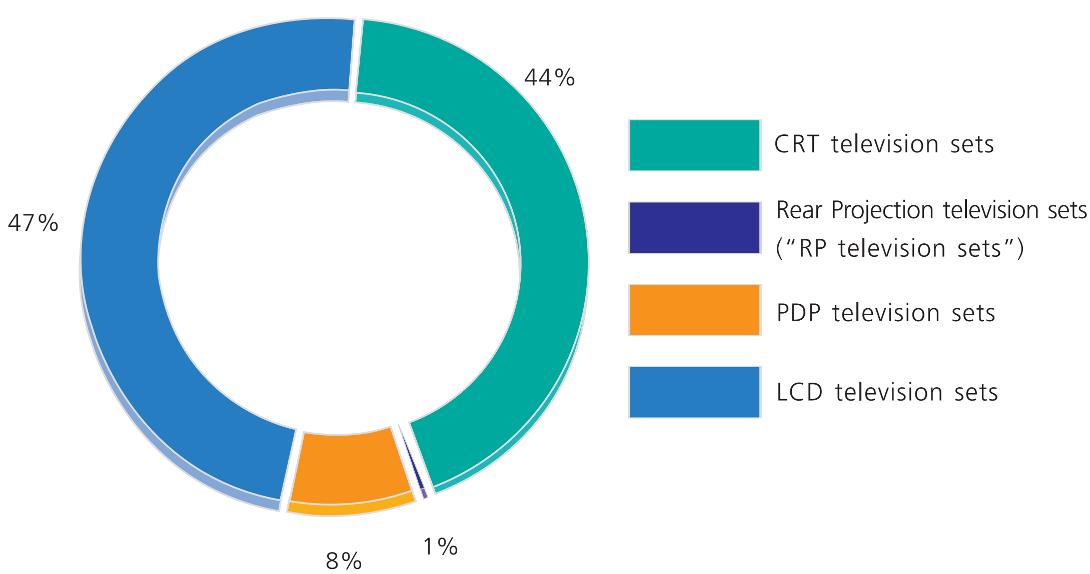
Xianyang, the PRC
26 March 2009

1. Analysis on the Industry

• Display Devices

During the reporting period, there continued to be on-going adjustments to the display device industry. The shrinking of traditional display technology represented by CRT become more apparent, while FPD industry such as TFT-LCD which grew rapidly in recent years slowed down its pace under the influence of financial tsunami. In 2008, the output volume of CRT television sets amounted to 85,987,000 units globally, representing a decrease of 24% as compared to last year, accounting for 44% of the global output of all kinds of television sets. Hence, CRT and relevant electronic components and materials expose to increasing industry systematic risks. However, during the reporting period and in the next few years, CRT is not expected to lose its status of being one of the major driving forces in the global television market. Furthermore, given diversified and cascaded consumption across the world as well as national policy of "Promotion of Household Appliances towards Rural Areas" promoted by the PRC Government, CRT television set is expected to have certain market potentials. The forerunner in such field is still possible to survive and develop by effectively increasing market shares.

Breakdown of the global output volume of television sets in 2008



1. Analysis on the Industry *(continued)*

- ## Display Devices *(continued)*

Estimation of output volume of different types of television sets *(Unit: '000 sets)*

	2008	2009	2010	2011
CRT television sets	85,987	66,750	51,146	38,427
RP television sets	1,147	611	420	258
PDP television sets	16,135	17,201	17,821	18,026
LCD television sets	93,385	112,568	139,213	166,376
Total	196,654	197,130	208,600	223,087

Source: iSuppi, research report on global television market, 08Q4

During the reporting period, the outbreak of financial crisis has a significant impact on global TFT-LCD industry. The demand for TFT-LCD television sets from developed economies such as Europe, USA and Japan is hard to retain rapid growth as it did in the last few years. However, the Group noted that the demand for such products from emerging economies such as the PRC, Southeast Asia and Latin America is growing rapidly, attributed to a year-on-year increase of 19% in global output volume of LCD television sets in 2008, which outweighted CRT television sets for the first time.

According to data from DisplaySearch, global output of FPD reached US$107.8 billion in 2008, of which output of TFT-LCD panel was US$92.2 billion, representing 90% of the total panel display industry. It is expected that global output of FPD will reach US$134.1 billion by 2013, including US$106.5 billion to be contributed by the output of TFT-LCD panel. As the PRC is expected to become the major production base for TFT-LCD globally, some new panel production lines in the PRC will be put into construction or production gradually. Production capacity of TFT-LCD panel had exceeded 9,000,000 square metres in the PRC in 2008, and is expected to reach 12,790,000 square metres by 2010.

1. Analysis on the Industry *(continued)*

- ### Electronic Glass

The rapid development of LCD panels has brought development opportunities for LCD panel substrates. During the reporting period, as far as large size panel (for notebook, monitor, television) market is concerned, global market for TFT-LCD glass substrates was nearly 132 million square metres, representing a year-on-year increase of 25%, of which demand for glass substrates for production of television panel reached 71,230,000 square metres, representing a year-on-year increase of 31%. It is expected that global market of TFT-LCD glass substrates will maintain at an annual growth of approximately 15.3% from 2009 to 2012, reaching 240,000,000 square metres by 2012. The PRC, as one of the major countries for the production of the emerging TFT-LCD together with more high generation of LCD panels are put into operation, it is expected that the demand for glass substrates will maintain at an annual growth rate of approximately 18% in the coming three years. Moreover, as glass substrate industry is still at the beginning stage in the PRC, the Group believes that the domestic TFT-LCD glass substrate industry has an even promising outlook in the coming years.

Due to non-renewable nature of traditional energy such as petroleum and coal, governmental attention to energy saving and environment protection globally as well as the reduction in cost of photovoltaic power, solar photovoltaic industry grew rapidly in recent years. Output volume of photovoltaic modules amounted to 6.5GW in 2008, representing a year-on-year increase of 48%. As for the PRC, it is developing rapidly to become a leading photovoltaic battery producer in the world in 2008. Despite there are certain degree of competition in the solar photovoltaic industry, with the government's increasing focus on energy saving and emission reduction and development and utilization of renewable energy, relevant sectors of photovoltaic industry in the PRC are believed to enjoy great opportunities in the coming years, which is expected to drive the solar photovoltaic business being aggressively developed by the Group.

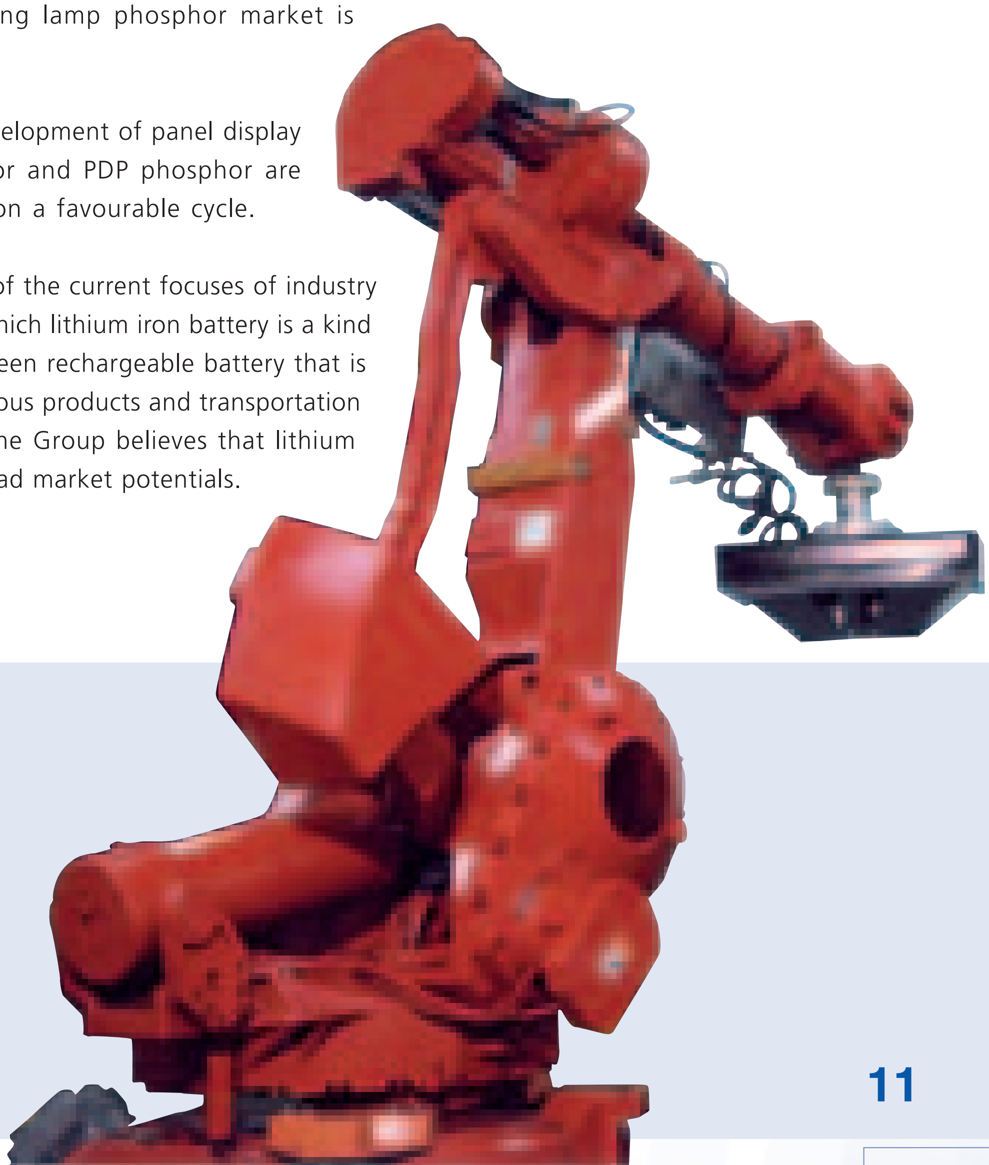
1. Analysis on the Industry *(continued)*

- ### Luminous Materials and Others

As the PRC is an important production base of energy saving lamps in the world, energy saving lamp phosphor has sound development potentials in the PRC. In spite of the short-term impact on its market from financial crisis, energy saving lamp is a daily consumer commodity and thus has a rigid demand. With the increasing support from the PRC government on energy saving and emission reduction and more public awareness of energy saving, energy saving lamp is expected to continue to replace traditional incandescent lamp. While environment protection and energy saving industry are expected to embrace greater opportunities, a more solid and developed energy saving lamp phosphor market is expected.

Thanks to the rapid development of panel display devices, CCFL phosphor and PDP phosphor are also expected to take on a favourable cycle.

Battery industry is one of the current focuses of industry development, among which lithium iron battery is a kind of high performance green rechargeable battery that is increasingly used in various products and transportation vehicles. Accordingly, the Group believes that lithium battery powder has broad market potentials.



2. Business Review

(1) Operation Highlights

The sales revenue of the Group in 2008 was RMB3,541,920,000, representing an increase of 5.45% from last year. Operating profit was RMB158,870,000, representing an increase of 73.59% as compared to last year. Gross profit margin was 17.75%, representing an increase of 7.15 percentage points as compared to the previous year (2007: 10.60%). Profits attributable to equity holders amounted to RMB95,324,000, representing an increase of 47.42% from last year.

(2) Display Devices Businesses

- **CPT and its components business**

Under the backdrop of the global financial crisis and continuous impact on FPD devices, the Group sold a total of approximately 14,809,000 units of CPT in 2008, representing a year-on-year decrease of approximately 3.38% as compared to 2007. The Group's output volume of CPT increased by 2.3 percentage points in 2008, which accounted for approximately 29.6% of the total output volume of the CPT manufacturers in the PRC. The Group's global market share reached approximately 16.4%, representing an increase of 2.6 percentage points as compared to last year, ranking as one of the leading CPT manufacturers in the industry.

In 2008, the Group continued to intensify the strategic thinking of "reinforcing CPT and exploring new businesses". By adopting the Group's three major strategies of overall cost focused, marketing-driven and technology innovation initiatives, the competitiveness in the CPT sector was further enhanced. The Group had also reinforced its cost competitiveness through measures including precise management, target cost management, technological upgrade, energy saving and emission reduction. We strengthened market forecast, sales measures and control over cost of sales, as well as initiatives to expand the international market and achieved satisfactory sales results. With regard to technological innovation, the Group has commenced volume production of our new CPT products including 54cmFS improved model and 54cmPFSS small DY model, while large scale production of 61cmWPFUS CPT has also commenced which further optimized the Group's product mix. During the reporting period, the advantage afforded by the components business of the Group became more apparent which in turn intensified the development of the relevant industries.

2. Business Review *(continued)*

(2) Display Devices Businesses *(continued)*

- **FPD business**

OLED is a FPD technology with promising development prospects. With its outstanding display performance, the Board noted that the technology was recognized by the industry as a major trend in the third generation display technology, and believed that the prospect of which is wide.

On 30 December 2008, IRICO Display, a subsidiary controlled by the Company, and Shenzhen Hongyang, a wholly-owned subsidiary of IRICO Group, entered into the Joint Venture Contract to jointly invest in the establishment of IRICO (Foshan) and to construct the production lines of OLED, the third generation display device. Upon completion of phase I project, a production scale of 12 million pieces of OLED display panels per annum (in terms of 2.2-inch products) is expected to be achieved. Currently, construction of the project is in progress.

In addition, the PDP and module project jointly established by the Company and Sichuan Changhong Electrical Group Co., Ltd. (四川長虹電子集團有限公司) had progressed smoothly and batch production is expected to launch in 2009.

(3) Electronic Glass Business

During the reporting period, the Group had achieved key breakthroughs in its TFT-LCD glass substrate project. Trial production commenced in May 2008, and in September 2008, the production line was successfully put into full operation, resulting in the rolling off of the first fifth generation TFT-LCD glass substrate product in the PRC. At present, quality product ratio is rising constantly. Exchanges about product certification and technology specifications between the Group and downstream panel manufacturers had reached certain development stage. Further improvements in capacity and quality are expected to be seen in 2009.

The Group also intends to initiate construction of phase II of the TFT-LCD glass substrate project to achieve stronger economies of scale and competitiveness.

Leveraging its own glass-making resources and technological advantages, the Group invested RMB250 million in the construction of photovoltaic glass production line with an annual capacity of 5,026,000 square meters. The construction of the project commenced on 13 January 2009.

2. Business Review *(continued)*

(4) Luminous Materials Business

In 2008, overseas orders of energy saving lamp plunged as a result of the financial crisis. As the energy saving lamp industry was adversely affected on a comparatively large scale, the market of energy saving lamp phosphor had shrunk by a certain degree. After employing various effective measures, the Group witnessed a minor boost in the sales of energy saving lamp phosphor. The Group's market share in the PRC increased to 23%, maintaining its leading position domestically and allowing continuous improvement in product quality. During the reporting period, client promotional work for new products such as CCFL phosphor, PDP phosphor and lithium battery powder achieved certain progress which offered potentials for further development in the future.

3. Future Prospects

The Group is rapidly shifting its business focus to booming areas such as the new FPD devices and its components, electronic glass, luminous materials and metallic components.

The Group will strive to maintain its leading position in the CPT business. The CPT business is expected to continue to be a stable source of cash flow for the Group and thereby safeguard any further strategic transformations of the Group.

As for FPD devices, construction of the OLED project is expected to be completed in 2009 and the Group will strive to further propel the industrialization of other FPD devices.

In respect of electronic glass, production capacity and quality of TFT-LCD glass substrate products will be further enhanced. With plans for the construction of phase II expansion project to be executed, it is expected that the Group will rise as a major manufacturer of TFT-LCD glass substrate in the industry. The construction of photovoltaic glass project is expected to be completed in 2009.

With further expansion in energy saving lamp phosphor business and rapid development of new products such as CCFL phosphor, PDP phosphor and lithium battery powder, the Group's luminous materials business will be maintained in an upward trend.

4. Financial Review

(1) Results performance

Profit and loss data for 2004 - 2008 *(RMB'000)*

	2004	2005	2006	2007	2008
Turnover	4,949,683	3,927,500	3,861,710	3,358,990	**3,541,920**
Sales of CPTs	4,466,767	3,441,096	3,342,888	2,914,351	**3,079,428**
Sales of components	482,916	486,404	518,822	444,639	**462,492**
Cost of sales	(3,896,956)	(4,357,371)	(3,356,160)	(3,002,987)	**(2,913,300)**
Gross profit	1,052,727	(429,871)	505,550	356,003	**628,620**
Operating expenses					
Administrative expenses	(219,008)	(278,875)	(241,113)	(238,790)	**(368,129)**
a) General administrative expenses	(172,028)	(241,935)	(215,196)	(216,112)	**(341,550)**
b) Research and development expenses	(46,980)	(36,940)	(25,917)	(22,678)	**(26,579)**
Distribution expenses	(113,323)	(152,565)	(150,343)	(162,073)	**(176,558)**
Other operating expenses	(79,275)	(36,968)	(38,381)	(42,055)	**(20,004)**
Operating profit	713,020	(839,381)	250,337	91,520	**158,870**
Finance costs	(62,966)	(70,096)	(61,849)	(66,729)	**(59,046)**
Profit attributable to equity holders of the Company	385,327	(754,547)	129,512	64,663	**95,324**

Turnover by products *(RMB'000)*

Name	2008	2007	Increase/ (decrease)	Percentage of change
CPTs	**3,079,428**	2,914,351	165,077	5.66%
Components and materials	**462,492**	444,639	17,853	4.02%
Total	**3,541,920**	3,358,990	182,930	5.45%

4. Financial Review *(continued)*

(2) Change over last year and reasons

- **Turnover and gross profit margin**

  In 2008, the Group recorded a turnover of RMB3,541,920,000, representing a year-on-year increase of RMB182,930,000, or 5.45% from 2007. Turnover of the CPT business amounted to RMB3,079,428,000, representing a year-on-year increase RMB165,077,000 or 5.66% from 2007. Turnover of the components and materials business increased by RMB17,853,000 or 4.02% from 2007 to RMB462,492,000. The overall gross profit margin of the Group increased from 10.60% in 2007 to 17.75% in 2008. In 2008, market price of CPT basically remained stable. Gross profit margin was further increased as a result of the optimization of product mix and greater efforts of the Company on cost reduction.

- **Administrative expenses**

  The Group's administrative expenses in 2008 increased by RMB129,339,000, or 54.16%, to RMB368,129,000 from RMB238,790,000 of 2007. The increase in administrative expenses was mainly due to the increase in impairment in receivables and maintenance fee in 2008.

- **Finance costs**

  The Group's finance costs in profit and loss for 2008 recorded RMB59,046,000 (net of interest expense capitalized amounted to RMB17,919,000), representing a decrease of RMB7,683,000, or 11.51%, from RMB66,729,000 of 2007, which was mainly attributable to the decrease in loan for operating activities during the year.

4. Financial Review *(continued)*

(3) Net current assets and financial resources

As at 31 December 2008, the Group's cash and bank balances aggregated to RMB457,415,000, representing an increase of 22.08% from RMB374,674,000 as at 31 December 2007. For the year ended 31 December 2008, the Group's capital expenditures totaled RMB940,033,000 (as at 31 December 2007: RMB341,884,000) . Net cash from operating activities recorded RMB940,665,000 (as at 31 December 2007: RMB-303,400,000), while net cash from financing activities and net cash from investing activities were RMB45,081,000 (as at 31 December 2007: RMB-61,464,000) and RMB-902,879,000 (as at 31 December 2007: RMB276,060,000) respectively. As at 31 December 2008, the Group's borrowings totaled RMB991,707,000, of which borrowings due within one year amounted to RMB673,000,000 and borrowings with maturity beyond one year amounted to RMB318,707,000 as compared to the total borrowings of RMB962,684,000 as at 31 December 2007, which would all be due within one year.

As at 31 December 2008, the Group's short-term bank loans amounting to approximately RMB140,000,000 (as at 31 December 2007: RMB200,000,000) were secured by certain land use rights properties, plants and equipment of the Group with an aggregate net book value of approximately RMB206,093,000 (as at 31 December 2007: RMB215,925,000). As at 31 December 2008, the short-term bank loans guaranteed by the Company's ultimate holding company amounted to RMB109,000,000 (as at 31 December 2007: RMB250,500,000).

For the year ended 31 December 2008, the turnover for accounts receivables of the Group was 122 days, representing a decrease of 35 days as compared to 157 days for the year ended 31 December 2007. Decrease in accounts receivables of the Group was mainly attributable to the increased capability of the recovery of accounts receivables. For the year ended 31 December 2008, the inventory turnover for the Group was 88 days, representing an increase of 4 days from 84 days for the year ended 31 December 2007, which was mainly attributable to the slight increase in inventory as affected by the financial crisis in the last two months of the year.

(4) Capital Structure

As at 31 December 2008, the Group's borrowings were mainly denominated in Renminbi and US dollar, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollar and US dollar. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2008, its liabilities including bank loans aggregated to RMB2,243,032,000 (as at 31 December 2007: RMB1,807,841,000) while cash and bank balances totaled RMB457,415,000 (as at 31 December 2007: RMB374,674,000) and the gearing ratio (total liabilities/total assets) was 40% (as at 31 December 2007: 33%).

4. Financial Review *(continued)*

(5) Dividend

The Company's dividend policy will remain unchanged. In light of the absence of undistributed surplus in 2008, the Company resolved not to distribute any final dividend.

(6) Foreign exchange risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the 12 months ended 31 December 2008, net loss from exchange rate fluctuations increased by RMB6,399,000 to RMB23,734,000 from RMB17,335,000 in 2007.

(7) Commitments

As at 31 December 2008, capital commitments of the Group amounted to RMB11,304,000 (as at 31 December 2007: RMB168,919,000), which were mainly financed by the Group's working capital.

(8) Contingent liability

As at 31 December 2008, the Group had no material contingent liability.

(9) Pledged assets

As at 31 December 2008, the Group had bank loans of approximately RMB140,000,000 (as at 31 December 2007: RMB200,000,000), secured by certain of its land use rights properties, plants and equipment with an aggregate net book value of approximately RMB206,093,000 (as at 31 December 2007: RMB215,925,000).

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Xing Daoqin	54	Chairman
Tao Kui	56	Vice Chairman
Zhang Junhua	50	President

Non-executive Directors

Guo Mengquan	52
Niu Xinan	48
Fu Jiuquan*	39
Zhang Weichuan	54

Independent Non-executive Directors

Xu Xinzhong*	45
Feng Bing*	42
Wang Jialu	48
Lv Hua*	52
Zhong Pengrong*	56

* Member of the Audit Committee

Directors *(continued)*

Mr. Xing Daoqin (邢道欽), aged 54, is an executive Director and the Chairman of the Company. Mr. Xing joined the Group in February 1982. Mr. Xing graduated from Xi'an Jiaotong University (西安交通大學) with a PhD degree in automation. He also graduated from EMBA of Tsinghua University. In 1996, Mr. Xing was awarded a special government allowance for experts by the State Council of the PRC. He is a senior engineer at a professor level. Mr. Xing was the deputy general manager of IRICO Group since March 2001 and has been the general manager of IRICO Group since July 2005. Before that, he was the factory manager of Caihong Glass Factory under IRICO Colour Picture Tube Plant ("CPT Plant"), the head of the Electronic Glass Department of IRICO Group and the deputy factory manager of CPT Plant. Since November 2007, Mr. Xing has served as the Chairman of IRICO Display Devices Co., Ltd.

Mr. Tao Kui (陶魁), aged 56, is an executive Director and the Vice Chairman of the Company. Mr. Tao joined the Group in September 1978. Mr. Tao graduated from South East University (東南大學) (formerly known as Nanjing Institute of Technology) with a bachelor degree in electrical vacuum devices and is qualified as a senior engineer. Mr. Tao acted as a Director of IRICO Group from November 1995 to February 2001 and as the deputy general manager of IRICO Group since March 2001. Before that, he was the factory manager of both the phosphor powder factory and the glass factory under CPT Plant, a Director of IRICO Group and the deputy factory manager of CPT Plant.

Mr. Zhang Junhua (張君華), aged 50, is an executive Director and the President of the Company. He is fully responsible for overall management of the Company's operations. Mr. Zhang joined the Group in December 1984. Mr. Zhang graduated from Shaanxi Mechanical College (陝西機械學院) with a Bachelor's Degree in Machinery Manufacturing and is a senior engineer. At present, he serves as the chairman of Xi'an New Century Club, the chairman and the general manager of Xianyang IRICO Digital Display Technology Co., Ltd. Before that, he acted as the deputy head and the head of Metering & Energy - Conservation Department of No. 2 CPT Factory under CPT Plant, assistant to the general manager, the deputy general manager, the general manager and the vice chairman of IRICO Display Devices Co., Ltd and chairman of Xi'an Caihui Display Technology Co., Ltd. He was the Vice President of the Company from August 2005 to December 2007.

Mr. Guo Mengquan (郭盟權), aged 52, is a non-executive Director of the Company. Mr. Guo joined the Group in September 1983. Mr. Guo graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor degree in control and manipulation of aviation fluid mechanics and from Shaanxi MBA College with an MBA degree. He is a senior engineer at a professor level. Mr. Guo has been acting as the deputy general manager of IRICO Group since March 2001 and was the Chairman of IRICO Group Electronics Company Limited from August 2005 to December 2007. Before that, he was the factory manager of the glass plant under CPT Plant. Since November 2007, Mr. Guo has served as the Vice Chairman of IRICO Display Devices Co., Ltd.

Directors *(continued)*

Mr. Niu Xinan (牛新安), aged 48, was appointed as a non-executive Director of the Company. Mr. Niu joined the Group in August 1981. Mr. Niu graduated from Northwestern University (西北大學) with a bachelor degree in administrative management and is a senior engineer. Mr. Niu has been serving as the party's Vice-secretary and Secretary to the disciplinary committee of IRICO Group. In June 2002, he was elected as the Chairman of the labor union of IRICO Group. Before that, Mr. Niu held such positions as the factory manager of No. 1 CPT factory under CPT Plant and the deputy Director of its design institute, the manager of Display Devices Department and the factory manager of No. 1 CPT factory under CPT Plant, the factory manager of the Inner Mongolia Television Factory (內蒙古電視機廠) and the deputy factory manager of CPT Plant. He served as a supervisor and chairman of the Supervisory Committee of the Company from September 2004 to August 2005.

Mr. Fu Jiuquan (符九全), aged 39, is a non-executive Director of the Company. Mr. Fu joined the Group in July 1990. Mr. Fu graduated from Guilin Electronic Industry College (桂林電子工業學院) with a bachelor degree in finance and accounting. Mr. Fu has obtained a master qualification in Xi'an Jiaotong University. He is a senior accountant and currently the chief accountant of IRICO Group. Mr. Fu was appointed as the Director of the Finance Division of CPT Plant and the manager of the Assets Finance Department of IRICO Group. He was the shareholder supervisor of the Company from September 2004 to June 2008 and the chairman of the Supervisory Committee of the Company from August 2005 to June 2008.

Mr. Zhang Weichuan (張渭川), aged 54, is a non-executive Director of the Company. Mr. Zhang joined the Group in August 1978. He graduated from Northwestern Telecommunication Engineering College (西北電訊工程學院) with a bachelor degree in electrical vacuum devices. He is a senior engineer at a researcher level. He is currently the general manager of IRICO (Zhangjiagang) Flat Panel Display Company Limited (彩虹(張家港)平板顯示有限公司), and had served as Director of the Quality Assurance Department of CPT Plant, the deputy chief engineer of CPT Plant, the manager of the Technology and Quality Department of IRICO Group, the manager of the Strategic Planning Department of IRICO Group and the manager of the Planning and Development Department of the Company. Mr. Zhang was a staff supervisor of the Company from September 2004 to June 2008.

Directors *(continued)*

Mr. Xu Xinzhong (徐信忠), aged 45, is an independent non-executive Director of the Company and currently a professor in Finance in Guanghua Management College of Beijing University and Dean of its Faculty of Finance. Mr. Xu joined the Group in September 2004. Mr. Xu obtained his bachelor degree in meteorology from Beijing University (北京大學), his MBA degree from Aston University in the United Kingdom and his doctoral degree in finance from Lancaster University in the United Kingdom. He worked as a lecturer and senior lecturer of the Faculty of Accounting and Finance at Manchester University in the United Kingdom and was a professor and a chair in Finance of the Faculty of Management at Lancaster University in the United Kingdom. Mr. Xu has been acting as a professor of Guanghua Management College of Beijing University and Dean of its Faculty of Finance since January 2002. Mr. Xu was also awarded the Prize for the Best Manuscript (最佳論文獎) by British Accounting Review in 1997.

Mr. Feng Bing (馮兵), aged 42, is an independent non-executive Director of the Company and currently an executive Director and the deputy general manager of China Financial and Consulting Company (中華財務諮詢公司). Mr. Feng joined the Group in September 2004. He obtained his bachelor degree in computer software from Northwestern Polytechnical University, his master degree in engineering from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) and his master of science degree in finance from the School of Management at Syracuse University. He was a part-time tutor in optional practical training of the Faculty of Commerce at Syracuse University and a senior manager of Deloitte Touche Tohmatsu in the United States.

Mr. Wang Jialu (王家路), aged 48, is an independent non-executive Director of the Company and a partner of Commerce & Finance Law Office (通商律師事務所). Mr. Wang joined the Group in September 2004. He completed his course for master degree in business administration from Guanghua Management College of Beijing University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Beijing University and the LLM degree from the law school of Marburg University of Germany. He is an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for master degree course in the Law Faculty of Beijing University.

Directors *(continued)*

Mr. Lv Hua (呂樺), aged 52, is an independent non-executive Director of the Company. He holds a PhD degree. He is a certified accountant and a certified tax consultant in the PRC. Mr. Lv joined the Group in September 2007. He currently serves as the chairman (chief accountant) of Xian Xigema Certified Public Accountant Firm Limited as well as the vice chairman of Shaanxi Certified Public Accountants Association (陝西省註冊會計師協會), the vice chairman of Shaanxi Asset Appraisal Association, the executive member of Shaanxi Research Society of Restructuring the Economic Systems (陝西省體制改革研究會) and the vice chairman of General Chamber of Commerce of Xian City (西安市商業聯合會). He was consecutively awarded various titles such as "Excellent Youth Entrepreneur in Shaanxi Province" (陝西省傑出青年實業家), "New Long March Pioneer of Shaanxi Province" (陝西省新長征突擊手), "Top Ten News Figures of Finance and Financial System in Shaanxi Province" (陝西省財政、金融系統十大新聞人物) and "Top 10 Excellent Economic Figures of Shaanxi" (陝西十大傑出經濟人物).

Mr. Zhong Pengrong (鍾朋榮), aged 56, an independent non-executive Director of the Company. Mr. Zhong graduated from Zhongnan University of Economics with a master's degree in Economic Issues in the PRC. He joined the Group in September 2007. Mr. Zhong is the chairman of Beijing Shiye Consultancy Centre as well as professors of various universities such as Northwest University, Central University of Finance and Economics and Zhongnan University of Economics and Law. He also works as an economic consultant for numerous sizable enterprises and regional governments, formulating strategic proposal and restructuring proposal of over a hundred of enterprises alongside strategic development plans for more than sixty cities at regional and county level. Apart from working in the investigation and research office of the Central Office (中央辦公廳調研室), he has also issued hundreds of essays on economy on news papers such as "People's Daily", "Economic Daily, PRC" and "Guang Ming Daily". Various books written by him were published, such as "100 National Measures" (百條治國大計), "Macro-economics theory" (宏觀經濟論) and "Research on inflation in China" (中國通貨膨脹研究).

Supervisors

Wang Qi	50	Shareholder Supervisor, Chairman
Fu Yusheng	50	Staff Supervisor
Tang Haobo	49	Staff Supervisor
Sun Haiying	65	Independent Supervisor
Wu Xiaoguang	51	Independent Supervisor

Ms. Wang Qi (王琪), aged 50, is a shareholder supervisor of the Company and the Chairman of the Supervisory Committee. Ms. Wang joined the Group in July 1979. Ms. Wang obtained her tertiary diploma from Hangzhou Institute of Electronics Engineering (杭州電子工業學院) majoring in accounting and is now a senior accountant. She is now serving as the manager of the asset financial department (資產財務部部長) of IRICO Group. Ms. Wang used to be the head of the financial department (財務科) in IRICO Glass Factory and the chief accountant (總會計師) of Xi'an IRICO Electronic Industrial Co. Ltd.

Mr. Fu Yusheng (付玉生), aged 50, is a staff supervisor of the Company. Mr. Fu joined the Group in January 1981. Mr. Fu graduated from Northwest University majoring in Economic Management, with a tertiary diploma. Mr. Fu is currently the Head of IRICO Glass Factory. He has held positions including director of Screen Workshop of IRICO Glass Factory, Vice Head of IRICO Part Factory and Vice Head of IRICO Glass Factory.

Mr. Tang Haobo (唐浩波), aged 49, is a staff supervisor of the Company. Mr. Tang joined the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry majoring in Radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. He is currently the General Manager of Operation Department and has held positions including Vice Head of Motor-driving Section of No. 2 Factory of CPTs, Head of Equipment Design Office, Deputy General Manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), Vice Head of No. 1 Factory of CPTs, Manager of IRICO Equipment Company Limited, Vice Head of IRICO Electron Gun Factory, and Vice General Manager of Operation Department of IRICO.

Mr. Sun Haiying (孫海鷹), aged 65, is an independent supervisor of the Company. Mr. Sun graduated from the Northwestern University in geography and joined the Group in September 2004. He is currently the head and a professor of the Environmental Science and Engineering Technical Centre of Xi'an Jiaotong University, a member of the Standing Committee of the Chinese People's Political Consultative Conference and the head of the Department of Science and Technology of Shaanxi Province, an adjunct professor of the Institute for Enterprises of the Hong Kong Polytechnic University. He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Planning Strategy Study Group under the State Mid-and Long-term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃領導小組的規劃戰略研究專題組) in August 2004.

Supervisors *(continued)*

Ms. Wu Xiaoguang (吳曉光), aged 51, is an independent supervisor of the Company. Ms. Wu received her bachelor degree in economics from the Economic Management College of Northwestern University. She was a graduate majoring in accounting in management school of Xi'an Jiaotong University, and was awarded a master degree of business administration upon graduation at the Faculty of Business of The Hong Kong Polytechnic University. She joined the Group in September 2004. She is currently a deputy professor of the Management Faculty at Xi'an Jiaotong University and the head of the ACCA (Association of Chartered Certified Accountants) Project Centre. Ms. Wu is a part-time professor of the Chinese (Hainan) Reform and Development Research Institute (中國(海南)改革發展研究院), the chairman and general manager of Xi'an Wanguantong Financial Management Consulting Co., Ltd., an expert consultant of Shaanxi Province Venture Capital Association. She holds positions as expert consultant in Beijing Jinrui Junan Taxation Co, China Tax Consulting Information Web, China Industry and Economic News Web and Beijing Zhongbao Weiye Information Consulting Firm.

Senior Management

Zhang Chunning	49	Vice President
Zou Changfu	50	Assistant to the President
Ge Di	50	Assistant to the President
Wei Xiaojun	51	Assistant to the President
Liu Xiaodong	37	Joint Company Secretary
Lam Chun Lung	36	Qualified Accountant and Joint Company Secretary

Mr. Zhang Chunning (張春寧), aged 49, is the Vice President of the Company. He is responsible for the sales and marketing of products, technology and quality and innovation of new products respectively. Mr. Zhang joined the Group in November 1985. Mr. Zhang graduated from the Faculty of Chemistry at Northwestern University with a bachelor degree in science (chemistry) and from Xi'an Jiaotong University with a master degree in management (business administration). He is now pursuing his doctorate education in management (business administration) at Xi'an Jiaotong University. He was the deputy officer and officer of the No. 2 Factory Workshop under CPT Plant, the acting factory manager and the factory manager of Caihong Phosphor Factory under CPT Plant, the general manager of Shaanxi IRICO Phosphor Materials Co., Ltd. (陝西彩虹熒光材料有限公司), the assistant to the president of the Company and the Joint Company Secretary of the Company.

Mr. Zou Changfu (鄒昌福), aged 50, is the assistant to the president of the Company and is engaged in safety, environmental protection, fire safety, security, operation of production and resources protection. Mr. Zou joined the Group in August 1981. Mr. Zou received a degree in engineering and is a senior engineer. He was the general manager in the head office of IRICO Kunshan Holdings (彩虹昆山實業) and the chairman of IRICO Yingguang Electrics Limited Company (彩虹櫻光電子股份公司) from February 2003 to December 2005. He has been the general manager of the Purchase Department of the Company since December 2005.

Senior Management *(continued)*

Mr. Ge Di (葛迪), aged 50, is the assistant to the president of the Company and mainly engages in purchasing in the Metal Part Department. Mr. Ge joined the Group in December 1979. Mr. Ge is a senior engineer with a tertiary diploma. He was the factory manager of CPT Plant from 2003 to March 2007. Furthermore, he has been the supervisor of IRICO Display Devices Co., Ltd. since September 2005, the manager of Metal Part Department of IRICO Group Electronics Company Limited since March 2007, the chairman of Cai Qin Electrical Devices Company Limited (彩秦電子器件有限公司) since March 2007.

Mr. Wei Xiaojun (魏小軍), aged 51, is the assistant to the president and mainly engages in innovative business management. Mr. Wei joined the Group in December 1981. Mr. Wei obtained a degree of engineering and is a senior engineer. He was the general manager of head office in Shaanxi IRICO General Service Corporation Co., Ltd. from 2003 to November 2005; the general manager of IRICO Kunshan Holdings Limited (昆山彩虹實業有限公司) from November 2005 to June 2008; and the chairman of Xianyang IRICO Electronic Shadow Mask Co., Ltd. since September 2008.

Mr. Liu Xiaodong (劉曉東), aged 37, is the Joint Company Secretary of the Company. Mr. Liu joined the Group in November 1992. He is responsible for the securities management, the legal matters and investors' relationship of the Company. Mr. Liu graduated at Economic Management College of Northwestern University with a PhD degree and is a senior economist. He held positions as the technician and management staff of No. 1 CPT Plant under CPT Plant, secretary to the general manager of IRICO Group and head of the Board Office and securities department of IRICO Display Devices Co., Ltd. Since March 2002, he has been the secretary to the board of IRICO Display Devices Co., Ltd. Since January 2008, he has been the Joint Company Secretary of IRICO Group Electronics Company Limited.

Mr. Lam Chun Lung (林晉龍), aged 36, is the Company's qualified accountant and Joint Company Secretary. Mr. Lam joined the Group in August 2006. Mr. Lam graduated from The Hong Kong University of Science and Technology with a first honour bachelor degree in business administration (accounting) in May 1998, and from the City University of Hong Kong with a master degree in business administration in July 2006. He had been the head of auditing in S C To & Co. (杜昭紹會計師事務所) and accounts and finance manager of Colliers Jardine International. Mr. Lam is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

Changes of Directors, Supervisors and Senior Management

On details of changes of Directors, supervisors and senior management, please refer to the "Directors, Supervisors and Senior Management" section within the Report of the Directors.

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2008 to the Shareholders.

Principal operations

The Group is principally engaged in the production and sales of display devices (CPT and FPD) and its components, electronic glass, phosphor materials and metallic products.

Results and dividend

The sales revenue of the Group in 2008 was RMB3,541,920,000, operating profit was RMB158,870,000, gross profit margin was 17.75% and profit attributable to equity holders amounted to RMB95,324,000.

The annual results of the Group for the year ended 31 December 2008 and its financial status as at the same day prepared in accordance with accounting principles generally accepted in Hong Kong are set out on pages 63 to 160 of this annual report.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2008, the Board has decided not to distribute any final dividend for the year ended 31 December 2008.

Charitable contributions

In 2008, the Group actively engaged in earthquake relief by making prompt donations and showing whole-hearted care to the people and clients in the area stricken by the Sichuan earthquake . The donations made by staff of the Group aggregated to RMB1.80 million, among which cash accounted for RMB1.65 million and materials accounted for RMB0.15 million. Furthermore, 580 staffs voluntarily donated a total of 180,000 ml of blood to the people in the stricken area.

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited financial statements and adjusted (if applicable), is set out on page 161 of this annual report. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of the movements of property, plant and equipment of the Group in the year are set out in note 18 to the financial statements.

Share capital

Details of the changes in the Company's share capital, together with the reasons therefor, are set out in note 32 to the financial statements.

Purchase, redemption and sale of shares of the Company

Save as disclosed in this annual report, neither has the Company nor any of its subsidiaries purchased, redeemed or sold any shares of the Company during the year.

Reserves

Details of the movements of reserves of the Company and of the Group during the year are set out in note 33 to the financial statements.

Major customers and suppliers

The percentage of purchases from and sales to the major suppliers and customers of the Group is set out as follows:

Purchase

— largest supplier 3.3%

— five largest suppliers 13.9%

Sales

— largest customer 14.8%

— five largest customers 47.2%

Due to the variety of the Company's production materials, the Company has not yet identified an established supplier with strength sufficient to provide a relatively high proportion of raw materials. Hence, the five largest suppliers represent 13.9% in total. To the best knowledge of the Directors, none of the Directors, their respective associates or any Shareholder holding 5% or more of the issued share capital of the Company, had any interest in the above-mentioned major suppliers and customers.

Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company for the year were as follows:

Name	Positions	Date of appointment/redesignation/ resignation during the reporting period
Xing Daoqin	Executive Director and Chairman	
Tao Kui	Executive Director and Vice Chairman	
Zhang Junhua	Executive Director and President	Appointed as Director on 30 June 2008
Zhang Shaowen	Executive Director	Resigned on 30 June 2008
Li Shikun	Executive Director	Resigned on 30 June 2008
Zhang Xingxi	Non-executive Director	Resigned on 30 June 2008
Guo Mengquan	Non-executive Director	Redesignated from executive Director to Non-executive director on 30 June 2008
Niu Xinan	Non-executive Director	Redesignated from executive Director to Non-executive Director on 30 June 2008
Fu Jiuquan	Non-executive Director	Appointed on 30 June 2008
Zhang Weichuan	Non-executive Director	Appointed on 30 June 2008
Xu Xinzhong	Independent non-executive Director	
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Lv Hua	Independent non-executive Director	
Zhong Pengrong	Independent non-executive Director	
Wang Qi	Supervisor	Appointed on 30 June 2008
Tang Haobo	Supervisor	Appointed on 30 June 2008
Fu Yusheng	Supervisor	Appointed on 30 June 2008
Wu Xiaoguang	Supervisor	
Sun Haiying	Supervisor	
Zhang Chunning	Senior management and Vice President	

Directors, Supervisors and Senior Management *(continued)*

Name	Positions	Date of appointment/redesignation/ resignation during the reporting period
Zou Changfu	Senior Management and Assistant to the President	
Ge Di	Senior Management and Assistant to the President	
Wei Xiaojun	Senior Management and Assistant to the President	
Liu Xiaodong	Joint Company Secretary and Assistant to Chief Financial Controller	
Lam Chun Lung	Joint Company Secretary and Qualified Accountant	

Brief biographical details of Directors, supervisors and senior management are set out on pages 20 to 26.

Each of the independent non-executive directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") concerning his independence pursuant to Rule 3.15 of the Listing Rules. The Company considers all of the independent non-executive directors to be independent.

Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the five highest paid individuals of the Group are set out in note 11 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2008.

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), up to 31 December 2008, the following Directors, supervisors and senior management members of the Company had been granted share appreciation rights by the Company as follows:

Name	Number of Share Appreciation Rights *(Shares)*	Note
Xing Daoqin	2,900,000	Director
Tao Kui	2,390,000	Director
Zhang Junhua	1,420,000	Director
Guo Mengquan	2,060,000	Director
Niu Xinan	1,200,000	Director
Fu Jiuquan	650,000	Director
Zhang Weichuan	920,000	Director
Fu Yusheng	400,000	Supervisor
Tang Haobo	200,000	Supervisor
Zhang Chunning	1,270,000	Senior Management
Zou Changfu	1,020,000	Senior Management
Wei Xiaojun	700,000	Senior Management
Ge Di	1,120,000	Senior Management
Liu Xiaodong	300,000	Senior Management

Note: The Company granted share appreciation rights to the following Directors, supervisors and senior management in 2008.

Directors: Mr. Xing Daoqin 700,000 shares, Mr. Tao Kui 530,000 shares, Mr. Guo Mengquan 400,000 shares, Mr. Niu Xinan 400,000 shares, Mr. Fu Jiuquan 650,000 shares, Mr. Zhang Junhua 530,000 shares, Mr. Zhang Weichuan 400,000 shares; Senior management: Mr. Zhang Chunning 300,000 shares, Mr. Zou Changfu 300,000 shares, Mr. Ge Di 300,000 shares, Mr. Wei Xiaojun 300,000 shares, Mr. Liu Xiaodong 300,000 shares.

Directors' and Supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during the year.

Directors' and Supervisors' service contracts

Each of the Directors and supervisors has entered into a service contract with the Company. None of the Directors or supervisors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Interests and short positions of Directors, Chief Executive and Supervisors in shares of the Company or its associated corporations

Save as the interests mentioned in the section headed "Share Appreciation Rights Plan" above, during the year ended 31 December 2008, none of the Directors, or chief executive or supervisors or their respective associates had any interests or short positions in the shares, underlying shares and/or debentures 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 are (a) 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; (b) required to be recorded in the register of interests kept by the Company pursuant to section 352 of the SFO; (c) 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 Listing Rules.

During the year ended 31 December 2008, none of the Directors, chief executives, supervisors, senior management, their spouses or children under the age of 18 was given the right to acquire shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO).

Interests and short positions of substantial shareholders and other parties

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 31 December 2008 and as entered in the register of interests to be kept pursuant to section 336 of the SFO:

IRICO Group 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 483,381,990 H Shares of the Company (representing 99.60% of the H Share capital). Xing Daoqin, Tao Kui, Guo Mengquan and Fu Jiuquan, each being the Director of the Company is also the general manager, the assistant general manager, the assistant general manager and the chief accountant of IRICO Group, respectively.

Notes:

As at 31 December 2008, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 483,381,990 H Shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H Shares of the Company (representing approximately 10.21% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 6.95% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and 544,000 H shares of the Company were held by JF International Management Inc..

Montpelier Asset Management Limited held 30,294,000 H shares of the Company in the capacity of investment manager (representing approximately 6.24% of the issued H shares of the Company).

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 5.66% of the share capital of H shares) in the capacity of investment manager on behalf of Pictet Funds Asian Equities, which had interests in 28,504,000 shares.

CQS Convertible and Quantitative Strategies Master Fund Limited held 25,774,000 H shares of the Company in the capacity of investment manager (representing approximately 5.31% of the issued H shares of the Company). Each of CQS Cayman LP, CQS (UK) LLP and CQS (HK) Limited was a controller of CQS Convertible and Quantitative Strategies Master Fund Limited.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Designated deposit and overdue time deposit

As at 31 December 2008, the Group had no designated deposits in any financial institutions in the PRC. All of the Group's bank deposits are lodged in commercial banks in the PRC, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

Employees, Retirement benefits and Other benefits

As at 31 December 2008, the Group had 6,972* employees with various talents, of whom 7.8% were management and administrative personnel, 9.5% were technological personnel, 1.1% were accounting and audit personnel, 1.3% were sales and marketing personnel, 77.7% were production employees and 2.6% were others. The employment and remuneration policy including retirement schemes and other benefits of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensure the high quality and reliability of products and services.

* Excluding service despatch worker.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year

For the year ended 31 December 2008, there were various continuing connected transactions (the "Continuing Connected Transactions") between the Group and the following connected persons of the Group (collectively, the "Connected Persons" and each a "connected person" under the Listing Rules):

(a) IRICO Group, a substantial shareholder and the sole promoter of the Company and a connected person of the Company;

(b) IRICO Display Technology Co., Ltd. (西安彩瑞顯示技術有限公司) ("IRICO Technology"), a subsidiary of the Company and owned as to 75% of its equity interests by the Company and the remaining interests by Rui Bou Electronics (HK) Ltd. (瑞博電子(香港)有限公司) ("Rui Bou"). Pursuant to an agreement dated 10 March 2004 entered into between IRICO Group and Rui Bou, IRICO Group was entitled to control Rui Bou's equity interests in IRICO Technology. Therefore, IRICO Technology was a connected person of the Company;

(c) Xianyang Cailian Packaging Material Company Limited (咸陽彩聯包裝材料有限公司) ("Xianyang Cailian"), owned as to 30% of its equity interests by IRICO Group. Xianyang Cailian was an associate of IRICO Group and therefore a connected person of the Company;

(d) Shaanxi IRICO Phosphor Material Co., Ltd. (陝西彩虹熒光材料有限公司) ("IRICO Phosphor"), a subsidiary of the Company and owned as to 75% of its equity interests by the Company, 10% of its equity interests by Xianyang Cailian and 15% of its equity interests by an independent third party *(Note 1)*. Xianyang Cailian was an associate of IRICO Group. Therefore, IRICO Phosphor was a connected person of the Company.

Note 1: Prior to 5 September 2008, IRICO Phosphor was owned as to 45% of its equity interests by the Company, 10% of its equity interests by Xianyang Cailian, 30% of its equity interests by Rui Bou and 15% of its equity interests by an independent third party. Rui Bou's 30% equity interests in IRICO Phosphor was transferred to a wholly-owned subsidiary of the Company on 5 September 2008.

Connected transactions *(continued)*

1. Continuing connected transactions during the year *(continued)*

For the year ended 31 December 2008, the approved annual caps and the actual revenue or expenditure in respect of each of the Continuing Connected Transactions are set out below:

No.	Item	Approved annual cap for 2008 *RMB'000*	Transaction amount for 2008 *RMB'000*
(i)	Supply of fuel, coal, industrial chemicals products and raw materials to IRICO Group	114,977	21,205
(ii)	Supply of parts and raw materials to IRICO Technology and IRICO Phosphor	800,000 *(Note 2)*	26,838 *(Note 2)*
(iii)	Purchase of foam plastics, gloves, wood brackets and raw materials from IRICO Group	125,000	123,229
(iv)	Purchase of phosphor from IRICO Phosphor	240,000 *(Note 2)*	79,501 *(Note 2)*
(v)	Purchase of packaging materials and adhesive tapes from Xianyang Cailian	56,200	55,187
(vi)	Utilities obtained from IRICO Group	620,000	423,066
(vii)	Social and ancillary services obtained from IRICO Group		
	(a) School	—	—
	(b) Social welfare facilities	2,240	—
	(c) Security services	800	—
	(d) Environmental hygiene and greening services	1,200	1,200
(viii)	Rental payable to IRICO Group	46,234	36,243
(ix)	Land use rights leasing fees payable to IRICO Group	4,603	4,603
(x)	Trademark licensing fees payable to IRICO Group	5,000	3,427

The consideration for each of the transactions listed above is set out in the relevant agreements between the relevant Connected Persons, details of which can be found in the Company's circular dated 10 November 2006.

Connected transactions *(continued)*

1. Continuing connected transactions during the year *(continued)*

Note 2: The respective approved annual caps for 2008 under items (ii) and (iv) above were designed to include the Continuing Connected Transactions between the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd. (咸陽彩虹電子網版有限公司) ("IRICO Shadow Mask"). IRICO Shadow Mask was a subsidiary of the Company which was, prior to 5 September 2008, owned as to 75% of its equity interests by the Company and the remaining interests by Rui Bou. Pursuant to an agreement dated 10 March 2004 entered into between IRICO Group and Rui Bou, IRICO Group was entitled to control Rui Bou's 25% equity interests in IRICO Shadow Mask. Therefore, IRICO Shadow Mask was a connected person of the Company prior to 5 September 2008. Pursuant to an agreement dated 23 June 2008 (the "Share Transfer Agreement"), Rui Bou's 25% equity interests in IRICO Shadow Mask were transferred to a wholly-owned subsidiary of the Company on 5 September 2008, following which IRICO Shadow Mask had ceased to be a connected person of the Company.

It was agreed between the wholly-owned subsidiary of the Company (as the purchaser) and Rui Bou (as the vendor) under the Share Transfer Agreement that the purchaser would have the benefit of the profit and bear the loss of IRICO Shadow Mask attributable to the 25% equity interests from 1 January 2008. Based on such agreement, IRICO Shadow Mask was regarded as a wholly-owned subsidiary of the Company with effect from 1 January 2008 for purposes of the 2008 consolidated financial statements of the Company, and therefore no related party transaction with IRICO Shadow Mask was recorded for year 2008.

The transactions entered into between the Company and IRICO Shadow Mask under items (ii) and (iv) above in 2008 amounted to approximately RMB 45,049,000 and RMB 82,759,000, respectively. Even if such amounts were added to the corresponding transaction amounts for 2008 under items (ii) and (iv) above, increasing such transaction amounts to approximately RMB71,887,000 and RMB162,260,000 respectively, the relevant approved annual caps for 2008 would still not be exceeded.

The Board is of the view that the Continuing Connected Transactions (subject to the terms of the relevant agreements) are essential to the normal operations and is for the benefits of the Company. A waiver had been granted by the Stock Exchange from strict compliance with the Listing Rules in respect of the Company's Continuing Connected Transactions, which expired on 31 December 2006. All the renewed Continuing Connected Transactions constitute non-exempt continuing connected transactions under the Listing Rules and require compliance with the reporting, announcement and independent shareholders' approval requirements.

The Continuing Connected Transactions, subject to the terms and conditions of the relevant agreements and annual amount of each of such transactions (the "Caps"), were approved by the independent Shareholders at the Company's extraordinary general meeting held on 27 December 2006. The Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in its announcement dated 1 November 2006 and its circular dated 10 November 2006.

Connected transactions *(continued)*

1. Continuing connected transactions during the year *(continued)*

The independent non-executive Directors had reviewed these Continuing Connected Transactions and confirmed to the Board that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had provided a letter to the Directors of the Company confirming that the Continuing Connected Transactions:

(1) had received the approval by the Board of the Company;

(2) were in accordance with the pricing policies of the Company;

(3) had been entered into in accordance with the relevant agreements governing these transactions; and

(4) had not exceeded the Caps.

2. One-off Connected transactions

(1) On 23 June 2008, to further enhance the Company's business in phosphor materials, in line with its development strategy, and to bring higher returns to Shareholders in the future, IRICO Electronics (HK) Limited (彩虹電子(香港)公司) ("IRICO Electronics (HK)"), a wholly-owned subsidiary of the Company and Rui Bou entered into an acquisition agreement (the "Acquisition Agreement") pursuant to which IRICO Electronics (HK) had purchased a 30% equity interest in IRICO Phosphor and a 25% equity interest in IRICO Shadow Mask from Rui Bou (the "Acquisition") at an aggregate consideration of RMB88,115,000.

Connected transactions *(continued)*

2. One-off Connected transactions *(continued)*

(1) *(continued)*

IRICO Group, was a controller of the Company. Xianyang Cailian, an associate of IRICO Group, was a substantial shareholder of IRICO Phosphor. Accordingly, the transactions contemplated under the Acquisition Agreement involve the acquiring of an interest in a company (namely, IRICO Phosphor) where a substantial shareholder (namely, Xianyang Cailian) of that company was an associate of a controller (namely, IRICO Group). Therefore, the transactions contemplated under the Acquisition Agreement, namely, the Acquisition by IRICO Electronics (HK) of: (a) 30% equity interest in IRICO Phosphor; and (b) 25% equity interest in IRICO Shadow Mask, together constituted a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules.

Further, pursuant to an agreement entered into between IRICO Group and Rui Bou dated 10 March 2004, IRICO Group was entitled to control the equity interests of Rui Bou in IRICO Phosphor and IRICO Shadow Mask. Owing to the existence of such agreement, the Company considered it appropriate to regard Rui Bou as a connected person of the Company. Thus, on this basis, the transactions contemplated under the Acquisition Agreement also constituted connected transactions of the Company. The transactions were subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

The transactions contemplated under the Acquisition Agreement were approved by independent shareholders at the Company's extraordinary general meeting held on 5 September 2008. The Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in its announcement dated 23 June 2008 and its circular dated 21 July 2008.

(2) On 30 December 2008, to reflect the demand of development of FPD market in the PRC and in line with the Company's development strategy, IRICO Display, a subsidiary of the Company and Shenzhen Hongyang, a wholly-owned subsidiary of IRICO Group entered into the Joint Venture Contract relating to the establishment of a joint venture company, IRICO (Foshan). IRICO (Foshan) will be principally engaged in research and development, manufacture, sale of FPD devices, electronic products and components. IRICO Display and Shenzhen Hongyang each will contribute RMB51,000,000 and RMB49,000,000 respectively to the registered capital of IRICO (Foshan). Upon completion of the transactions contemplated under the Joint Venture Contract, IRICO Display and Shenzhen Hongyang would be interested in 51% and 49%, respectively, of the registered capital of IRICO (Foshan).

Connected transactions *(continued)*

2. One-off Connected transactions *(continued)*

(2) *(continued)*

IRICO Display is a subsidiary of the Company. Shenzhen Hongyang is a wholly-owned subsidiary of IRICO Group, which is the controlling shareholder of the Company. Therefore, Shenzhen Hongyang is a connected person of the Company pursuant to the Listing Rules. The entering into the Joint Venture Contract constitutes a connected transaction for the Company under the Listing Rules. The transaction was subject to the reporting, announcement and independent shareholders' approval requirements pursuant to the Listing Rules.

The transaction was approved by the independent shareholders at the Company's extraordinary general meeting held on 6 March 2009. The Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules in its announcement dated 30 December 2008.

Bank loans

As at 31 December 2008, details of bank loans of the Group are set out in note 31 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") or relevant laws and regulations which could oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 22 to the financial statements.

External guarantee

The Group does not have any external guarantee during the year.

Provision for Impairment of Fixed Assets

The Board appointed an independent professional valuer to evaluate the value of the production facilities and construction in progress. A provision for impairment of property, plant and equipment of the Group amounting to approximately RMB233,000 was made for 2008 (2007: RMB2,630,000). Details of the provision for impairment of fixed assets are set out in note 18 to the financial statements.

Material Litigation

As at 31 December 2008, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened against any member of the Group.

In respect of the litigation between Xianyang Xingyun Mechanical Company Limited ("Xingyun") and the Company previously disclosed, the status of which is as follows:

On 23 November 2007, the People's High Court of Shaanxi (the "Court") issued the civil verdict ((2007) Shaan Min Er Chu Zi No. 10), the Court ruled that the claim made by Xingyun against the Company demanding for compensation to its losses from investments and others totaling RMB30,010,000 was not established and should be dismissed. Xingyun filed an appeal to the People's Supreme Court of the PRC which delivered the final judgment on 10 July 2008. The appeal was dismissed and previous judgment was upheld.

Contingent Liabilities

As at 31 December 2008, the Group had no significant contingent liabilities.

Code on Corporate Governance Practices

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

The Directors are not aware of any information that would reasonably reflect the non-compliance of the Company or any of its Directors with the Code at any time in the year ended 31 December 2008. The Board considers that the Company has fully complied with the principles and code provisions set out in the Code during the reporting period.

Model Code

The Company has adopted the Model Code. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the requirements set out in the Model Code.

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 relevant minimum percentage applicable to listed securities was maintained throughout the reporting period.

Audit Committee

The Audit Committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2008, including accounting principles adopted by the Group.

Auditors

SHINEWING (HK) CPA Limited was appointed as the auditors of the Company at the annual general meeting held on 29 June 2007 in place of the then retiring auditors of the Company, PricewaterhouseCoopers, Certified Public Accountants.

The Company reappointed SHINEWING (HK) CPA Limited as the auditors of the Company at the annual general meeting held on 30 June 2008.

The financial statements of the Company have been audited by SHINEWING (HK) CPA Limited who retire and, being eligible, offer themselves for re-appointment subject to approval by Shareholders at the forthcoming annual general meeting.

By order of the Board
Xing Daoqin
Chairman

Xianyang, the PRC
26 March 2009

Report of the Supervisory Committee

In 2008, all members of the Supervisory Committee of the Company (the "Supervisory Committee") have complied with the principle of integrity, responsible to all Shareholders and sincerely performed the duties of Supervisor to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations stipulated by the State and the Articles of Association. They supervised significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and systems in 2008. I hereby present the report of 2008 as follows:

In the year, pursuant to the requirement of the Articles of Association, the Supervisory Committee reviewed financial reports regularly. In 2008, the Supervisory Committee held two meetings to review the following proposals: the 2007 report of the Supervisory Committee, the audited annual financial report of 2007, proposed changes of supervisors of the Company, the proposed election of Ms. Wang Qi as the Chairman of the Supervisory Committee and the audited interim financial report of 2008. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

In 2008, the supervisors of the Company attended all Board meetings and general meetings of the Shareholders.

Pursuant to the PRC Company Law and other relevant laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the performance of duties by the senior management and the internal control system of the Company and its thorough execution.

Report of the Supervisory Committee

The Supervisory Committee considered that the Directors and senior management of the Company operated strictly in compliance with the PRC Company Law and Securities Law of the PRC, the Articles of Association and other relevant regulations and rules of Hong Kong. The Committee members performed their duties with integrity and diligence, and executed various resolutions and authorization passed in general meetings, to ensure that the operation of various businesses complies with the requirements of laws and regulations. Through the establishment of a series of rules, the Company further improved the corporate legal structure and the internal management system and established and improved the internal control system. In the process of the examination of the financial status of the Company and the supervision of the performance of the duties of the Directors and senior management of the Company, the Supervisory Committee did not find any behaviour in prejudice to the interest of the Company and the Shareholders, nor any behaviour in contravention to laws and regulations, the Articles of Association and various rules and systems.

The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

By order of the Supervisory Committee
Wang Qi
Chairman of the Supervisory Committee

Xianyang, the PRC
26 March 2009

The Company strives to uphold a standard of corporate governance in accordance with statutory requirements and regulations. Through the establishment of a quality Board, a comprehensive internal control system and a stable corporate structure, the Company strives to achieve completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and profit.

1. Corporate Governance Practices

Improvement of the internal control system was made by the Company by reviewing the Code to cater for the constant development and evolvement of corporate governance.

The Board has reviewed the Company's corporate governance practices. As at 31 December 2008, the Company had applied and complied with the principles and provisions of the Code, and has adopted most of the Recommended Best Practices. The code on corporate governance practices adopted by the Company includes but not limited to the following documents: the amended Articles of Association passed at the Shareholders' general meeting on 30 June 2008 and Work Rules for the Board, Organisation Rules for the Audit Committee, Organisation Rules for the Nomination Committee, Organisation Rules for the Strategic Committee and Organisation Rules for the Remuneration Committee passed on 25 August 2005. The Board also formulated Management Methods for Information Disclosure, Management Mechanism for Investor Relations and Management Mechanism for Implementation of Resolutions of the Board as relevant work rules of the Company.

The Company's code on corporate governance practices, in certain areas, exceeds the requirements of the code provisions as set out in the Code, which mainly include the following:

- The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic Committee.

- Apart from one non-executive Director, all other members of the Audit Committee are independent non-executive Directors.

2. The Board

Duties of the Board

The Board is responsible for leading and monitoring the Company's affairs. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs. The Board makes regular assessment on the management's business prospects and results as well as exercises other power in accordance with the Articles of Association, which mainly includes:

- To oversee the implementation of resolutions passed at Shareholders' general meetings;
- To approve the Company's business plans and investment schemes;
- To formulate the Company's annual financial budget schemes;
- To formulate the Company's profit distribution plan;
- To formulate the Company's basic management system;
- To approve the Company's accounting policies and adjustment to the same;
- To approve various announcements including financial statements.

2. The Board *(continued)*

Constitution

The Board currently comprises 12 Directors, including 3 executive Directors, 4 non-executive Directors and 5 independent non-executive Directors, personal information of whom are set out on pages 20 to 23 in this annual report.

Directors (including non-executive Directors) are elected in general meetings with a term of three years from the date of their elections until the expiry of their terms.

All Directors shall, upon their initial appointment, report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflict interest in any proposal under consideration, such Director shall report his/her interests and abstain from voting and may, when necessary, apply for absence. The Board requires Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each financial reporting period. Any material transactions relating to connected parties, which have been confirmed, will be disclosed in notes to the financial statements of an annual report.

The independent non-executive Directors of the Company possess wide professional expertise and experience, and can fully perform their important function of supervision and balance to protect the interests of the Shareholders and the Company as a whole. There are five (over one-third) independent non-executive Directors. In determining the independence of a non-executive Director, the Director is considered independent only after the Board have confirmed that there is not any direct or indirect material relationship between the Director and the Company. A Director is considered not independent after he/she has been a Director over nine years. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence set out in Rule 3.13 of the Listing Rules.

The Company complies with the requirement concerning the appointment of sufficient independent non-executive Directors and that at least one of them should possess appropriate professional qualification or accounting or relevant financial expertise set out in Rules 3.10(1) and 3.10(2).

The Company has made appropriate arrangement to insure against the possible legal action that the Directors and senior management may be involved. The Board reviews annually on the insurance arrangement.

2. The Board *(continued)*

The Chairman and the Chief Executive

The Chairman is responsible for operation and management of the Board while the President takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of functions and authorisations, roles of the Chairman and the Chief Executive are explicitly differentiated. The Chairman is taken up by Xing Daoqin and the President is taken up by Zhang Junhua. Under the assistance of the Vice Chairman, the Chairman leads and oversees the operation of the Board to ensure the performance of Board being in the best interests of the Company.

Under the assistance of the Vice President and the assistants to the President, the Chief Executive is responsible for managing the day-to-day affairs of the Company, organising and implementing resolutions of the Board and reporting to the Board on the Company's overall operation. As the chief manager of the Company's day-to-day affairs, the Chief Executive is responsible for the annual business plan and investment schemes and formulation of the Company's basic management rules. He/She also takes the direct responsibility for the Company's operation.

The President, the Vice President, the assistants to the President make concerted efforts to collaborate with administrative departments of the Company to ensure the Board's and the Board committees' access to complete, reliable and proper information so that the Directors can make decisions with adequate data and to ensure proper implementation of the Board's resolutions. The President monitors the Company's operation and financial results with a view to plans and budget and passes on their opinions to the Board on material events.

Joint Company Secretary

The Joint Company Secretary reports to the Board. All Directors are entitled to the Joint Company Secretary's services. He/She notifies the Board the latest information on governance and oversight on a regular basis, assist the Chairman in preparation of the agenda, and prepare and despatch meeting documents on a timely and comprehensive basis so as to ensure the efficiency and validity of the Board meetings. With the assistance of the Company's legal advisers, the Joint Company Secretary is in charge of arranging the announcement of annual and interim reports and disclosure of information and data in accordance with the Listing Rules and relevant rules of the Company. He/She makes a regular enquiry to the Company's financial department for information on connected transactions to secure the compliance with Listing Rules in respect of such transactions.

The Joint Company Secretary is also in charge of preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which will be provided and disclosed to all Directors for their inspection at any reasonable time. All matters under consideration including any enquiry and objection by Directors shall be minuted in details. Within a reasonable timeframe upon closing a meeting, a minute draft shall be despatched to all Directors for their comments.

2. The Board *(continued)*

Board meetings

The Chairman is responsible for convening and holding the Board meeting. Assisted by the Company Secretary, the Chairman seeks to ensure all Directors' proper access to accurate, timely and sufficient data on the proposals to be considered by the Board to enable their wise decisions. While a 14 days' notice of a regular Board meeting is given, the agenda of meeting and the meeting documents attached are circulated at least 3 days prior to the holding of a Board meeting or a meeting of any special committee.

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board adopts sound corporate governance practices and procedures and takes appropriate steps to inspire the Directors' open and frank communication so as to ensure non-executive Directors' enquiries with each executive Director and communication between them are effective.

It is expressly provided in the Work Rules for the Board that, in the event that a substantial Shareholder or Director of the Company has a conflict of interests in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interests in the matters to be considered shall abstain from voting.

2. The Board *(continued)*

Board meetings *(continued)*

Four Board meetings were held in the reporting period and four written votes were carried out. Details of attendance at Board meetings by each of the Directors are as follows:

Directors	Duties	**Board Meetings** (Times of attendance in person/prescribed times of attendance)
Xing Daoqin	Executive Director and Chairman	4/4
Tao Kui	Executive Director and Vice Chairman	4/4
Zhang Junhua*	Executive Director and President	2/2
Li Shikun**	Executive Director	0/2
Zhang Shaowen**	Executive Director	1/2
Zhang Xingxi**	Non-executive Director	0/2
Guo Mengquan***	Non-executive Director	4/4
Niu Xinan***	Non-executive Director	4/4
Fu Jiuquan*	Non-executive Director	4/4
Zhang Weichuan*	Non-executive Director	4/4
Xu Xinzhong	Independent non-executive Director	4/4
Feng Bing	Independent non-executive Director	4/4
Wang Jialu	Independent non-executive Director	4/4
Lv Hua	Independent non-executive Director	4/4
Zhong Pengrong	Independent non-executive Director	3/4

Note: * assumed office on 30 June 2008; ** resigned on 30 June 2008; *** changed from an executive Director to a non-executive Director on 30 June 2008.

In accordance with the Articles of Association, Directors, when necessary, may propose to convene an extraordinary Board meeting. They may also, when they consider necessary, obtain the Company's information and independent expert opinion, where expenses incurred are borne by the Company.

2. The Board *(continued)*

Board committees

Four specialized committees are established under the Board, namely the Strategic Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. Their terms of reference are determined in accordance with the principles set out in the Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to appoint lawyers, accountants or other professionals to provide professional advice if necessary, the expenses of which are borne by the Company.

Nomination Committee

The Nomination Committee is chaired by Mr. Xing Daoqin. The committee members include Mr. Tao Kui, Mr. Guo Mengquan, Mr. Niu Xinan, Mr. Feng Bing, Mr. Xu Xinzhong and Mr. Wang Jialu. The committee provides the Board with its advice on appointment of Directors, assessment of the Board's composition and re-election of the Board in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and experience in the industry, personal integrity and commitment of adequate time. The Nomination Committee is responsible for choosing and recommendation of Director candidates, including consideration of recommendations by others and, when necessary, making use of public recruitment.

By reference to the Recommendation A.4 of the Code, the Board formulated the Organisation Rules for the Nomination Committee. In 2008, the Nomination Committee of the Board held one meeting to mainly consider the proposal on the changes of Directors, the proposal on the change of Chief Financial Officer of the Company together with the proposal to be approved by the Board.

The attendance details of each of the committee members of the Nomination Committee in 2008 are as follows:

Directors	**Meetings of Nomination Committee** (times of attendance in person/prescribed times of attendance)
Xing Daoqin	1/1
Tao Kui	1/1
Guo Mengquan	1/1
Niu Xinan	1/1
Xu Xinzhong	1/1
Feng Bing	1/1
Wang Jialu	1/1

2. The Board *(continued)*

Audit Committee

The Audit Committee assumes the responsibilities for audit of the Company's financial reports, review of internal control and corporate governance work and provision of relevant advice to the Board. The Audit Committee comprises four independent non-executive Directors and one non-executive Director, namely Lv Hua, Xu Xinzhong, Feng Bing, Zhong Pengrong and Fu Jiuquan. The Audit Committee is chaired by an independent non-executive Director, Mr. Lv Hua. Mr. Lv has proper qualifications and financial experience.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Accountants and C.3 of the Code, the Board has formulated the Organisation Rules for the Audit Committee.

In 2008, the Audit Committee convened two meetings with an average attendance rate of 100%. The senior management and external auditors were invited to these meetings.

In 2008, the Audit Committee:

- considered the Company's financial statements and annual results announcement for the year ended 31 December 2007, together with the proposals to be approved by the Board;
- considered the report in relation to the execution of connected transactions for the year ended 31 December 2007, together with the proposals to be approved by the Board;
- considered the report in relation to the expenses of audit fees for the year ended 31 December 2007, together with the proposals to be approved by the Board;
- considered the audit fees and remuneration payable to the external auditors for the year ended 31 December 2007, together with the proposals for the auditors' re-appointment to be approved by the Board;
- considered the Company's financial statements and interim results announcement for the six months ended 30 June 2008, together with the proposals to be approved by the Board;
- reviewed matters in relation to audit, internal control and financial reporting with the senior management and external auditors of the Company.

2. The Board *(continued)*

Audit Committee *(continued)*

The attendance details of the Audit Committee members in 2008 are as follows:

Directors	**Meetings of Audit Committee** (times of attendance in person/prescribed times of attendance)
Lv Hua	2/2
Xu Xinzhong	2/2
Feng Bing	2/2
Zhong Pengrong	2/2
Zhang Xingxi*	1/2
Fu Jiuquan**	0/2

* 30 June 2008 resigned
** 26 March 2009 assumed

Remuneration Committee

The Remuneration Committee is chaired by Mr. Tao Kui. The committee members include Mr. Wang Jialu, Mr. Feng Bing and Mr. Lv Hua.

The Remuneration Committee is responsible for approval of the terms of services contracts and remuneration policies for all Directors and senior management members, including yearly distribution of share appreciation rights pursuant to the Company's share appreciation rights plan. It also assists the Company to formulate fair and transparent remuneration policies for Directors and senior management and determination of their remunerations.

During the reporting period, the Remuneration Committee convened a meeting to consider the proposal of remuneration of Directors and supervisors of the Company, the proposal of the amendments to "Share Appreciation Rights Plan of IRICO Group Electronics Company Limited", the plan to grant share appreciation rights of 2008 and the proposal to defer the vesting period of some resigned staffs of the Company who had been granted share appreciation rights.

2. The Board *(continued)*

Remuneration Committee *(continued)*

The attendance details of each of the Remuneration Committee members in 2008 are as follows:

Directors	Meetings of Remuneration Committee (times of attendance in person/prescribed times of attendance)
Tao Kui	1/1
Zhang Shaowen*	1/1
Feng Bing**	0/1
Wang Jialu	1/1
Lv Hua	1/1

* 30 June 2008 resigned

** 26 March 2009 assumed

Remuneration policy for executive Directors: The remuneration portfolio policy for executive Directors is designed to link executive Directors' remuneration with their performance and the Company's missions to inspire their performance and re-election. In accordance with the Articles of Association, Directors may not determine or approve their own remunerations.

Five directors of the Company (including executive Directors and non-executive Directors) are the functionaries who fall within the management of the State-owned Asset Supervision and Administration of the State Council, and hence are subject to Provisional Management Methods for Remunerations of Enterprise Representatives and Provisional Assessment Methods for Appraisal of Operating Results of Enterprise Representatives issued in 2004. These five directors' remunerations consist of basic salary, performance-linked salary and long-term incentive-linked salary. The basic salary is the annual basic income of a functionary, which is determined by reference to the business scale of the enterprise, responsibilities, and the average salary of local enterprises, the industry and the enterprise itself. The performance-basic salary is linked with the operating results appraisal and based on the performance-linked salary, which is determined by reference to the appraisal grade and scores for the annual operating results of the enterprise representative. After the appraisal results are obtained, 60% of the performance-linked salary is paid while the payment of the remaining 40% will be deferred to the second year of re-election or resignation.

Based on their individual performances and the Company's operating status, the Remuneration Committee approved the share appreciation rights to be granted to the executive Directors pursuant to the share appreciation rights plan as approved by Shareholders.

2. The Board *(continued)*

Remuneration Committee *(continued)*

Remuneration policy for non-executive Directors: Remunerations of non-executive Directors are subject to approval by the Company's Shareholders' general meeting and determined after taking into consideration of the complexity of the matters to be handled by them and their duties. Pursuant to the service contract entered into between the Company and the non-executive Directors, the Company pays non-executive Directors the out-of-pocket expenses incurred in performance of their duties (including attendance at the Company's meetings).

A Director's remuneration includes the amount paid by the Company and its subsidiaries for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2008 were as follows:

(Unit: RMB)

Name	Position	Currency	Remuneration and allowance	Director's fee	Retirement benefits contribution	Remarks
Xing Daoqin	Chairman	RMB	240,728		17,425.8	
Tao Kui	Vice Chairman	RMB	240,728		17,425.8	
Zhang Junhua	Director, President	RMB	241,550		17,425.8	
Guo Mengquan	Non-executive Director	RMB	216,655		17,425.8	
Niu Xinan	Non-executive Director	RMB			—	not received remuneration from the Company
Fu Jiuquan	Non-executive Director	RMB			—	not received remuneration from the Company
Zhang Weichuan	Non-executive Director	RMB			—	not received remuneration from the Company
Wang Jialu	Independent Director	RMB		100,000	—	
Xu Xinzhong	Independent Director	RMB		100,000	—	
Feng Bing	Independent Director	RMB		100,000	—	
Zhong Pengrong	Independent Director	RMB		100,000	—	
Lv Hua	Independent Director	RMB		100,000	—	
Total			939,661	500,000	69,703.2	

2. The Board *(continued)*

Remuneration Committee *(continued)*

Pursuant to applicable regulations of the PRC, the Company currently participates in a series of pension schemes organized by the provincial and municipal governments, pursuant to which all production plants of Company must contribute to such pension schemes according to certain proportions of the salaries, bonus and various allowance of the employees. As the production plants are located in different regions, the proportion of the contributions to the remuneration of the employees are also different.

3. Statement of financial responsibility of the Board

The Board prepares the Company's financial statements and takes the responsibility for the completeness and legitimacy of the financial data as well as the efficiency of the Company's internal control system and risk management process. The President is responsible for the daily management of the operation of the Company. The Board makes periodic reviews on the functions of and the rights authorised to the President.

The Directors confirmed their responsibility to prepare financial statements of the Company for each financial year, to report truly and fairly on the financial status of the Group, to comply with applicable accounting standards and adopt appropriate accounting policies in the preparation of the financial statements and to disclose the financial status of the Company in reasonable accuracy.

For auditors' reporting responsibilities, please refer to the auditors' report.

4. Securities transactions by Directors

The Board has adopted the Model Code as the code of conduct regarding securities transactions by Directors of the Company. The Model Code is also applicable to special employees who may have certain price sensitive data that has been not disclosed, including such employees in the Company's subsidiaries and parent company. Upon appointment, any Director of the Company would receive a Model Code. After that, the Model Code is delivered twice a year, namely, one month prior to the Board meeting to approve the Company's interim results and one month prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors that they may not deal in the Company's shares until the publication of the results announcement.

All Directors of the Company confirm that as at 31 December 2008, all Directors and the specific employees who may have certain price sensitive information that has not been disclosed complied with the Model Code and none of the said persons has interests or short positions which are required to notify the Company and the Stock Exchange, or incur any conduct in violation of regulations.

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2008 have been reported to the Board through the Audit Committee.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company had complied with the code provisions relating to internal control as set out in the Code for the year ended 31 December 2008.

Internal audit

The Company has set up an internal audit department, which is responsible for overseeing the Company's internal controls, ensures the achievement of the corporate goals and conducts independent reviews.

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee accordingly. In 2008, all internal audit reports and opinions are submitted to the President and other executive Directors of the Company as well as the senior management of the audit department. The audit department also follows up on the issues identified during the audit and conducts follow-up audit to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the audit department and the external auditors so that both are aware of the significant factors that may affect their respective scope of work.

5. Control mechanism *(continued)*

Internal control and internal audit *(continued)*

Risk management

The Board properly implements the operating risk management procedures across the Company and formulates policies and procedures which provide a framework for identification and management of risks.

The Board fulfils its oversight role over the Group in the following areas:

- establishment of the risk management system of the Company;
- identification, assessment and management of the material risks faced by various units of the Company;
- review and assessment of the adequacy of the Company's risk management process, system and internal control;
- review and monitoring of compliance with the Company's risk management process, system and internal control including compliance with prudential and legal requirements governing the business of the Company.

The Board is fully in charge of overseeing the operations of the Company's business units. Personnel with proper experience and skills are appointed to the board of Directors of the Company's subsidiaries and associated companies to attend their board meetings and to oversee the operations of those companies. Monitoring activities include review and approval of business strategies, budgets and plans as well as setting of key business performance targets. The identification, evaluation and report on the likelihood and potential financial impact of material business risks are left to the management of such companies.

External auditors and their remunerations

As approved in the annual general meeting held on 30 June 2008, the Board has continued to appoint SHINEWING (HK) CPA Limited as the auditors of the Company. The Audit Committee reviewed the letter from SHINEWING (HK) CPA Limited to confirm its independence and objectiveness, held meetings with the firm to discuss the audit scope and fees, and approved scope and fees for any non-audit service provided by the firm.

For the year ended 31 December 2008, the remuneration of the external auditors amounted to RMB2,330,000, all of which was for audit service. No non-audit service fee was incurred for the year. The audit fee has been approved by the Audit Committee and the Board.

Interests of Shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at Shareholders' general meetings and gives at least a 45 days' notice of such meetings. The Chairman should and Directors may attend the meetings to answer questions about the Company's businesses. All Shareholders have rights to request the convening of an extraordinary general meeting and put forward proposals for Shareholders' consideration in accordance with the Articles of Association. At the annual general meeting, each matter is put forward in the form of a separate proposal and voted by way of poll based on the number of shares. Voting results of the general meeting are released in the form of announcements and relevant details of the meeting are set out on the respective websites of the Stock Exchange and the Company.

On 30 June 2008, the 2007 Annual General Meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 5 September 2008, an extraordinary general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

Details of the above general meetings are set out in the respective websites of the Stock Exchange and the Company.

The Company Secretary is responsible for day-to-day contacts between the Board and substantial Shareholders. Investors and the public may access the Company's website for detailed data on the Company's businesses. The Company's interim and annual results announcements can also be downloaded from the Company's website.

According to the information available to the Company and as far as the Directors are aware, at least 25% of the Company's total issued share capital is held by public Shareholders.

Interests of Shareholders and investor relations *(continued)*

Information disclosure and investor relations

The Company undertakes that it shall make impartial disclosure and full and transparent reporting. The ultimate duty of the Chairman is to ensure efficient communication with the investors and the Board's understanding of the opinions of substantial Shareholders. After the Company's announcement of its interim and annual results, the Board is committed to provide Shareholders with clear and comprehensive results information of the Group by publishing interim and annual reports. The Company invests considerable efforts to maintain an open door of communication with investors and analysts, so as to facilitate a better understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges for roadshow for analysts and investors, from time to time, to foster intercommunication and understanding between the investors and the management of the Company. Field visits by analysts and investors are welcomed for inspecting plants and business premises of the Company.

The Company is committed to increase transparency and improve investor relations and has attached much importance to Shareholders' responses in this regard. For any inquiry and advice, Shareholders can contact the Company Secretary through the hotline (8629) 3333 2866 or by email chdz@ch.com.cn or raise the questions directly at the annual general meeting or the extraordinary general meeting.

By order of the Board
Liu Xiaodong **Lam Chun Lung**
Joint Company Secretaries

Xianyang, the PRC
26 March 2009

Independent Auditor's Report

信永中和 ShineWing
SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
IRICO GROUP ELECTRONICS COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of IRICO Group Electronics Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 160, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidation financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Auditor's responsibility *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
26 March 2009

Consolidated Income Statement

Year Ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Turnover	9	**3,541,920**	3,358,990
Cost of sales		**(2,913,300)**	(3,002,987)
Gross profit		**628,620**	356,003
Other operating income	10	**94,941**	178,435
Selling and distribution costs		**(176,558)**	(162,073)
Administrative expenses		**(368,129)**	(238,790)
Other operating expenses		**(20,004)**	(42,055)
Finance costs	12	**(59,046)**	(66,729)
Share of results of associates	23	**26,405**	9,093
Gain on partial disposal of a subsidiary	22	**—**	25,858
Gain on disposal of a subsidiary	37	**—**	1,969
Gain on disposal of an associate	23	**—**	16,208
Profit before taxation		**126,229**	77,919
Taxation	13	**(7,851)**	(8,420)
Profit for the year	14	**118,378**	69,499
Attributable to:			
Equity holders of the Company		**95,324**	64,663
Minority interests		**23,054**	4,836
		118,378	69,499
Earnings per share (expressed in RMB per share)			
— basic	16	**0.0491**	0.0333
Dividend	17	**—**	—

Consolidated Balance Sheet

Year Ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	18	**2,642,474**	2,094,667
Investment properties	19	**16,563**	4,697
Leasehold land and land use rights	20	**54,270**	45,778
Intangible assets	21	**3,017**	4,433
Interests in associates	23	**366,055**	333,650
Available-for-sale investments	24	**24,060**	24,060
Deferred income tax assets	35	**1,857**	—
		3,108,296	2,507,285
Current assets			
Inventories	25	**708,475**	701,205
Trade and bills receivables	26	**1,195,731**	1,463,798
Other receivables, deposits and prepayments	27	**167,399**	448,368
Bank balances and cash	28	**457,415**	374,674
		2,529,020	2,988,045
Current liabilities			
Trade and bills payables	29	**559,902**	579,049
Other payables and accruals	30	**641,114**	235,795
Tax payables		**5,819**	4,305
Current portion of long-term payables	36	**3,574**	2,938
Bank borrowings - due within one year	31	**673,000**	962,684
		1,883,409	1,784,771
Net current assets		**645,611**	1,203,274
Total assets less current liabilities		**3,753,907**	3,710,559

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
Capital and reserves			
Share capital	32	**1,941,174**	1,941,174
Other reserves	33	**716,408**	1,037,316
Accumulated losses		**(366,435)**	(461,759)
Equity attributable to equity holders of the Company		**2,291,147**	2,516,731
Minority interests		**1,103,137**	1,170,758
Total equity		**3,394,284**	3,687,489
Non-current liabilities			
Bank borrowings - due after one year	31	**318,707**	—
Deferred income	34	**21,040**	1,023
Deferred income tax liabilities	35	**9,655**	12,797
Long-term payables	36	**10,221**	9,250
		359,623	23,070
		3,753,907	3,710,559

The consolidated financial statements on pages 63 to 160 were approved and authorised for issue by the Board of directors on 26 March 2009 and are signed on its behalf by:

Xing Daoqin
Chairman

Zhang Junhua
Director

Balance Sheet

Year Ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	18	**702,077**	803,483
Intangible assets	21	**1,788**	2,648
Investments in subsidiaries	22	**1,426,947**	1,036,496
Investment in an associate	23	**360,000**	360,000
		2,490,812	2,202,627
Current assets			
Inventories	25	**235,827**	273,623
Trade and bills receivables	26	**447,907**	679,018
Other receivables, deposits and prepayments	27	**33,892**	84,938
Bank balances and cash	28	**143,079**	160,821
		860,705	1,198,400
Current liabilities			
Trade and bills payables	29	**294,244**	402,933
Other payables and accruals	30	**443,699**	181,924
Current portion of long-term payables	36	**2,503**	744
Bank borrowings - due within one year	31	**424,000**	628,684
		1,164,446	1,214,285
Net current liabilities		**(303,741)**	(15,885)
Total assets less current liabilities		**2,187,071**	2,186,742

	Notes	2008 RMB'000	2007 RMB'000
Capital and reserves			
Share capital	32	**1,941,174**	1,941,174
Other reserves	33	**986,153**	986,153
Accumulated losses		**(746,236)**	(748,114)
Total equity		**2,181,091**	2,179,213
Non-current liabilities			
Deferred income tax liabilities	35	**4,602**	5,403
Long-term payables	36	**1,378**	2,126
		5,980	7,529
		2,187,071	2,186,742

Xing Daoqin
Chairman

Zhang Junhua
Director

Consolidated Statement of Changes in Equity

Year Ended 31 December 2008

	Attributable to equity holders of the Company					
	Share capital	Other reserves	Accumulated losses	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 33				
Balance at 1 January 2007, as originally stated	1,941,174	766,146	(526,422)	2,180,898	1,035,713	3,216,611
Effect of common control combination	—	16,687	—	16,687	7,313	24,000
Balance at 1 January 2007, as restated	1,941,174	782,833	(526,422)	2,197,585	1,043,026	3,240,611
Profit for the year	—	—	64,663	64,663	4,836	69,499
Dividends declared to minority shareholders by certain subsidiaries	—	—	—	—	(15,743)	(15,743)
Merger reserve arising from common control combination	—	254,483	—	254,483	111,517	366,000
Partial disposal of a subsidiary	—	—	—	—	27,122	27,122
Balance at 31 December 2007 and 1 January 2008, as restated	1,941,174	1,037,316	(461,759)	2,516,731	1,170,758	3,687,489
Profit for the year	—	—	95,324	95,324	23,054	118,378
Dividends declared to minority shareholders by certain subsidiaries	—	—	—	—	(8,640)	(8,640)
Exchange difference arising from translation of foreign operations	—	(126)	—	(126)	—	(126)
Merger reserve arising from common control combination	—	(313,584)	—	(313,584)	—	(313,584)
Acquisition of additional interests in subsidiaries from minority shareholders	—	(7,198)	—	(7,198)	(82,035)	(89,233)
Balance at 31 December 2008	1,941,174	716,408	(366,435)	2,291,147	1,103,137	3,394,284

Consolidated Cash Flow Statement

Year Ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before taxation		**126,229**	77,919
Adjustments for:			
Net impairment losses (reversal of impairment losses) on trade and other receivables		**31,447**	(1,423)
Write-down of inventories		**34,288**	3,376
Depreciation for property, plant and equipment and investment properties		**248,362**	290,305
Amortisation of leasehold land and land use rights and intangible assets		**4,256**	9,189
Impairment losses on property, plant and equipment		**233**	2,630
Net (gain) loss on disposal of property, plant and equipment		**(11,085)**	142,609
Dividend income from available-for-sale investment		**(4,510)**	(566)
Reversal of provision of staff welfare		**—**	(72,488)
Provision of warranty		**25,713**	25,348
Interest income		**(4,352)**	(5,482)
Finance costs		**59,046**	66,729
Reversal of write-down of inventories		**(3,831)**	(10,678)
Write off of an intangible asset		**—**	241
Share of results of associates		**(26,405)**	(9,093)
Amortisation of deferred income on grants received		**(1,023)**	(3,321)
Gain on disposal of available-for-sale investment		**(3,760)**	—
Gain on disposal of an associate		**—**	(16,208)
Gain on partial disposal of a subsidiary		**—**	(25,858)
Gain on disposal of a subsidiary		**—**	(1,969)
Operating cash flows before movements in working capital		**474,608**	471,260
Increase in inventories		**(37,727)**	(64,802)
Decrease (increase) in trade and bills receivables and other receivables, deposits and prepayments		**516,449**	(291,536)
Decrease in trade and bills payables and other payables and accruals		**(23,976)**	(404,118)
Increase (decrease) in long-term payables		**1,607**	(731)
Increase in deferred income		**21,040**	—
Cash generated from (used in) operations		**952,001**	(289,927)
Income tax paid		**(11,336)**	(13,473)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**940,665**	(303,400)

Consolidated Cash Flow Statement

Year Ended 31 December 2008

	Notes	2008 *RMB'000*	2007 *RMB'000* (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(802,596)**	(218,912)
Consideration paid for the acquisition subsidiaries under common control		**(100,000)**	—
Acquisition of additional interests in subsidiaries		**(18,927)**	—
Purchases of land use rights		**(10,335)**	(12,611)
Contribution to / acquisition of an associate		**(7,200)**	(110,000)
Purchases of intangible assets		**(975)**	(361)
Proceeds from disposal of property, plant and equipment		**23,332**	523
Dividend income received from available-for-sale investment		**4,510**	566
Interest received		**4,352**	5,482
Proceed from disposal of available-for-sale investment		**3,760**	—
Dividend received from an associate		**1,200**	360
Capital injection from shareholders of a subsidiary		**—**	366,000
Proceeds from disposal of a subsidiary	37	**—**	130,613
Proceeds from partial disposal of a subsidiary		**—**	52,980
Proceeds from disposal of an associate		**—**	31,411
Decrease in pledged bank deposits		**—**	30,009
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(902,879)**	276,060
FINANCING ACTIVITIES			
Bank borrowings raised		**996,023**	1,049,596
Advance from ultimate holding company		**100,000**	20,000
Repayments of bank borrowings		**(967,000)**	(1,019,588)
Interest expense paid		**(75,302)**	(66,729)
Dividends paid to minority shareholders		**(8,640)**	(15,743)
Repayment of advances from ultimate holding company		**—**	(29,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**45,081**	(61,464)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**82,867**	(88,804)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(126)**	—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**374,674**	463,478
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	28	**457,415**	374,674

1. GENERAL

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

The Company and its subsidiaries (collectively referred to as the "Group") is engaged in the manufacturing of colour picture tubes ("CPTs") for colored television sets, related CPT components including glass bulbs, electron guns, shadow masks and their frames, deflection yokes, frit, anode buttons, phosphor, etc. The principal activities of its subsidiaries are set out in Note 22.

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

On 17 August 2007, the Company and IRICO Group Corporation entered into an acquisition agreement for the purchase of 69.5308% equity interests in Shaanxi IRICO Electronics Glass Company Limited ("IRICO Glass"), a limited liability company established in the PRC, for which 69.5308% equity interests was held by IRICO Group Corporation prior to the acquisition. Pursuant to the acquisition agreement, the Company will acquire IRICO Glass at a consideration of approximately RMB279,580,000. On 19 June 2008, approval was obtained from the State-owned Assets Supervision and Administration Commission ("SASAC") and the consideration had been adjusted to RMB313,583,900. The transaction was completed on 24 July 2008 and IRICO Glass became a non-wholly owned subsidiary of the Company.

The above acquisition was accounted for using merger accounting under common control combination. The Company and IRICO Glass are both under the control of IRICO Group Corporation, and thus regarded as different entities under common control. These financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), assuming that the current structure of the Group has been in existence since the date when the Company and IRICO Glass first came under the control of IRICO Group Corporation.

These consolidated financial statements are presented in thousands of units of Renminbi ("RMB") which is the same as the functional currency of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

Hong Kong Accounting Standards ("HKAS") 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) — Interpretation ("INT") 11	HKFRS 2 — Group and Treasury Share Transactions
HK (IFRIC) — INT 12	Service Concession Arrangements
HK (IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — INT 9 and HKAS 39	Embedded Derivatives[4]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[3]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 July 2009.

[4] Effective for annual periods ending on or after 30 June 2009.

[5] Effective for annual periods beginning on or after 1 July 2008.

[6] Effective for annual periods beginning on or after 1 October 2008.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

In the Company's balance sheet, the investments in subsidiaries are stated at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or business first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

In the Company's balance sheet, investment in an associate is stated at cost less impairment loss. The result of an associate is accounted for by the Company on the basis of dividends received and receivable during the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Rental income from operating leases is recognised on a straight-line basis over the period of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Properties, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Land use rights

Payment for obtaining land use rights is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to consolidated income statement over the period of the rights using the straight-line method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as deferred income and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as "other operating income".

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Pension and housing obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Voluntary payments made to certain former employees and which were not made pursuant to a formal or informal plan are expensed as paid.

Full time employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs *(continued)*

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the balance sheet date are discounted to present value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible asset acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated its unlisted investment in the equity interests in Western Trust & Investment Co., Ltd., a state controlled trust enterprise as available-for-sale investments. They are included in non-current assets since the directors of the Company do not have intention to dispose of the investment within twelve months from the balance sheet date.

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss of financial assets *(continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and bills receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on trade and bills receivables and other receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivables and other receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss of financial assets *(continued)*

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, bank borrowings and long-term payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risk and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are decognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Impairment losses on tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION

As described in Note 1, the Group had undertook common control combination during the year. The following demonstrates the effect of adopting merger accounting for common control combinations on the consolidated balance sheets:

Consolidated balance sheet as at 31 December 2008:

	Group (before adopting merger accounting)	**IRICO Glass**	**Adjustments**		**Group (after adopting merger accounting)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	313,584	—	(313,584)		—
Other assets - net	3,011,077	383,207	—		3,394,284
Net assets	3,324,661	383,207			3,394,284
Share capital	1,941,174	390,000	(390,000)		1,941,174
Other reserves	758,822	—	(42,414)		716,408
Accumulated losses	(361,712)	(6,793)	—	2,070	(366,435)
Minority interests	986,377	—	118,830	(2,070)	1,103,137
	3,324,661	383,207			3,394,284

4A. ADJUSTMENTS FOR COMMON CONTROL COMBINATION *(continued)*

Consolidated balance sheet as at 31 December 2007:

	Group (before adopting merger accounting)	IRICO Glass	Adjustments		Group (after adopting merger accounting)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	—	—	—		—
Other assets - net	3,300,147	387,342	—		3,687,489
Net assets	3,300,147	387,342			3,687,489
Share capital	1,941,174	390,000	(390,000)		1,941,174
Other reserves	766,146	—	271,170		1,037,316
Accumulated losses	(459,911)	(2,658)	—	810	(461,759)
Minority interests	1,052,738	—	118,830	(810)	1,170,758
	3,300,147	387,342			3,687,489

Note (a): The above adjustments represent the elimination of the share capital of the combining entity under common control (Note 1) against the investment cost. The difference has been recorded as merger reserve in the consolidated financial statements. Adjustments are also made to minority interests as a result of the combination.

Note (b): The above adjustments represent the sharing of results by the minority interests of the combining entity under common control.

4B. SUMMARY OF THE EFFECTS FOR COMMON CONTROL COMBINATION

The effect of changes in accounting policies resulted from the adoption of common control combination for the current and prior year by line items are as follows:

	2008 RMB'000	2007 RMB'000
Increase in administrative expenses	**(4,135)**	(2,658)
Decrease in profit for the year	**(4,135)**	(2,658)
Attributable to:		
Equity holders of the Company	**(2,875)**	(1,848)
Minority interests	**(1,260)**	(810)
	(4,135)	(2,658)

Analysis of decrease in profit for the current and prior year by line items presented according to their function:

	2008 RMB'000	2007 RMB'000
Increase in administrative expenses and decrease in profit for the year	**(4,135)**	(2,658)

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

The effects of changes in accounting policies resulted from the adoption of common control combination on the Group's equity at 1 January 2007 are summarised below:

	As at 1 January 2007 (originally stated)	Adjustments	As at 1 January 2007 (restated)
	RMB'000	*RMB'000*	*RMB'000*
Accumulated losses	(526,422)	—	(526,422)
Minority interests	1,035,713	7,313	1,043,026
Total effect on equity	509,291	7,313	516,604

The effects of the adoption of common control combination on the Group's basic earnings per share for the current and prior year:

	2008	2007
	RMB	*RMB*
Expressed in RMB per share		
Reported figures before adjustments	**0.0506**	0.0343
Adjustments arising on common control combination	**(0.0015)**	(0.0010)
Restated	**0.0491**	0.0333

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Leasehold land and land use rights

Despite the Group has paid the full purchase consideration as detailed in Note 20, certain of the Group's rights to the use of the land were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise these land use rights on the grounds that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling these land use rights.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Allowance for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Company carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items. During the year ended 31 December 2008, the Group recognised an impairment loss of approximately RMB34,288,000 (2007: RMB3,376,000) in respect of raw materials and finished goods to write-down the inventories to its net realisable value.

Estimated impairment of non-financial assets

The Group tests annually whether non-financial assets have suffered any impairment in accordance with accounting policies stated in note 3. The recoverable amounts of non-financial assets have been determined based on value-in-use calculations. These calculations require the use of estimates.

The Group tests annually whether property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development.

The management had reviewed the Group's property, plant and equipment for impairment. The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. During the year ended 31 December 2008, the Group recognised an impairment loss of approximately RMB233,000 (2007: RMB2,630,000) in respect of property, plant and equipment (Note 18).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss in the consolidated income statement for the year ended 31 December 2008.

Allowance for bad and doubtful debts

Management regularly reviews the recoverability and age of the trade receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

In determining whether allowance for bad an doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Provision for warranty

The provision for warranty was made for warranties granted to the CPT tubes customers for the free-of-charge materials and workmanship of particular removal devices and accessories, up a period of three years from the date of installation.

Provision for warranty was made on an accrual basis by reference to the director's best estimates of the expenditure required to settle the obligations, and was charged to the consolidated income statement in the period in which the related sales are made. The level of provision required was assessed by the directors annually.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in Note 31, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The Group reviews the capital structure on a regular basis and monitors on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Gearing ratio is calculated as the proportion of total liabilities to total assets.

The Group aimed at maintaining a gearing ratio of not more than 50%. Based on the recommendations of the Group's directors, the Group intends to maintain a suitable ratio of share capital to liabilities, so as to maintain an effective capital structure from time to time. The gearing ratios at 31 December 2008 and 2007 were as follows:

	2008 ***RMB'000***	2007 *RMB'000* (Restated)
Total debt *(a)*	**991,707**	982,684
Net debt *(b)*	**534,292**	608,010
Total equity	**3,394,284**	3,687,489
Total capital (based on total debts) *(c)*	**4,385,991**	4,670,173
Total capital (based on net debt) *(d)*	**3,928,576**	4,295,499
Total debt to total capital (based on total debts) ratio (%)	**22.6**	21.0
Net debt to total capital (based on net debt) ratio (%)	**13.6**	14.2

There is no material change in the above gearing ratios in 2008.

Notes:

(a) Total debt equals to bank borrowings.

(b) Net debt equals to total debt less bank balances, cash and other liquid funds.

(c) Total capital (based on total debt) equals to total debt plus total equity.

(d) Total capital (based on net debt) equals to net debt plus total equity.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Financial assets				
Loans and receivables (including cash and cash equivalents)				
Trade and bills receivables	**1,195,731**	1,463,798	**447,907**	679,018
Other receivables and deposits	**137,806**	441,122	**30,742**	82,518
Bank balances and cash	**457,415**	374,674	**143,079**	160,821
	1,790,952	2,279,594	**621,728**	922,357
Available-for-sale financial assets	**24,060**	24,060	**—**	—
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and bills payables	**559,902**	579,049	**294,244**	402,933
Other payables	**624,911**	234,579	**439,074**	165,848
Long-term payables	**13,795**	12,188	**3,881**	2,870
Bank borrowings	**991,707**	962,684	**424,000**	628,684
	2,190,315	1,788,500	**1,161,199**	1,200,335

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, bank borrowings, trade and bills receivables, other receivables, bank balances and cash, trade and bills payables, other payables and long-term payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group mainly operates in the PRC. Revenue and majority of its operating costs and cost of sales are denominated in RMB. Certain bank balances and bank borrowings of the Group are denominated in the United States dollars ("USD"). Such USD denominated bank balances are exposed to fluctuations in the value of RMB against USD in which these bank balances are denominated. Any significant appreciation/depreciation of the RMB against these foreign currency may result in significant exchange gain/loss which would be recorded in the consolidated income statement.

Sensitivity analysis

As of 31 December 2008, if RMB had strengthened/weakened 10% (2007: 5%) against USD, with all other variables held constant, profit for the year would have been approximately RMB10,708,000 (2007: RMB2,622,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD denominated bank balances equivalents.

Interest rate risk

The Group has interest-bearing assets mainly in the form of fixed rate bank balances, but the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The interest rate risk arises from bank borrowings. The bank borrowings are interest bearing at fixed and floating rates between 5.31% to 7.84% (2007: fixed rates between 5.31% to 7.65%) and are repayable according to the contract terms. The change in the interest rate in the market would have no material effect on the Group's results for both years.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivatives instruments at the balance sheet date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by approximately RMB3,187,000 (2007: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31 December 2008, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 86% (2007: 87%) of the total trade and bills receivables as at 31 December 2008.

The Group has concentration of credit risk as 12% (2007: 9%) and 50% (2007: 18%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 15% (2007: 16%) and 48% (2007: 51%) of total turnover respectively.

The Group has policies in place to ensure that sale of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate impairment loss or trade receivables has been made in the consolidated financial statements.

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management aims to maintain flexibility in funding by keeping committed credit lines available.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The Group

	On demand or within 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008					
Trade and bills payables	559,902	—	—	559,902	559,902
Other payables	634,025	—	—	634,025	624,911
Long-term payables	3,574	11,810	—	15,384	13,795
Bank borrowings	717,283	187,206	270,867	1,175,356	991,707
	1,914,784	199,016	270,867	2,384,667	2,190,315
2007 (Restated)					
Trade and bills payables	579,049	—	—	579,049	579,049
Other payables	236,223	—	—	236,223	234,579
Long-term payables	2,938	9,805	—	12,743	12,188
Bank borrowings	1,025,066	—	—	1,025,066	962,684
	1,843,276	9,805	—	1,853,081	1,788,500

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The Company

	On demand or within 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008					
Trade and bills payables	294,244	—	—	294,244	294,244
Other payables	439,074	—	—	439,074	439,074
Long-term payables	2,642	1,536	—	4,178	3,881
Bank borrowings	451,886	—	—	451,886	424,000
	1,187,846	1,536	—	1,189,382	1,161,199
2007					
Trade and bills payables	402,933	—	—	402,933	402,933
Other payables	165,848	—	—	165,848	165,848
Long-term payables	791	2,408	—	3,199	2,870
Bank borrowings	668,291	—	—	668,291	628,684
	1,237,863	2,408	—	1,240,271	1,200,335

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

7. FINANCIAL INSTRUMENTS *(continued)*

7c. Fair value *(continued)*

- The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short term maturities.

8. SEGMENT INFORMATION

a. Business segments

The Group's revenues, expenses, assets, liabilities and capital expenditures are primarily attributable to the production and sales of CPT. The directors consider that there is only one business segment for the Group.

b. Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	2008	2007
	RMB'000	*RMB'000*
Turnover based on geographical locations:		
The PRC (excluding Hong Kong)	**3,130,593**	3,238,974
Hong Kong	**142,227**	14,738
Europe	**209,392**	70,916
Other countries	**59,708**	34,362
	3,541,920	3,358,990

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's assets are substantially located in the PRC.

9. TURNOVER

The Group is principally engaged in the manufacturing of CPT for colored television sets, related CPT components including glass bulbs, electron guns, shadow masks and their frames, deflection yokes, frit, anode buttons, phosphor, etc.

	2008	2007
	RMB'000	*RMB'000*
Sales of CPTs and CPT components	**3,541,920**	3,358,990

10. OTHER OPERATING INCOME

	2008	2007
	RMB'000	*RMB'000*
Sales of raw materials, scraps and packaging materials	**39,869**	43,746
Government grants *(Note)*	**14,862**	25,485
Net gain on disposal of property, plant and equipment	**11,085**	—
Dividend income from available-for-sale investment	**4,510**	566
Interest income	**4,352**	5,482
Reversal of write-down of inventories	**3,831**	10,678
Gain on disposal of available-for-sale investment	**3,760**	—
Rental income	**2,914**	1,429
Amortisation of deferred income on grants received	**1,023**	3,321
Others	**8,735**	10,102
Proceeds from collection of written off trade receivables	**—**	5,138
Reversal of provision for staff welfare	**—**	72,488
	94,941	178,435

Note: The amount represented compensation received from the PRC government recognised by the Group in respect of compensation for relocation of certain factory premises of a subsidiary of the Company.

11. EMPLOYEE BENEFIT EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Wages and salaries	**365,868**	331,441
Retirement benefit contributions		
— pension obligations *(Note)*	**39,201**	45,768
— one-off termination benefits	**990**	3,813
— early retirement benefits *(Note 36)*	**5,460**	630
Welfare and social security costs	**86,355**	57,568
	497,874	439,220

Note: As stipulated by the rules and regulations in the PRC, the Group has participated in state-managed defined contribution retirement plans for its employees in the PRC. The Group and the eligible employees are required to contribute 20% and 8% (2007: 20% and 8%), respectively, of the employee's basic salary. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. The Group has no further pension obligation beyond the above contributions.

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

Directors' and senior management's emoluments

The emoluments of each director for the year ended 31 December 2008 is set out below:

Name of director	Fee	Salary and allowance	Retirement benefit contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Li Shikun *(note iii)*	—	294	19	313
Mr. Tao Kui	—	251	13	264
Mr. Xing Daoqin	—	251	13	264
Mr. Zhang Junhua *(note ii)*	—	251	13	264
Mr. Zhang Shaowen *(note iii)*	—	222	13	235
Non-executive directors				
Mr. Guo Mengquan *(note i)*	—	227	13	240
Mr. Lv Hua	100	—	—	100
Mr. Zhong Pengrong	100	—	—	100
Mr. Xu Xinzhong	100	—	—	100
Mr. Feng Bing	100	—	—	100
Mr. Wang Jialu	100	—	—	100
Mr. Niu Xinan *(note i)*	—	—	—	—
Mr. Fu Jiuquan *(note ii)*	—	—	—	—
Mr. Zhang Weichuan *(note ii)*	—	—	—	—
Mr. Zhang Xingxi *(note iii)*	—	—	—	—
	500	1,496	84	2,080

Notes:

(i) Redesignated to non-executive director on 30 June 2008.

(ii) Appointed on 30 June 2008.

(iii) Retired on 30 June 2008.

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

Directors' and senior management's emoluments *(continued)*

Except for the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan and Mr. Zhang Xingxi which are afforded by IRICO Group, other directors of the Company received no emolument from IRICO Group. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group.

The emoluments of every director for the year ended 31 December 2007 is set out below:

Name of director	**Fee**	**Salary and allowance**	**Retirement benefit contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Xing Daoqin	—	290	10	300
Mr. Tao Kui	—	290	10	300
Mr. Guo Mengquan	—	261	10	271
Mr. Zhang Shaowen	—	257	10	267
Mr. Niu Xinan	—	255	10	265
Mr. Li Shikun *(note i)*	—	295	10	305
Non-executive directors				
Mr. Zhang Xingxi	—	240	—	240
Mr. Feng Fei *(note ii)*	100	—	—	100
Mr. Xu Xinzhong	100	—	—	100
Mr. Feng Bing	100	—	—	100
Mr. Wang Jialu	100	—	—	100
Mr. Zha Jianqiu *(note ii)*	100	—	—	100
Mr. Lv Hua *(note i)*	—	—	—	—
Mr. Zhong Pengrong *(note i)*	—	—	—	—
Mr. Yun Dah Jiunn *(note ii)*	—	—	—	—
	500	1,888	60	2,448

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

Directors' and senior management's emoluments *(continued)*

Notes:

(i) Appointed on 9 September 2007.

(ii) Resigned on 8 September 2007.

Except for the emoluments for Mr. Zhang Xingxi and Mr. Niu Xinan which are afforded by IRICO Group, other directors of the Company received no emolument from IRICO Group. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group.

No directors of the Group waived or a greed to waive any emolument during both years.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five directors (2007: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the year 2007 (2008: nil) were as follows:

	2008	2007
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	—	1,251
Retirement benefit contributions	—	41
	—	1,292

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

Directors' and senior management's emoluments *(continued)*

Five highest paid individuals *(continued)*

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Emolument band		
Nil to RMB1,000,000	**—**	4

During the year, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: nil).

12. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Interest on:		
Bank borrowings wholly repayable within five years	**45,828**	50,159
Bank borrowings wholly repayable over five years	**10,777**	—
Finance charge on discounted trade bills to bank	**11,555**	14,815
Amount due to ultimate holding company *(Note 40)*	**8,805**	1,755
Total borrowing costs	**76,965**	66,729
Less: amounts capitalised	**(17,919)**	—
	59,046	66,729

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 7.31% per annum (2007: Nil) to expenditure on qualifying assets.

13. TAXATION

	2008 RMB'000	2007 RMB'000
Current income taxation	**12,850**	11,200
Deferred income tax *(Note 35)*	**(4,999)**	(2,780)
	7,851	8,420

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for the two years ended 31 December 2008 and 2007.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax ("EIT") rate for the Group was reduced from 33% to 25% from 1 January 2008. The relevant tax rates for the Group range from 7.5% to 25% (2007: 7.5% to 33%).

Taxation for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000 (Restated)
Profit before taxation	**126,229**	77,919
Tax at the domestic income tax rate of 25% (2007: 33%)	**31,557**	25,713
Tax effect of share of results of associates	**(6,601)**	(3,001)
Tax effect of expenses not deductible and income not taxable for tax purposes	**(3,613)**	(6,265)
Income under tax exemption and reduction *(Note)*	**(12,067)**	(21,795)
Utilisation of tax losses previously not recognised	**(16,901)**	(8,318)
Tax effect of deductible temporary differences not recognised	**15,476**	22,086
Taxation for the year	**7,851**	8,420

13. TAXATION *(continued)*

Note:

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. ("IRICO Display") have met the requirements under the OUWC Policy for the two years ended 31 December 2008 and 2007, and accordingly, EIT has also been provided at 15%.

The operations of Xian IRICO Zixun Co., Ltd. have met the requirements under the OUWC Policy for the two years ended 31 December 2008 and 2007 and accordingly, EIT has also been provided at 15%.

Zhuhai Caizhu Industrial Co., Ltd. and Caizhu Jinshun Electronic Industry Co., Ltd. are registered in a special economic zone and are entitled to pay EIT at 15% in 2008 and 2007.

Kunshan Caihong Yingguang Electronics Co., Ltd. is registered in a technological economic development zone and is required to pay EIT at a rate of 15% in 2008 and 2007.

Nanjing Reide Phosphor Co., Ltd., Xianyang IRICO Electronics Shadow Mask Co., Ltd. and IRICO Display Technology Co., Ltd. are Sino-foreign equity joint ventures engaging in the production business and are exempted from taxation for the first two profitable years and a 50% relief from the national PRC income tax rate (also exempted from paying the 3% local income tax) for the next three profitable years thereafter. As a result, Nanjing Reide Phosphor Co., Ltd., which was established in 2002, is entitled to pay EIT at 12% from 2006. Xianyang IRICO Electronics Shadow Mask Co., Ltd., which was established in 2003 and the entity is in the exemption period for the year ended 31 December 2008. IRICO Display Technology Co., Ltd., which was established in 2004, is subject to a 50% relief from the national income tax rate.

14. PROFIT FOR THE YEAR

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

	2008 *RMB'000*	2007 *RMB'000* (Restated)
Cost of inventories recognised as an expense	**2,913,300**	3,002,987
Depreciation for property, plant and equipment	**248,144**	290,087
Depreciation for investment properties	**218**	218
Amortisation of leasehold land and land use rights	**1,865**	1,887
Amortisation of intangible assets	**2,391**	7,302
Employee benefit expense (including directors' and senior management's emolument) *(Note 11)*	**497,874**	439,220
Impairment losses on property, plant and equipment (included in administrative expenses)	**233**	2,630
Impairment losses on trade and other receivables (included in administrative expenses)	**31,447**	(1,423)
Net loss on disposal of property, plant and equipment	**—**	142,609
Research and development expenses	**26,579**	22,678
Write-down of inventories (included in cost of sales)	**34,288**	3,376
Write off of an intangible asset (included in administrative expenses)	**—**	241
Operating lease rentals in respect of land use rights	**4,055**	3,797
Operating lease rentals in respect of property, plant and equipment	**39,437**	31,380
Net exchange losses	**23,734**	17,335
Provision for warranty *(Note 30)*	**25,713**	25,348
Auditors' remuneration	**3,735**	3,671
Share of tax of associates (included in share of results of associates)	**132**	(23)

15. PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the consolidated financial statements of the Company to the extent of approximately RMB1,878,000 (2007: loss of approximately RMB58,374,000).

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company approximately RMB95,324,000 (2007: RMB64,663,000) and based on the weighted average of 1,941,174,000 (2007: 1,941,174,000) shares in issue.

There were no dilutive potential shares during the two years ended 31 December 2008 and 2007 and accordingly, no diluted earnings per share is presented.

17. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007							
Cost	463,398	3,438,324	970,522	794,321	104,697	31,887	5,803,149
Accumulated depreciation and impairment loss	(216,108)	(1,909,878)	(663,350)	(439,600)	(76,785)	—	(3,305,721)
Carrying value	247,290	1,528,446	307,172	354,721	27,912	31,887	2,497,428
Year ended 31 December 2007							
Opening carrying value	247,290	1,528,446	307,172	354,721	27,912	31,887	2,497,428
Additions	5,359	71,627	10,782	33,472	6,903	90,769	218,912
Transfer to investment properties	(4,915)	—	—	—	—	—	(4,915)
Disposals	(160)	(96,116)	(20,283)	(11,096)	(15,452)	(25)	(143,132)
Depreciation charge	(16,968)	(140,864)	(62,624)	(60,093)	(9,538)	—	(290,087)
Impairment charge	—	—	—	(2,630)	—	—	(2,630)
Disposal of a subsidiary	—	(158,241)	(22,331)	(322)	(15)	—	(180,909)
Closing carrying value	230,606	1,204,852	212,716	314,052	9,810	122,631	2,094,667
At 31 December 2007							
Cost	463,480	2,714,682	912,424	802,670	85,861	122,631	5,101,748
Accumulated depreciation and impairment loss	(232,874)	(1,509,830)	(699,708)	(488,618)	(76,051)	—	(3,007,081)
Carrying value	230,606	1,204,852	212,716	314,052	9,810	122,631	2,094,667

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2008							
Opening carrying value	230,606	1,204,852	212,716	314,052	9,810	122,631	2,094,667
Additions	—	18,939	—	6,679	3,424	791,473	820,515
Transfer from construction in progress	34,372	4,782	—	2,564	—	(41,718)	—
Transfer to investment properties	(12,084)	—	—	—	—	—	(12,084)
Disposals	—	(938)	—	(11,005)	(304)	—	(12,247)
Depreciation charge	(18,217)	(135,390)	(40,661)	(45,570)	(8,306)	—	(248,144)
Impairment charge	—	(233)	—	—	—	—	(233)
Carrying value	234,677	1,092,012	172,055	266,720	4,624	872,386	2,642,474
At 31 December 2008							
Cost	481,483	2,728,402	912,424	775,760	83,359	872,386	5,853,814
Accumulated depreciation and impairment loss	(246,806)	(1,636,390)	(740,369)	(509,040)	(78,735)	—	(3,211,340)
Carrying value	234,677	1,092,012	172,055	266,720	4,624	872,386	2,642,474

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007						
Cost	1,223,675	663,060	336,881	75,047	31,887	2,330,550
Accumulated depreciation and impairment loss	(542,354)	(379,542)	(132,959)	(52,275)	—	(1,107,130)
Carrying value	681,321	283,518	203,922	22,772	31,887	1,223,420
Year ended 31 December 2007						
Opening carrying value	681,321	283,518	203,922	22,772	31,887	1,223,420
Additions	52,424	35,520	2,712	1,239	3,583	95,478
Disposals	(343,090)	—	(10,524)	(13,694)	—	(367,308)
Depreciation charge	(87,369)	(38,727)	(15,106)	(6,905)	—	(148,107)
Carrying value	303,286	280,311	181,004	3,412	35,470	803,483
At 31 December 2007						
Cost	698,337	698,580	280,396	55,773	35,470	1,768,556
Accumulated deprecation and impairment loss	(395,051)	(418,269)	(99,392)	(52,361)	—	(965,073)
Carrying value	303,286	280,311	181,004	3,412	35,470	803,483

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company *(continued)*

	Machinery for electronics production *RMB'000*	Machinery for glass production *RMB'000*	Other machinery *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2008						
Opening carrying value	303,286	280,311	181,004	3,412	35,470	803,483
Additions	2,031	—	290	427	3,173	5,921
Transfer from construction in progress	2,069	—	1,104	—	(3,173)	—
Disposals	(459)	—	(915)	(217)	—	(1,591)
Depreciation charge	(58,415)	(37,566)	(7,840)	(1,915)	—	(105,736)
Carrying value	248,512	242,745	173,643	1,707	35,470	702,077
At 31 December 2008						
Cost	692,081	698,580	268,520	51,006	35,470	1,745,657
Accumulated deprecation and impairment loss	(443,569)	(455,835)	(94,877)	(49,299)	—	(1,043,580)
Carrying value	248,512	242,745	173,643	1,707	35,470	702,077

18. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	10-40 years
Machinery for electronics production	15 years
Machinery for glass production	6-18 years
Other machinery	18 years
Office equipment and others	5 years

The Group's depreciation charge of approximately RMB235,677,000 (2007: RMB273,213,000) has been included in cost of sales, RMB483,000 (2007: RMB462,000) has been included in selling and distribution costs and RMB11,984,000 (2007: RMB16,412,000) approximately in administrative expenses.

During the year, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to technical obsolescence. Accordingly, impairment losses of approximately RMB233,000 (2007:RMB2,630,000) has been recognised in respect of other machinery and included in administrative expenses.

As at 31 December 2008, bank borrowings of the Group amounting to approximately RMB256,000,000 (2007: RMB200,000,000) are secured by the Group's buildings and machineries with the carrying amount of approximately RMB186,330,000 (2007: RMB195,538,000) (Note 31).

19. INVESTMENT PROPERTIES — GROUP

	RMB'000
At 1 January 2007	
Cost	—
Accumulated depreciation	—
Carrying value	—
Year ended 31 December 2007	
Opening carrying value	—
Transferred from property, plant and equipment during the year	4,915
Charge for the year	(218)
Closing carrying value	4,697
At 31 December 2007	
Cost	4,915
Accumulated depreciation	(218)
Carrying value	4,697
Year ended 31 December 2008	
Opening carrying value	4,697
Transferred from property, plant and equipment during the year	12,084
Charge for the year	(218)
Closing carrying value	16,563
At 31 December 2008	
Cost	16,999
Accumulated depreciation	(436)
Carrying value	16,563

19. INVESTMENT PROPERTIES — GROUP *(continued)*

The above investment properties were depreciated on a straight-line basis at 3.33% per annum.

The investment properties was located in the PRC and were held to earn rentals or for capital appreciation. The investment properties are carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

In the opinion of the directors of the Company, the fair values of the investment properties were approximated to their carrying values with reference to the recent market prices for similar properties.

20. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their carrying values are analysed as follows:

	RMB'000
At 1 January 2007	
Cost	46,859
Accumulated amortisation	(9,918)
Carrying value	36,941

20. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP *(continued)*

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their carrying values are analysed as follows: *(continued)*

	RMB'000
Year ended 31 December 2007	
Opening carrying value	36,941
Additions	12,611
Amortisation charge	(1,887)
Closing carrying value	47,665
At 31 December 2007	
Cost	59,470
Accumulated amortisation	(11,805)
Carrying value	47,665
Year ended 31 December 2007	
Opening carrying value	47,665
Additions	10,335
Amortisation charge	(1,865)
Closing carrying value	56,135
At 31 December 2007	
Cost	69,805
Accumulated amortisation	(13,670)
Carrying value	56,135

20. LEASEHOLD LAND AND LAND USE RIGHTS — GROUP *(continued)*

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Outside Hong Kong, held on leases of:		
— between 10 to 50 years	**50,250**	41,740
— less than 10 years	**5,885**	5,925
	56,135	47,665
Analysed for reporting purposes as:		
— current asset (included in other receivables, deposits and prepayments)	**1,865**	1,887
— non-current asset	**54,270**	45,778
	56,135	47,665

As at 31 December 2008, bank borrowings of the Group amounting to approximately RMB256,000,000 (2007: RMB200,000,000) are secured by the Group's land use rights with the carrying amount of approximately RMB19,763,000 (2007: RMB20,387,000) (Note 31).

The official property title certificate of the Group's land use right with carrying amount of approximately RMB6,400,000 (2007: RMB6,400,000) has not yet been issued by the relevant local government authorities. The directors are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced and the application of the title certificate is in progress.

21. INTANGIBLE ASSETS

The Group

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2007			
Cost	365,088	3,314	368,402
Accumulated amortisation and impairment loss	(355,890)	(897)	(356,787)
Carrying value	9,198	2,417	11,615
Year ended 31 December 2007			
Opening carrying value	9,198	2,417	11,615
Additions	241	120	361
Charge for the year	(6,570)	(732)	(7,302)
Write off for the year	—	(241)	(241)
Closing carrying value	2,869	1,564	4,433
At 31 December 2007			
Cost	365,329	3,002	368,331
Accumulated amortisation and impairment loss	(362,460)	(1,438)	(363,898)
Carrying value	2,869	1,564	4,433
Year ended 31 December 2008			
Opening carrying value	2,869	1,564	4,433
Additions	583	392	975
Charge for the year	(1,847)	(544)	(2,391)
Closing carrying value	1,605	1,412	3,017
At 31 December 2008			
Cost	365,912	3,394	369,306
Accumulated amortisation and Impairment loss	(364,307)	(1,982)	(366,289)
Carrying value	1,605	1,412	3,017

21. INTANGIBLE ASSETS *(continued)*

The Company

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2007			
Cost	94,575	3,135	97,710
Accumulated amortisation and impairment loss	(87,587)	(721)	(88,308)
Carrying value	6,988	2,414	9,402
Year ended 31 December 2007			
Opening carrying value	6,988	2,414	9,402
Additions	—	120	120
Charge for the year	(4,752)	(732)	(5,484)
Disposals	(1,149)	(241)	(1,390)
Closing carrying value	1,087	1,561	2,648
At 31 December 2007			
Cost	80,746	2,823	83,569
Accumulated amortisation and impairment loss	(79,659)	(1,262)	(80,921)
Carrying value	1,087	1,561	2,648
Year ended 31 December 2008			
Opening carrying value	1,087	1,561	2,648
Additions	—	190	190
Charge for the year	(516)	(534)	(1,050)
Closing carrying value	571	1,217	1,788
At 31 December 2008			
Cost	80,746	3,013	83,759
Accumulated amortisation and impairment loss	(80,175)	(1,796)	(81,971)
Carrying value	571	1,217	1,788

21. INTANGIBLE ASSETS *(continued)*

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licences for technical knowledge	20 years
Computer software	5 years

The Group's amortisation of approximately RMB1,847,000 (2007: RMB6,570,000) has been included in cost of sales and RMB544,000 (2007: RMB732,000) has been included in the administrative expenses.

22. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2008	2007
	RMB'000	*RMB'000*
Investments, at cost:		
Shares in a listed company in the PRC	**597,288**	596,169
Unlisted shares	**829,659**	440,327
	1,426,947	1,036,496
Market value of listed shares	**519,900**	1,122,312

As at 31 December 2008, The Group's shares in a listed company in the PRC represent a 41.44% (2007: 41.08%) equity interest in IRICO Display, a company listed on the Shanghai Stock Exchange.

During the year ended 31 December 2008, the Company acquired an additional 0.36% equity interests in IRICO Display at a total consideration of RMB1,118,550 through the Shanghai Stock Exchange.

During the year ended 31 December 2007, the Company disposed of its 1.82% equity interests in IRICO Display at a total consideration of RMB52,980,000 through the Shanghai Stock Exchange, and resulted in a gain on partial disposal of approximately RMB25,858,000.

22. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

As at 31 December 2008, the Company has direct and indirect interests in the following subsidiaries, all of which were established and operate in the PRC. The particulars of the subsidiaries are set out below:

Name	Registered capital	Principal activities	Interest directly held by the Company	Interest indirectly held through subsidiaries
IRICO Display *	RMB421,148,800	Production and development of the electronic products and raw materials for colour display devices	41.44%	—
IRICO Kunshan Industry Co., Ltd. ("Kunshan Industry")	RMB60,000,000	Production of the rubber parts of CPTs	80%	10%
Shaanxi IRICO Phosphor Material Co., Ltd. ("IRICO Phosphor")	RMB90,000,000	Production of phosphor for various types of CPTs	45%	30%
Xian IRICO Zixun Co., Ltd.	RMB130,000,000	Production and sales of the parts and components for display devices and the electronic communication products	100%	—
Xianyang Caiqin Electronic Device Co., Ltd.	RMB25,000,000	Production and sales of pin, anode button, multi-form and frit for CPTs	87.16%	—
Xianyang IRICO Electronic Parts Co., Ltd.	RMB55,000,000	Sales of shadow mask, frames and electronic products for CPTs	60%	—
Xianyang IRICO Electronic Shadow Mask Co., Ltd. ("IRICO Shadow Mask")	US$5,000,000	Development and production of the flat shadow mask and the coordinating products for CPTs	75%	25%

22. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Name	Registered capital	Principal activities	Interest directly held by the Company	Interest indirectly held through subsidiaries
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	Manufacture of electronic devices and components	90%	—
IRICO Display Technology Co., Ltd.	US$13,500,000	Production and sale of CPTs, black and white picture tubes and ancillary electronic components	75%	—
Caizhu Jinshun Electronic Industry Co., Ltd.	RMB10,000,000	Production and sales of frit for CPTs	—	100%
Kunshan Caihong Yingguang Electronics Co., Ltd.	US$4,500,000	Production of procession alloy and other products for color and black and white picture tubes	—	60%
Nanjing Reide Phosphor Co., Ltd.	US$443,300	Production and processing of recycled phosphor and related products for various types of CPTs	—	45%
Xian Caihui Display Technology Co., Ltd.	RMB10,000,000	R&D, design, manufacture, sales of CPTs, deflection yoke and related component and part as well as the after sale services for the sold product	—	100%
IRICO Group Electronics (Hongkong) Company Limited ("IRICO (Hongkong)")	HK$260,000	Investment holding	100%	—
Shaanxi IRICO Electronics Glass Company Limited	RMB390,000,000	Production of LCD glass substrate	69.5%	—

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

* The executive directors of the board of the Company have been nominated by the Company which constituted over 50% of the members of the board.

23. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of investment in associates — unlisted equity interests in the PRC	**—**	—	**360,000**	250,000
Opening carrying amount	**333,650**	232,220	**—**	—
Additions	**7,200**	110,000	**—**	110,000
Share of associates profits less dividends received	**25,205**	8,733	**—**	—
	366,055	350,953	**360,000**	360,000
Less: carrying amount of associates disposal during the year	**—**	(17,303)	**—**	—
	366,055	333,650	**360,000**	360,000

On 27 July 2007, the Group disposed of its 41.67% equity interests in an associate, Xian New Century International Club Co., Ltd., to IRICO Group at a consideration of RMB31,410,780 and recorded a gain on disposal of an associate of approximately RMB16,208,000 in the consolidated income statement.

In October 2007, Xian IRICO Plastic Industry Co., Ltd., an associate in which the Group had 30% equity interests, was deregistered. On the date of deregistration, the net assets shared by the Group amounted to approximately RMB2,100,000, which was set off against the outstanding payable of the same amount by the Group, resulting in no gain or loss on deregistration.

The Group had not disposed of any associates during the year.

23. INTERESTS IN ASSOCIATES *(continued)*

The summarized financial information in respect of the Group's associates, all of which are unlisted, are as follows:

Name	Place of establishment	Assets	Liabilities	Revenues	Profit (loss) for the year	Group's share of profits of associates
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008						
Sichuan Century Shuanghong Display Devices Co., Ltd. ("Sichuan Shuanghong")	PRC	444,829	52,978	98,435	138,915	27,783
Shenzhen Ruisheng Phosphor Material Co., Ltd.	PRC	3,749	977	3,703	2,098	839
Wujiang Shanyuan Caihong Electrion Co., Ltd. (Note)	PRC	3,791	2,565	1,672	(4,619)	(2,217)
		452,369	56,520	103,810	136,394	26,405

Note: During the year, a subsidiary of the Company, Kunshan Industry, entered into an agreement with 深圳山源電器有限公司 and 吳江山源散熱器有限公司 to establish a joint control company, Wujiang Shanyuan Caihong Electrion Co., Ltd. (吳江山源彩虹電器有限公司, "Wujiang Shanyuan") with a registered capital of RMB10,000,000. Pursuant to the agreement, Kunshan Industry will provide total contribution of RMB14,400,000, in which RMB4,800,000 represented contribution to the share capital of Wujiang Shanyuan, representing 48% of the total equity interests. As at 31 December 2008, RMB7,200,000 were paid and the remaining consideration of RMB7,200,000 is disclosed as commitment to the Group (Note 39).

23. INTERESTS IN ASSOCIATES *(continued)*

Name	Place of establishment	Assets	Liabilities	Revenues	Profit for the year	Group's share of profits of associates
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007						
Sichuan Shuanghong	PRC	650,070	199,979	100,133	31,685	6,337
Xian New Century International Club Co., Ltd. (Note)	PRC	—	—	17,549	4,281	1,784
Shenzhen Ruisheng Phosphor Material Co., Ltd.	PRC	3,604	471	3,958	2,430	972
		653,674	200,450	121,640	38,396	9,093

Note: The amount included in the revenue and profit of Xian New Century International Club Co., Ltd. for the period from 1 January 2007 to the date of which Xian New Century International Club Co., Ltd. ceased to be an associate of the Group.

The particulars of the associates of the Group at 31 December 2008 are set out below:

Name	Place of establishment	Registered capital	Principal activities	Interest directly held by the Company	Interest indirectly held through subsidiaries
Sichuan Shuanghong *(note)*	PRC	RMB1,800,000,000	Production, research and development and sale of plasma display panels ("PDP") and related materials	20%	—
Shenzhen Ruisheng Phosphor Material Co., Ltd.	PRC	RMB4,000,000	Production regenerated red, green and blue phosphor materials	—	40%
Wujiang Shanyuan Caihong Electrion Co., Ltd.	PRC	RMB10,000,000	Production of PTC thermostat and other electronic products	—	48%

Note: In May and June 2007, the Company contributed a total of RMB110,000,000 by way of cash into Sichuan Shuanghong.

24. AVAILABLE-FOR-SALE INVESTMENTS — GROUP

	2008	2007
	RMB'000	*RMB'000*
Unlisted investments	**30,000**	33,500
Impairment loss	**(5,940)**	(9,440)
	24,060	24,060

At the balance sheet date, the unlisted investments substantially comprise of the investment in equity interests in Western Trust & Investment Co., Ltd. ("WTI"), a state controlled trust enterprise. WTI has a number of investments in unlisted enterprises which have no available information concerning their market values. These investments held by WTI are stated at cost in WTI's book.

The available-for-sale investments are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year, the Group had disposed its investment in Xian Pan-Center Enterprises Development Company Limited with a cost of RMB3,500,000 and accumulated impairment loss of RMB3,500,000 for a consideration of RMB3,760,000. The gain on disposal has been included in other operating income.

25. INVENTORIES

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Raw materials	**154,780**	173,677	**83,306**	101,423
Work in progress	**36,401**	41,406	**7,550**	3,048
Finished goods	**485,760**	424,286	**103,817**	117,672
Consumables	**75,683**	75,528	**54,154**	52,783
	752,624	714,897	**248,827**	274,926
Write-down to net realisable value	**(44,149)**	(13,692)	**(13,000)**	(1,303)
	708,475	701,205	**235,827**	273,623

25. INVENTORIES *(continued)*

During the year ended 31 December 2008, there was an increase in the realisable value of raw materials due to market shortage in raw materials. As a result, a reversal of write-down of inventories of approximately RMB3,831,000 (2007: RMB10,678,000) has been recognised in other operating income.

26. TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
— third parties	**270,656**	493,524	**24,519**	164,735
— related parties *(Note 40)*	**190,341**	239,545	**4,336**	52,096
— subsidiaries of the Company	**—**	—	**76,130**	197,615
	460,997	733,069	**104,985**	414,446
Less: impairment losses	**(43,810)**	(12,621)	**(62,390)**	(47,165)
Trade receivables - net	**417,187**	720,448	**42,595**	367,281
Trade bills receivables				
— third parties	**603,053**	426,982	**403,225**	91,777
— related parties *(Note 40)*	**175,491**	316,368	**2,087**	219,960
	778,544	743,350	**405,312**	311,737
Total trade and bills receivables	**1,195,731**	1,463,798	**447,907**	679,018

As at 31 December 2007 and 2008, the ageing of trade bills receivables are all within 180 days.

26. TRADE AND BILLS RECEIVABLES *(continued)*

The Group allows an average credit period ranging from cash on delivery to 90 days to its trade customers. The following is an aged analysis of trade receivables net of impairment loss at the reporting date:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0-90 days	**329,282**	612,190	**34,475**	222,703
91-180 days	**50,370**	62,313	**44**	64,946
181-365 days	**32,378**	38,694	**5,565**	64,314
Over 365 days	**5,157**	7,251	**2,511**	15,318
	417,187	720,448	**42,595**	367,281

Ageing of trade receivables which are past due but not impaired:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
91-180 days	**50,370**	62,313	**44**	64,946
181-365 days	**32,378**	38,694	**5,565**	64,314
Over 365 days	**5,157**	7,251	**2,511**	15,318
	87,905	108,258	**8,120**	144,578

The Group's neither past due nor impaired trade receivables mainly represent sales made to a large number of diversified and recognised and creditworthy customers. Customers who trade on credit terms are subject to credit verification procedures. No impairment loss is required for the past due balance based on the historical payment records. The Group does not hold any collateral over those balances.

26. TRADE AND BILLS RECEIVABLES *(continued)*

At each of the balance sheet date, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the impairment loss of trade receivable is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of the year	**12,621**	11,466	**47,165**	58,900
Impairment losses recognised	**33,437**	3,878	**15,225**	—
Amounts recovered during the year	**(2,248)**	(2,723)	**—**	(11,735)
Balance at end of the year	**43,810**	12,621	**62,390**	47,165

As at 31 December 2008, bank borrowings of the Group amounting to approximately RMB256,000,000 (2007: Nil) are secured by the Group's trade bills receivables of approximately RMB150,201,000 (2007: Nil) (Note 31).

As at 31 December 2008, bank borrowings of the Company amounting to approximately RMB66,000,000 (2007: Nil) are secured by the Company's trade bills receivables of approximately RMB84,313,000 (2007: Nil) (Note 31).

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Other receivables	**140,912**	114,953	**31,404**	83,181
Less: impairment loss	**(2,699)**	(2,441)	**(662)**	(662)
Deposits and prepayments	**29,186**	335,856	**3,150**	2,419
	167,399	448,368	**33,892**	84,938

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

At each of the balance sheet date, the Group's other receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the impairment of other receivable is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of the year	**2,441**	2,296	**662**	345
Impairment losses recognised	**271**	145	**—**	317
Amounts recovered during the year	**(13)**	—	**—**	—
Balance at end of the year	**2,699**	2,441	**662**	662

28. BANK BALANCES AND CASH

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Unpledged balances				
— time deposits	**27,000**	24,500	**—**	—
— other bank balances and cash	**430,415**	350,174	**143,079**	160,821
	457,415	374,674	**143,079**	160,821

All the bank balances and cash are denominated in RMB and deposited with banks in the PRC except for the equivalent amounts of approximately RMB40,764,000 (2007: RMB52,531,000) at 31 December 2008 which is denominated in foreign currencies. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The effective interest rate on time deposits was 3.33% to 4.14% (2007: 2.52% to 3.78%). These deposits have a maturity from 90 days to 365 days (2007: 180 days to 365 days).

29. TRADE AND BILLS PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Trade payables				
— third parties	**389,660**	405,900	**153,517**	213,783
— related parties *(Note 40)*	**70,012**	103,159	**28,784**	40,978
— subsidiaries of the Company	**—**	—	**11,943**	78,182
	459,672	509,059	**194,244**	332,943
Trade bills payables				
— third parties	**62,698**	33,458	**62,468**	33,458
— related parties *(Note 40)*	**37,532**	36,532	**37,532**	36,532
	100,230	69,990	**100,000**	69,990
Total trade and bills payables	**559,902**	579,049	**294,244**	402,933

The ageing analysis of trade payables are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
0-90 days	**412,329**	476,122	**171,897**	314,799
91-180 days	**33,346**	8,151	**15,459**	8,762
181-365 days	**1,466**	8,655	**1,073**	3,283
Over 365 days	**12,531**	16,131	**5,815**	6,099
	459,672	509,059	**194,244**	332,943

30. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Amount due to ultimate holding company *(Note 40)*	**337,123**	55,371	**213,584**	33,648
Provisions of warranty *(Note)*	**8,553**	3,972	**—**	6
Others	**295,438**	176,452	**230,115**	148,270
	641,114	235,795	**443,699**	181,924

Note:

Movements of the provisions of warranty are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**3,972**	5,537	**6**	3,514
Charged in the consolidated income statement *(Note 14)*	**25,713**	25,348	**17,094**	21,245
Utilised during year	**(21,132)**	(26,913)	**(17,100)**	(24,753)
Closing carrying amount	**8,553**	3,972	**—**	6

Under the terms of the Group's sales agreements, the Group will rectify product defects arising within three years from the date of sales. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the year prior to the balance sheet date. The amount of provision takes into account the Group's recent claim experience and the Group only makes provision where a claim is probable.

31. BANK BORROWINGS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Secured	**256,000**	200,000	**66,000**	—
Unsecured				
Guaranteed by the ultimate holding company	**109,000**	250,500	**50,000**	136,500
Advanced from banks on discounted trade receivables	**70,000**	262,184	**70,000**	242,184
Unguaranteed	**556,707**	250,000	**238,000**	250,000
	991,707	962,684	**424,000**	628,684

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The bank and other borrowings are repayable as follows:				
Within one year or on demand	**673,000**	962,684	**424,000**	628,684
More than one year, but not exceeding two years	**37,338**	—	**—**	—
More than two years, but not exceeding five years	**112,014**	—	**—**	—
More than five years	**169,355**	—	**—**	—
	991,707	962,684	**424,000**	628,684
Less: Amounts due within one year shown under current liabilities	**(673,000)**	(962,684)	**(424,000)**	(628,684)
Amounts due over one year shown under non-current liabilities	**318,707**	—	**—**	—

31. BANK BORROWINGS *(continued)*

As at 31 December 2008, bank borrowing of approximately RMB256,000,000 (2007: RMB200,000,000) are secured by certain land use rights (Note 20), buildings and machineries of the Group (Note 18) and trade bills receivables (Note 26).

As at 31 December 2008, the Company's secured bank borrowings of approximately RMB66,000,000 (2007: Nil) are secured by certain trade bills receivables (Note 26).

As at 31 December 2008, the Group and the Company's unguaranteed bank borrowings were secured by certain land and buildings with carrying values of approximately RMB180,447,000 (2007: RMB184,711,000) of its ultimate holding company. In addition to the above securities, 37.5% of the issued shares of the Company held by the ultimate holding company were pledged against the loan granted to the Group during the current year.

As at 31 December 2008, approximately RMB218,707,000 of bank borrowings were denominated by USD while the remaining were denominated in RMB. As at 31 December 2007, all borrowings were denominated in RMB.

As at 31 December 2008 and 2007, all short term bank borrowings are based on fixed interest rate and long term borrowings are based on floating rate. The effective interest rates as at the balance sheet date were as follows:

	2008	2007
Short term borrowings at fixed rate	**5.31%-7.84%**	5.31%-7.65%
Long term borrowings at floating rate	**5.34%-7.83%**	—

As at 31 December 2008, the unutilised banking facilities of the Group amounted to approximately RMB138,695,000 (2007: RMB191,099,000).

32. SHARE CAPITAL

	As at 31 December 2007 and 2008	
	Number of shares	**Amount**
		RMB'000
Issued and fully paid:		
Domestic shares of RMB1 each	1,455,880,000	1,455,880
H shares of RMB1 each	485,294,000	485,294
	1,941,174,000	1,941,174

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.

33. OTHER RESERVES

The Group

	Capital reserve (Note (i)) RMB'000	Statutory surplus reserve (Note (ii)) RMB'000	Merger reserve RMB'000	Exchange reserve RMB'000	Total RMB'000
Balance at 1 January 2007, as originally stated	742,616	23,530	—	—	766,146
Effect of common control combination	—	—	16,687	—	16,687
Balance at 1 January 2007, as restated	742,616	23,530	16,687	—	782,833
Increase in merger reserve under common control combination	—	—	254,483	—	254,483
Balance at 31 December 2007 and 1 January 2008, as restated	742,616	23,530	271,170	—	1,037,316
Acquisition of additional interests in subsidiaries from minority shareholders	(7,198)	—	—	—	(7,198)
Acquisition of subsidiary under common control combination	—	—	(313,584)	—	(313,584)
Exchange difference arising from translation of foreign operations	—	—	—	(126)	(126)
Balance at 31 December 2008	735,418	23,530	(42,414)	(126)	716,408

33. OTHER RESERVES *(continued)*

The Company

	Capital reserve (Note (i)) *RMB'000*	Statutory surplus reserve (Note (ii)) *RMB'000*	Total *RMB'000*
Balance At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	962,623	23,530	986,153

Notes:

(i) Capital reserve

Upon incorporation of the Company on 10 September 2004, the historical net value of the assets, liabilities and interests transferred to the Company were converted into the Company's capital with all the then existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, a capital reserve, being the difference between the amount of share capital issued and historical net value of the assets, liabilities and interests transferred to the Company, was presented in the reserves of both the Group and the Company. Separate class of reserves, including retained profits, of the Group prior to the incorporation of the Company were not separately disclosed as all these reserves have been capitalised and incorporated in the capital reserve of the Group and the Company.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

34. DEFERRED INCOME

For the year ended 31 December 2007, deferred income represents grant received from the United Nations by the Group for its ozone depleting substance cleansing replacement project for acquiring machineries to treat the ozone depleting substance produced during the production process. This deferred income is amortised to the consolidated income statement on a straight-line basis over the expected lives of the corresponding assets of 5 years.

During the year ended 31 December 2008, the Group received government grants of RMB1,200,000 from 陝西省科技廳 for the acquisition of machineries and equipment. The amount will be recognised as other operating income over the useful lives of such machineries and equipment. During the year, no deferred income has been recognised in the consolidated income statement.

During the year ended 31 December 2008, the Group received government grants of RMB19,840,000 for research and development of technology and staff training costs for the production of TFT-LCD glass substrate, and for the development and design of the glass furnace used in production. During the year, such expenditure had not yet been incurred and thus no deferred income has been recognised in the consolidated income statement.

35. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2007: 25%) except for certain subsidiaries mentioned in Note 13 to the consolidated financial statements which are subject to tax concession to pay income tax at 15% (2007: 15%).

The gross movement on the deferred income tax account is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**(12,797)**	(15,577)	**(5,403)**	(6,117)
Credited to the consolidated income statement	**4,999**	2,780	**801**	714
Closing carrying amount	**(7,798)**	(12,797)	**(4,602)**	(5,403)

35. DEFERRED TAXATION *(continued)*

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets	**1,857**	—	**—**	—
Deferred tax liabilities	**(9,655)**	(12,797)	**(4,602)**	(5,403)
	(7,798)	(12,797)	**(4,602)**	(5,403)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	The Group accelerated tax depreciation	The Company accelerated tax depreciation
	RMB'000	*RMB'000*
At 1 January 2007	(15,577)	(6,117)
Credited to the consolidated income statement	2,780	714
At 31 December 2007 and 1 January 2008	(12,797)	(5,403)
Credited to the consolidated income statement	3,142	801
At 31 December 2008	(9,655)	(4,602)

The deferred income tax liabilities are to be recovered after more than 12 months.

35. DEFERRED TAXATION *(continued)*

Deferred income tax assets are recognised for tax loss carry-forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unused and other deductible temporary differences of approximately RMB315,341,000 (2007: RMB321,040,000) where, in the opinion of the directors, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses and other deductible temporary differences. The Group's unrecognised deferred tax assets in respect of tax losses will expire in 2012.

36. LONG-TERM PAYABLES

Long-term payables mainly represent early retirement allowance payable to the employees of the Group.

The maturity profile of the long-term payables was as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**12,188**	12,919	**2,870**	10,027
Utilised during year	**(3,853)**	(1,361)	**(989)**	(1,361)
Debited (credited) to consolidated income statement *(Note 11)*	**5,460**	630	**2,000**	(5,796)
Closing carrying amount	**13,795**	12,188	**3,881**	2,870
Less: current portion included in current liabilities	**(3,574)**	(2,938)	**(2,503)**	(744)
Non-current portion	**10,221**	9,250	**1,378**	2,126

The provision mainly represented early retirement allowance payable to the employees of the Group. Compensation for early retirement is recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

The fair values of payables equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on five-year bank borrowings rate of 5.53% (2007: 6.34%).

37. DISPOSAL OF SUBSIDIARY

On 27 July 2007, the Group entered into an agreement with IRICO Group, the Company's ultimate holding company, for the disposal of its 72.02% equity interest in a subsidiary, Xianyang IRICO Digital Display Co., Ltd., a company engaged in the production and sales of CPTs. The net assets of Xianyang IRICO Digital Display Co., Ltd. at the date of disposal were as follows:

	2007
	RMB'000
Net assets disposed of:	
Property, plant and equipment	180,909
Inventories	2,814
Trade receivables	5,424
Bank balances and cash	16,568
Trade payables	(25,034)
Tax payables	(123)
Net assets	180,558
Gain on disposal of a subsidiary	1,969
Total consideration	182,527
Satisfied by:	
Cash	147,181
Other receivables	35,346
	182,527
Net cash inflow arising from disposal:	
Cash consideration	147,181
Bank balances and cash disposed of	(16,568)
	130,613

37. DISPOSAL OF SUBSIDIARY *(continued)*

During the year ended 31 December 2007, the disposed subsidiary contributed to approximately RMB10,279,000 to the Group's profit, contributed net operating cash flow RMB9,977,000 and received approximates to RMB14,354,000 from investing activities.

The Company had not disposed of any subsidiaries during the year.

38. MATERIAL LITIGATIONS

The dispute between Xianyang Xingyun Mechanical Company Limited ("Xingyun") and the Company

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

On 28 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 37cm CPT model L shadow mask frame and anti-implosion band for mass 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 notified Xingyun to suspend the provisions of parts as agreed in the Confirmation Agreements. Xingyun believes that this caused a total loss of RMB30,300,000 which was incurred from the investments in the construction of facilities and the purchase of materials.

The hearing of the case has ended. On 27 December 2006, the Company received a civil verdict ([2006] Shaan Min Er Chu Zi No. 16) from the People's High Court of Shaanxi. The court ruled that the claim by Xingyun against the Company to bear its investment loss of RMB26,340,000 and its claim against the Company to bear its production loss of RMB3,960,000 were not justified and were dismissed. The court also ruled that, according to the principle of fairness, the Company should acquire finished products, semi-finished products and raw materials held by Xingyun in the value of RMB3,880,000 according to the quantities, types and prices determined by both parties. Those finished products, semi-finished products and raw materials can still be utilised in the process of production by the Company, and therefore no loss would be incurred.

38. MATERIAL LITIGATIONS *(continued)*

The period allowed for appeal stipulated in the civil verdict ([2006] Shaan Min Er Chu Zi No. 16) expired on 14 January 2007, and Xingyun has not filed an appeal to the People's Supreme Court of the PRC within such stipulated period.

On 11 April 2007, the Company received a writ of summons ([2007] Shaan Min Er Chu Zi No.10) from the People's High Court of Shaanxi, and was informed that Xingyun brought an action for a second time against the Company in respect of the same matter.

The Company made a written submission to the Court denying all liabilities in response to the allegations made by Xingyun. The Company believes that Xingyun's claim for litigations had no legal and factual basis, therefore its claim should be dismissed. On 23 November 2007, the People's High Court of Shaanxi issued the civil verdict ([2007] Shaan Min Er Chu Zi No. 10), The Court ruled that the claim by Xingyun against the Company demanding for compensation to its investment and other losses totaling RMB30,300,000 was not established and should be dismissed. On 15 April 2008, Xingyun has filed an appeal to the People's Supreme Court of the PRC.

On 10 July 2008, the People's Supreme Court of the PRC issued the civil verdict ([2008] Min Er Chu Zi No.8). The Supreme Court had ruled that the claim by Xingyun against the Company demanding for compensation to its investment and other losses totaling RMB30,300,000 was not established and should be dismissed. The ruling by the People's Supreme Court of the PRC was the final judgment and the litigation has ended.

39. COMMITMENTS

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Contracted but not provided for				
— Investment in a subsidiary	**—**	—	**51,000**	279,580
— Investment in an associate	**7,200**	—	**—**	—
— Construction and renovation of production lines for LCD glass substrate	**4,104**	141,369	**—**	—
— Construction and renovation of production lines for CPT components	**—**	27,550	**—**	2,101
	11,304	168,919	**51,000**	281,681

As lessee

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	The Group				The Company			
	Land use rights		Property, plant and equipment		Land use rights		Property, plant and equipment	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**4,431**	4,603	**78,258**	35,315	**3,584**	3,584	**67,605**	23,677
In the second to fifth years inclusive	**—**	4,603	**—**	34,858	**—**	3,584	**—**	23,677
	4,431	9,206	**78,258**	70,173	**3,584**	7,168	**67,605**	47,354

The Group and the Company leases its land use rights and property, plant and equipment under operating lease arrangements with leases negotiated for terms of an average of one and two years respectively and rentals are fixed for an average of one and two years respectively.

39. COMMITMENTS *(continued)*

As lessor

At the balance sheet date, investment properties are leased out for a period of 3 years from the date of commencement of operation of a lessee that occupies the property and the lease did not have any renewal options given to the lessee. The rental yield for the year ended 31 December 2008 is 17.6% (2007: 30.4%). The Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Within one year	**1,004**	419
In the second to fifth years inclusive	**1,081**	192
Over five years	**773**	—
	2,858	611

40. RELATED-PARTY TRANSACTIONS

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

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and jointly controlled entities (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influence, 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.

40. RELATED-PARTY TRANSACTIONS *(continued)*

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

The following transactions were carried out with related parties:

A. Sale of goods

	2008	2007
	RMB'000	*RMB'000*
Sales of goods to the IRICO Group:		
— Shenzhen Hongyang Industrial Trade Company	**10,011**	12,239
— Caihong Labour Service Company	**2,677**	3,066
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**536**	501
— The ultimate holding company	**283**	—
— Xianyang IRICO Thermoelectricity Co., Ltd.	**1,957**	—
— Color Picture Tube Plant	**4,337**	—
— The utilities plant of the ultimate holding company	**—**	75,378
— Rui Bou Electronics (HK) Limited ("Rui Bou")	**—**	3,324
— Shaanxi IRICO Construction Engineering Co., Ltd.	**—**	4
	19,801	94,512
Other state controlled enterprises	**992,802**	1,138,139

40. RELATED-PARTY TRANSACTIONS *(continued)*

B. Purchases of goods and provision of services

	2008	2007
	RMB'000	*RMB'000*
Purchases of goods from the IRICO Group *(note (i))*		
— Caihong Labour Service Company	**63,070**	37,384
— Xianyang Cailian Packaging Materials Co., Ltd.	**51,555**	17,787
— Xianyang Caihong Adhesive Belt Co., Ltd.	**4,235**	2,300
— Shenzhen Hongyang Industrial Trade Company	**12,732**	49
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**52,810**	41,933
	184,402	99,453
Other state controlled enterprises	**612,091**	534,888
Purchases of property, plant and equipments		
— Xianyang IRICO Digital Display Co., Limited	**3,165**	—
Other state controlled enterprises	**695**	—

40. RELATED-PARTY TRANSACTIONS *(continued)*

B. Purchases of goods and provision of services *(continued)*

	2008	2007
	RMB'000	*RMB'000*
Provision of services from the IRICO Group		
— Rental expense to the ultimate holding company *(note (iii))*	**40,827**	35,048
— Trademark license fee to the ultimate holding company *(note (iv))*	**3,511**	3,476
— Network fee to the ultimate holding company	**317**	—
— IRICO Hospital	**252**	—
— Environmental expenses to Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**1,207**	—
— Utility charges to Color Picture Tube Plant	**423,066**	—
— Environmental expenses to Caihong Labour Service Company	**—**	100
— Utility charges to the utilities plant of the ultimate holding company *(note (ii))*	**—**	397,229
	469,180	435,853
Other state controlled enterprises	**93,662**	—

40. 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.

(ii) Various kinetic energy charges were paid/payable by the companies of the Group to the utilities plant of the ultimate holding company based on the agreed rates for the two years ended 31 December 2008 and 2007 respectively.

(iii) From 1 January 2004, the Group is required to pay RMB11 per square metre per annum for the use of land use rights and RMB9 and RMB30 per square metre per month for the use of buildings in Xianyang and Beijing respectively, pursuant to the Premises Leasing Agreement. Accordingly, rental charges for the year ended 31 December 2008 amounted to RMB40,827,000 (2007: RMB35,048,000).

(iv) License fee for using the trademark owned by the ultimate holding company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, IRICO Display, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice, and it was revised to 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 2009.

40. RELATED-PARTY TRANSACTIONS *(continued)*

C. Acquisition of subsidiaries

(a) Acquisition of 69.5308% equity interests in IRICO Glass

As mentioned in the announcement of the Company dated 17 August 2007, the Company and IRICO Group entered into an acquisition agreement, pursuant to which IRICO Group agreed to sell and the Company agreed to purchase the 69.5308% equity interests held by IRICO Group Corporation in IRICO Glass for a total consideration of approximately RMB279,580,000. On 19 June 2008, the Company received approval from the SASAC for the acquisition of IRICO Glass and the consideration was adjusted to RMB313,583,900.

(b) Acquisition of 30% additional equity interests in IRICO Phosphor and 25% additional equity interests in IRICO Shadow Mask

As mentioned in the announcement and the circular issued by the Company dated 23 June 2008 and 21 July 2008, respectively, on 23 June 2008, IRICO (Hongkong) (formerly known as Force Top International Limited), a wholly-owned subsidiary of the Company, and Rui Bou, a company incorporated in Hong Kong with limited liability and a subsidiary of IRICO Group, entered into an acquisition agreement pursuant to which IRICO (Hongkong) shall purchase 30% equity interests in IRICO Phosphor and 25% equity interests in IRICO Shadow Mask from Rui Bou for a consideration of RMB73,290,000 and RMB14,825,000, respectively, totaling to RMB88,115,000. On 5 September 2008, approval of the acquisition was obtained from the independent shareholders in an extraordinary general meeting.

40. RELATED-PARTY TRANSACTIONS *(continued)*

D. Balance with ultimate holding company

i. Loans from the ultimate holding company - Group

	2008	2007
	RMB'000	*RMB'000*
		(Restated)
Opening carrying amount	**20,000**	29,000
Loans borrowed	**100,000**	20,000
Repayment	**(7,142)**	(30,755)
Interest expense *(Note 12)*	**8,805**	1,755
Closing carrying amount	**121,663**	20,000

Pursuant to an agreement entered into on 16 December 2004, the Company transferred its titles of certain loans to subsidiaries to the ultimate holding company on 19 December 2004 and offset its amount due to the ultimate holding company. This balance is recorded in the other payables and was fully repaid during the year ended 31 December 2007.

Loans from the ultimate holding company were unsecured and bears interest at 7.47% to 8.22% (2007: 6.12% to 8.22%) per annum and repayable on demand.

40. RELATED-PARTY TRANSACTIONS *(continued)*

D. Balance with ultimate holding company *(continued)*

ii. Amount due from the ultimate holding company

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Other receivables, deposits and prepayments				
The ultimate holding company	**36,623**	5,544	**—**	—

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

iii. Amount due to the ultimate holding company

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
The ultimate holding company	**215,460**	35,371	**213,584**	33,648

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

iv. Director's emolument afforded by the ultimate holding company

During the year ended 31 December 2008, the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan and Mr. Zhang Xingxi are afforded by IRICO Group (Note 11).

During the year ended 31 December 2007, the emoluments for Mr. Zhang Xingxi and Mr. Niu Xinan are afforded by IRICO Group (Note 11).

40. RELATED-PARTY TRANSACTIONS *(continued)*

D. Balance with ultimate holding company *(continued)*

v. Guarantees granted or assets pledged by the ultimate holding company

As at 31 December 2008 and 2007, 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 31).

As at 31 December 2008, the ultimate holding company had pledged its 37.5% equity interests in the Company for certain bank borrowings granted to the Group (Note 31).

E. Amount due to a fellow subsidiary

	The Group		**The Company**	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
Rui Bou	**69,188**	—	**—**	—

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

F. Key management compensation

	2008	2007
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**2,104**	3,810
Fees	**500**	500
Retirement benefit contributions	**130**	101
	2,734	4,411

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

40. RELATED-PARTY TRANSACTIONS *(continued)*

G. Year-end balances arising from sales/purchases of goods/provision of services

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Trade receivables from related parties *(note)*				
The IRICO Group				
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**22**	3	**7**	3
— Shaanxi IRICO Construction Engineering Co., Ltd.	**5**	—	**5**	—
— Xianyang IRICO Digital Display Co., Limited	**3,733**	2,719	**3,733**	2,719
— Shenzhen Hongyang Industrial Trade Company	**—**	2,670	**—**	2,670
	3,760	5,392	**3,745**	5,392
Other state controlled enterprises	**362,072**	550,521	**2,678**	266,664
	365,832	555,913	**6,423**	272,056
Representing:				
Trade receivables *(Note 26)*	**190,341**	239,545	**4,336**	52,096
Trade bills receivables *(Note 26)*	**175,491**	316,368	**2,087**	219,960
	365,832	555,913	**6,423**	272,056

40. RELATED-PARTY TRANSACTIONS *(continued)*

G. Year-end balances arising from sales/purchases of goods/provision of services *(continued)*

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables from related parties *(Note)*				
The IRICO Group				
— Caihong Labour Service Company	**3,720**	11,021	**770**	421
— Xianyang Cailian Packaging Material Company	**14,942**	6,825	**13,484**	3,618
— Xianyang Caihong Adhesive Belt Co., Ltd.	**525**	1,349	**—**	—
— Shenzhen Hongyang Industrial Trade Co., Ltd.	**361**	2,979	**261**	2,960
— The ultimate holding company	**23**	8,652	**—**	8,652
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**8,448**	9,814	**690**	279
— Xianyang IRICO Digital Display Co., Limited	**7,108**	—	**—**	—
— Shenzhen Caihong Electronics Co. Ltd.	**1,209**	—	**—**	—
— IRICO Hospital	**231**	—	**231**	—
— Color Picture Tube Plant	**4,261**	—	**—**	—
— The utilities plant of the ultimate holding company	**—**	16,200	**—**	—
	40,828	56,840	**15,436**	15,930
Other state controlled enterprises	**66,716**	82,716	**50,881**	61,580
	107,544	139,556	**66,317**	77,510

40. RELATED-PARTY TRANSACTIONS *(continued)*

G. Year-end balances arising from sales/purchases of goods/provision of services *(continued)*

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Representing:				
Trade payables *(Note 29)*	**70,012**	103,159	**28,784**	40,978
Trade bills payables *(Note 29)*	**37,532**	36,532	**37,532**	36,532
	107,544	139,691	**66,316**	77,510

Note:

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

H. Bank balances in and loans from state controlled banks

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Bank balances in state controlled banks	**306,129**	322,933	**143,075**	159,870
Short-term borrowings from state controlled banks	**912,707**	792,684	**354,000**	528,684

40. RELATED-PARTY TRANSACTIONS *(continued)*

H. Bank balances in and loans from state controlled banks *(continued)*

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from state controlled banks	**3,096**	5,371	**1,161**	1,987
Interest expenses to state controlled banks	**55,536**	44,075	**25,096**	32,707

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2008, the Company acquired an additional 0.36% equity interests in IRICO Display at a total consideration of RMB1,118,550 from the minority shareholders. The consideration had been settled against the amount due from the minority shareholders which resulted from the share reform on 18 July 2006.

During the year ended 31 December 2008, the Company acquired 69.5308% equity interests in IRICO Glass for a consideration of RMB313,583,900, and an additional 30% equity interests IRICO Phosphor and 25% equity interests in IRICO Shadow Mask for consideration of approximately RMB73,290,000 and RMB14,825,000 respectively, totaling to RMB88,115,000. During the year, the Company had made cash payment of RMB100,000,000 for the acquisition of IRICO Glass and RMB18,927,000 for the acquisition of IRICO Phosphor and IRICO Shadow Mask. The remaining consideration payable totaling to approximately RMB282,771,900 had been included in other payables in the consolidated balance sheet.

During the year ended 31 December 2007, the Group disposed of its 72.02% equity interest in Xianyang IRICO Digital Display Co., Ltd. to IRICO Group at a consideration of approximately RMB182,527,000 of which RMB35,346,000 was unsettled and included in other receivables as at 31 December 2007.

41. MAJOR NON-CASH TRANSACTIONS *(continued)*

On 29 July 2007, the Company entered into an exchange agreement with IRICO Display, whereby the Company has agreed to transfer certain of its property, plant and equipment with carrying values of approximately RMB348,246,000 to IRICO Display. Pursuant to the agreement, IRICO Display has agreed to transfer property, plant and equipment of approximately RMB66,601,000 and paid a total cash consideration of RMB221,207,000 to the Company.

42. EVENTS AFTER THE BALANCE SHEET DATE

On 30 December 2008, IRICO Display and Shenzhen Hongyang Industry and Trade Co., Ltd., a wholly-owned subsidiary of IRICO Group, had entered into a joint venture agreement to set up a joint venture company, IRICO (Foshan) Flat Panel Display Company Limited ("IRICO (Foshan)"), in Foshan City of Guangdong Province, the PRC. IRICO (Foshan) will be set up for principally engaged in research and development, manufacture, sale of flat panel display devices, electronic products and components. The registered capital of IRICO (Foshan) will be RMB100,000,000. Pursuant to the joint venture contract, IRICO Display will contribute RMB51,000,000, representing 51% equity interests in IRICO (Foshan), by way of cash consideration.

Upon completion of the transaction, IRICO (Foshan) will be accounted for as a subsidiary of IRICO Display. During January 2009, IRICO Display had injected RMB10,200,000 in IRICO (Foshan), and the remaining consideration will be payable within two years.

Five Year Financial Summary

	For the year ended 31 December				
	2008	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)	(Restated)		
Results					
Turnover	**3,541,920**	3,358,990	3,861,710	3,927,500	4,949,683
Profit/(loss) before taxation	**126,229**	77,919	187,543	(911,956)	650,250
Taxation	**(7,851)**	(8,420)	(19,828)	(48,377)	(134,468)
Profit before minority interests	**118,378**	69,499	167,715	(960,333)	515,782
Minority interests	**23,054**	4,836	38,203	(205,786)	130,455
Net profit/(loss) attributable to equity holders	**95,324**	64,663	129,512	(754,547)	385,327
Assets, liabilities and minority interests	**8,983,485**	8,473,929	8,832,541	9,361,210	11,200,106
Total assets	**5,637,316**	5,495,330	5,515,063	5,795,426	7,121,278
Total liabilities	**2,243,032**	1,807,841	2,274,452	2,734,800	2,949,962
Minority interests	**1,103,137**	1,170,758	1,043,026	830,984	1,128,866

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

Audit Committee

Lv Hua
Feng Bing
Zhong Pengrong
Xu Xinzhong
Fu Jiuquan

Joint Company Secretaries

Liu Xiaodong
Lam Chun Lung

Qualified Accountant

Lam Chun Lung

Authorized representatives

Niu Xinan
Liu Xiaodong

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