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 2009

* For identification purposes only

Contents

1. Results

	2009 (RMB'000)	2008 (RMB'000)	Increase/ (decrease) (RMB'000)	Percentage (%)
Turnover	**2,097,251**	3,541,920	(1,444,669)	(40.79)
Cost of sales	**(2,188,395)**	(2,913,300)	724,905	(24.88)
Gross (loss)/Profit	**(91,144)**	628,620	(719,764)	(114.50)
Gross profit margin *(%)*	**(4.35%)**	17.75%	(22.10%)	N/A
Operating (loss)/Profit	**(1,515,475)**	158,068	(1,673,543)	(1,058.75)
Operating profit margin	**(72.26%)**	4.46%	(76.72%)	N/A
(Loss)/profit of the year attributable to owners of the Company	**(1,113,014)**	94,908	(1,207,922)	(1,272.73)
Profit margin *(%)*	**(53.07%)**	2.68%	(55.75%)	N/A
(Loss)/Earnings per share of the year attributable to owners of the Company *(expressed in RMB per share)*	**(0.5734)**	0.0489	(0.6223)	(1,272.73)
Dividend per share *(RMB)*	**0**	0		

2. Financial position

	2009 **(RMB'000)**	2008 *(RMB'000)*
Property, plant and equipment	**1,718,922**	2,642,509
Net current assets	**241,765**	744,774
Cash and bank balances	**1,077,661**	556,606
Total liabilities	**3,150,959**	2,243,654
Short-term bank borrowings	**1,221,949**	673,000
Total equity	**1,901,194**	3,493,482

3. Operating indices

	2009	2008
Returns on equity *(on annualized basis)*	**(93.42%)**	4.05%
Inventory turnover *(days)*	**81**	88
Trade receivable turnover *(days)*	**157**	122
Trade payable turnover *(days)*	**67**	70
Current ratio	**1.1**	1.4
Debt to equity ratio	**1.52**	0.42

Chairman's Statement

Dear Shareholders,

2009 is a critical year for IRICO Group Electronics Company Limited ("IRICO" or the "Company") and its subsidiaries (the "Group") in terms of business development and strategic transformation. During the past year, amid challenges posed by both the financial crisis and the structural adjustment of the industry, we promptly adjusted our business layout as a first step, continued to cultivate independent innovation and speeded up the pace of new business development and all-around business transformation through brave, tenacious and concerted efforts. During this process, we received guidance and care from leaders of related authorities such as the State-owned Assets Supervision and Administration Commission of the States as well as great support and help from all walks of life.

In 2009, on one hand, the Group recorded a relatively drastic drop in operating results due to rapid contraction in its CPT business and a significant provision made for impairment of its CPT-related assets. On the other hand, while scaling-down its traditional CPT business, the Group carried forward its new businesses in an all-around and rapid way and has established a brand-new business framework based on LCD glass substrate, solar photovoltaic glass and luminous material operations.

LCD glass substrate business moved forward rapidly

With regard to thin film transistor liquid crystal display ("TFT-LCD") glass substrate ("LCD glass substrate") business, in 2009, in addition to steadily improving the craftsmanship of the production line of the fifth generation LCD glass substrate which is the first of its kind in China, the Group also successfully developed and produced 0.63mm and 0.5mm LCD glass substrates, bringing the manufacturing of LCD glass substrate at IRICO to a new level. In order to capitalize on opportunities arising from rapid development of LCD industry in mainland China, the Group has commenced the construction of the phase II project of 12 new production lines of LCD glass substrate in Xianyang, Hefei and Zhangjiagang, which are expected to be completed in stages starting from end of 2010, with an view to achieve economies of scale for its LCD glass substrate business as early as possible.

The construction of the first solar photovoltaic glass project in northwest China was successfully completed

On solar photovoltaic glass segment, the solar photovoltaic glass tank furnace constructed by the Company through independent innovation commenced operation in Xianyang on 16 December 2009, which is the first of its kind in northwest China. On 9 February 2010, IRICO's first production line of solar photovoltaic glass was completed and debuted its first solar photovoltaic glass product which meets the national standards. As at the date of hereof, with its quality being improved rapidly, solar photovoltaic glass product of the Group has commenced mass production and sales.

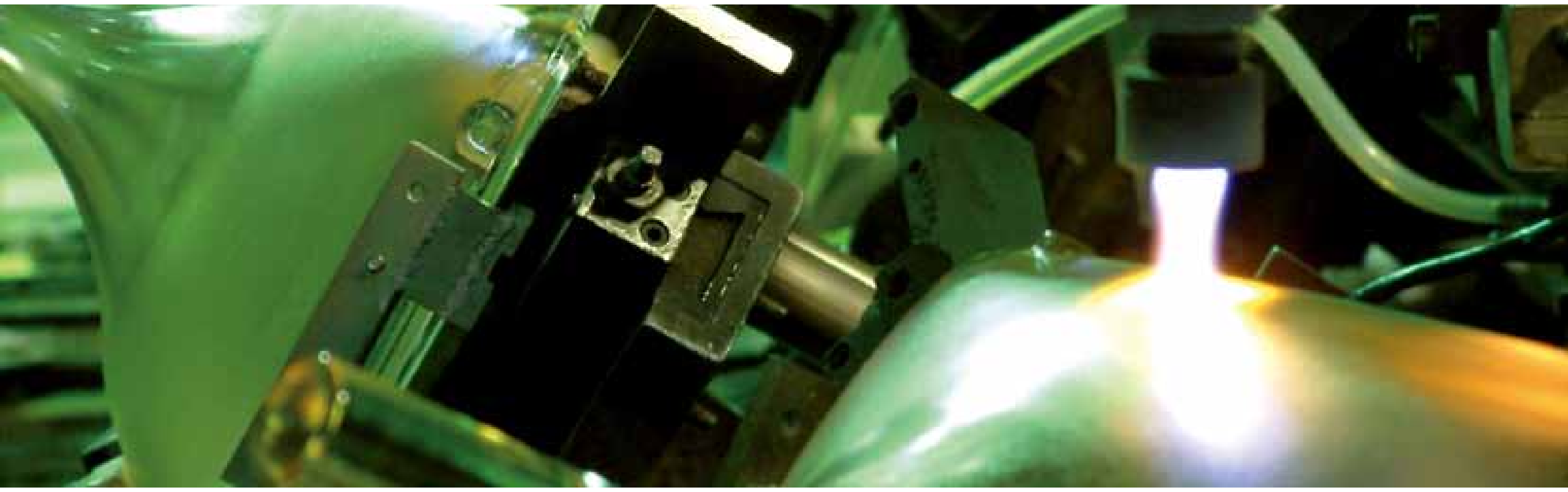
Comprehensive progress was made in luminous materials business

On luminous material segment, the Group has become one of the key production bases of luminous material in China and the world. In 2009, despite a dip in the industry, the Group's sales results of energy saving lamp phosphors remained at last year's level with domestic market share increased to approximately 25%. Cold cathode fluorescent lamp ("CCFL") phosphor ("CCFL phosphor") for LCD backlight business experienced rapid growth in sales volume over last year as a result of a booming LCD backlight industry coupled with the upgrade of the Company's products. In the meanwhile, the research and development and marketing of new products such as plasma display panel ("PDP") phosphor ("PDP phosphor"), Lithium iron phosphate battery powder, light emitting diode ("LED") phosphor, and electronic silver paste were orderly in progress, of which some products have been launched on the market in small quantities.

Opened up business of new display devices

As for its traditional CPT business, the Group took a series measures to cope with the rapid contraction in the industry such as increasing marketing efforts, strengthening cost control, adjusting organizational structure and streamlining human resources. In addition, the Group made a large amount of provision for impairment of CPT business-related assets. As such, we believe CPT business will not pose burden on the Company's operation in future.

As for new display devices, the construction of the production line project of the Group's third generation display device organic light-emitting diode ("OLED") was commenced in Shunde District, Foshan, Guangdong Province in May 2009. As at the date of hereof, the project is carried forward smoothly and is expected to be completed in 2010.



Looking into the future, IRICO will see the rainbow after the storm

As an ancient saying goes, "spur with long accumulation". If we say that 2009 is a year of assiduous cultivation to accumulate strength, then 2010 is bound to be a year new business flourishes and industry transformation advances in an all-around and rapid manner.

Looking into 2010, the craftsmanship and each index of LCD glass substrate operation of the Group will attain a relatively better level in the industry in a short period, and phase II project is expected to be completed in succession starting from the end of 2010. As a result, the Group will see continuous enhancement in the scale effect and competitiveness of its glass substrate business.

As to solar photovoltaic glass project, on the basis of the two production lines included in phrase I of the project, the Group will expand the project with an aim to have a relatively large scale and become an leading player in domestic photovoltaic glass industry.

The Group is to further increase the output and sales volume as well as market share of its energy saving lamp phosphors and CCFL phosphor. For its new products such as PDP phosphor, Lithium iron phosphate battery powder, electronic silver paste and LED phosphor, the Group will make a speedy breakthrough in marketing work.

Looking forward into 2010, the Group will adhere to the operational guideline "achieving steadfast growth by adjustment and optimization" and strengthen its independent innovation, and aspires to successfully realize its transformation by foresighted vision, advanced technology, stringent management and diligent work with tenacious and courageous spirit.

Looking ahead into 2010, the Company will further strengthen communications with shareholders and investors and actively take advices and suggestions from investors as to the future development of the Group, so that they can witness and share the development of the Group.

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 People's Republic of China
19 April 2010

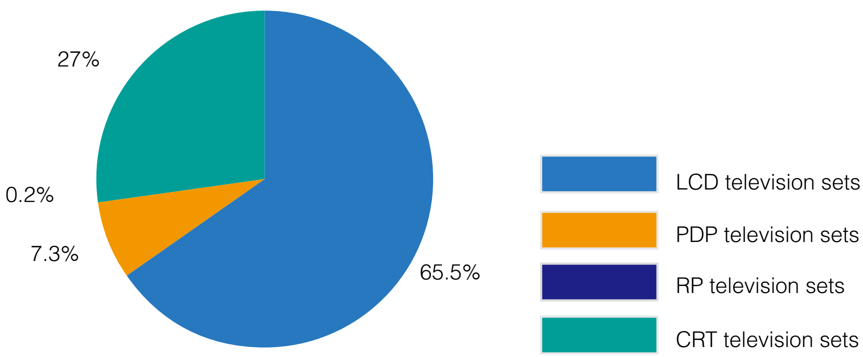
1. Analysis on the Industry

(1) Display Devices

During the reporting period, global display devices continued its development trend toward the flat panel technology. According to relevant resources, in 2009, the output volume of CRT (being the cathode ray tube which includes CPT) television sets amounted to 55,310,000 units globally, representing a decrease of 36% as compared with last year, the largest drop ever in history. The output of CRT television as a percentage of total television output further declined to 27%.

In 2010, the CRT industry, while being expected to experience continued recession, will also see certain favourable factors such as the South Africa World Cup which is expected to stimulate growth of the CRT television market in Africa and Latin America. Moreover, the exit of a number of CRT and component manufactures from the market over the past 1-2 years also eased, to some extent, the oversupply of such products worldwide.

Composition of the global output volume of television sets in 2009



Estimation of output volume of each type of television sets *(Unit:'000 sets)*

	2008	**2009**	2010	2011
LCD television sets	99,625	**134,303**	157,576	186,194
PDP television sets	15,487	**14,867**	14,064	13,101
Rear Projection television sets ("RP television sets")	1,148	**383**	211	100
CRT television sets	85,987	**55,312**	38,775	24,703
Total	202,247	**204,865**	210,626	224,098

Source: iSuppi, research report on global television market, 09Q4

While CRT market was shrinking, TFT-LCD industry has stepped out of the financial crisis and maintained a steadfast growth. In 2009, the output volume of large size LCD panel (10 inches or above) amounted to 527,000,000 units globally, representing an year-on-year increase of 20%, of which the output volume of LCD panels for LCD television sets increased by 45%. Due to strong demand, LCD panels of certain specifications and glass substrates, driver IC and other parts and components saw a short supply in the second half of 2009.

1. Analysis on the Industry *(continued)*

(1) Display Devices *(continued)*

Benefiting from the further implementation of national policy of "Promotion of Household Appliances towards Rural Areas" and various measures aiming at securing growth and adjusting structure launched by local governments, demand for LCD television sets boomed, making one of highlights on consumer electronic market in mainland China in 2009. In 2009, the sales volume of LCD television sets amounted to 25,120,000 units in mainland China, representing an significant increase of 92% over 2008, making mainland China the rapidest growing regional market in the world for the same period. The proportion of output volume of LCD television sets in the total television output further increased to two thirds in mainland China, which continued to consolidate its position as mainstream television.

As the mainstream of the third generation display technology, the sales of OLED amounted to USD800 million globally in 2009, representing an increase of 30% over 2008, the biggest growth among all types of display devices products. With the increasing use of OLED in consumer electronics such as mobile phone, digital camera and television set, OLED industry is expected to maintain high speed growth in 2010 with sales volume for the whole year to grow 27%.

(2) Electronic Glass

- ***TFT-LCD Glass Substrate***

  During the reporting period, the continuous growth in LCD panel industry played an effective role in boosting the TFT-LCD glass substrate market. Global demand for TFT-LCD glass substrates reached 238,000,000 square metres in 2009, representing a year-on-year growth of 27%, another historical high. Due to strong demand for glass substrate from downstream panel producers and impact of incidents such as earthquake and equipment failures in some factories, the glass substrate industry has seen tight supply since the second quarter of 2009.

  It is estimated that global demand for glass substrates will reach 265,000,000 square metres in 2010, representing a year-on-year growth of 11%. However, supply will remain tight while some shortages will still linger. As sellers will continue to dominate the glass substrates market in China, glass substrates producers could still maintain their high gross margin by virtue of their strong pricing power.

1. Analysis on the Industry *(continued)*

(2) Electronic Glass *(continued)*

- ***TFT-LCD Glass Substrate (continued)***

In mainland China, domestic demand for glass substrates for the first time exceeded 10 million squares meters in 2009. Governments at various levels put more efforts in industry structure upgrade and adjustment in 2009. Meanwhile, the financial crisis and its fallout have changed the landscape of global TFT-LCD industry, which resulted in intensifying investment and construction of high generation LCD panel lines by overseas LCD giants and local players in China. Since the beginning of 2009, an array of investment plans for high generation TFT-LCD panels were proposed in the PRC, of which 4 production lines have commenced construction. China is becoming the most attractive and dynamic destination for LCD investment. Demand for LCD glass substrate is expected to maintain high growth in the next 3 years. The fledgling domestic glass substrate industry is embracing huge business opportunities.

Investment layout of LCD panels in mainland China

1. Analysis on the Industry *(continued)*

(2) Electronic Glass *(continued)*

• *Solar Photovoltaic Glass*

Worldwide installed photovoltaic batteries for the whole year of 2009 slightly declined from 2008 to 5,158MW due to the heavy impact from the financial crisis in the first half of 2009. However, in the second half of 2009, global photovoltaic market saw a clear recovery trend as a result of the warming-up of world economies and the increase in the awareness of environmental protection. In 2010, the installed photovoltaic batteries is expected to grow approximately 55% to 8,627MW from 2009, representing a growth rate approximate to the annual average of the there-year period from 2006 to 2008 when the industry experienced high-speed development.

In the PRC, domestic photovoltaic battery market grew approximately 300% from 2008 as the government increased its subsidy for consumption of photovoltaic products which, coupled with the strong recovery in exports in the second half of 2009, led to an increase of 73.5% in China's output of photovoltaic battery to 4,382MW for 2009 (over 90% were crystalline silicon solar cells), and thus fuelled a boom on domestic photovoltaic market.

For photovoltaic glass market, the domestic output amounted to 538,000 tons in 2009, representing a year-on-year increase of 21.7%, of which exports increased by 12.9%. In the meantime, global output of photovoltaic glass amounted to 725,000 tons, representing a year-on-year increase of 16.5%. As a result, we can expect that the photovoltaic industry will totally get rid of the adverse effect from the financial crisis and pick up another round of high-speed growth both on domestic and overseas markets in 2010, which will boost the sustained growth in photovoltaic industry.

(3) Luminous Materials and others

Luminous materials are fundamental raw materials which are widely used in photoelectron industry. For energy saving lamp phosphors segment, as affected by the financial crisis, global consumer demand for energy saving lamp declined to some extent in 2009. However, as Australia and European Union launches policies to prohibit use of incandescent lamp, global energy saving lamp market is expected to record admirable growth in 2010. Further, in October 2009, European Union revoked anti-dumping duty which has been imposed on energy saving lamps exported from the PRC for 8 years. China's energy saving lamp industry will operate in a more favourable environment and will see steady and rapid growth in both production and sales.

In addition to the expectable growth in energy saving lamp phosphors, CCFL/PDP phosphor is contributing its dynamism to the luminous materials market in the PRC. As production of global major CCFL back light module is gradually shifting to the PRC, rapid growth could be expected in China's CCFL phosphor market. Meanwhile, Changhong's PDP has been put into mass production smoothly, which creates demand for PDP phosphor industry, a breakthrough in the PRC. Likewise, favourable development prospects are expected for other luminous materials with the recovery and growth of photoelectron industry.

2. Business Review

(1) Operation Highlights

Affected by various adverse factors such as the continuously slumping CPT business, the Group was subject to unprecedented challenges in 2009. The turnover of the Group in 2009 was RMB2,097,251,000, representing a decrease of RMB1,444,669,000 as compared to last year. Operating losses amounted to RMB1,515,475,000, representing an increase of RMB1,673,543,000 over last year, among which provisions made during 2009 amounted to approximately RMB1,112,252,000. Gross loss margin was 4.35%, representing an increase of 22.10 percentage points as compared to the previous year (2008: 17.75%). Total comprehensive expense attributable to owners of the Company amounted to RMB1,121,087,000, representing an increase of RMB1,215,869,000 over last year.

Despite the slumping results of the Group in 2009, the Group rapidly developed new businesses whilst contracting its traditional CPT business, with smooth progress made in such transformation. A new business structure with LCD glass substrate, solar photovoltaic glass and luminous materials as the core segments has been established.

(2) Progress of New Operations

- *TFT-LCD Glass Substrate*

In 2009, in addition to steadily improving the craftsmanship of the production line of the LCD glass substrate which is established by the Group through independent innovation and the first of its kind in China, the Group also successfully developed and produced two types of light and thin LCD glass substrates (0.63mm and 0.5mm), bringing the manufacturing of LCD glass substrate at IRICO to a new level. In order to capitalise on opportunities arising from rapid development of LCD industry, the Group has commenced the construction of the phase II project of 12 new production lines of LCD glass substrate in Xianyang, Hefei and Zhangjiagang, which are expected to be completed in stages starting from the end of 2010, with an view to achieve scale development for its LCD glass substrate business as early as possible.

- *Solar Photovoltaic Glass*

On solar photovoltaic glass segment, the solar photovoltaic glass tank furnace constructed by the Company through independent innovation commenced operation in Xianyang production base on 16 December 2009, which is the first of its kind in northwest China. On 28 January 2010, the Company completed the construction of its photovoltaic glass tempering production line. On 2 February, the production line successfully produced glass sheets at the first attempt. From 3 to 7 February 2010, the production line successfully produced 5mm, 4mm and 3.2mm photovoltaic glass sheets. On 9 February, photovoltaic glass sheets were tempered successfully. Hence IRICO's first production line of solar photovoltaic glass was put into production and produced the first unit of solar photovoltaic glass product which meets the national standards, marking a significant achievement during the construction of IRICO's 5,026,000 square metres per year solar photovoltaic glass project. As at the date of hereof, the Group has commenced mass production and sales of these products in a rapid manner.

2. Business Review *(continued)*

(2) Progress of New Operations *(continued)*

- ***Luminous Materials***

During the reporting period, although the industry witnessed slight decline, the Group managed to keep its sales results unchanged from last year by vigorously adopting effective measures such as continuous improvement of technology grade of energy saving lamp phosphors and enhancement of technical services. The domestic market share grew to 25%. Sales volume of CCFL phosphor grew at faster pace than last year, thanks to the rapid development of LCD backlight industry and upgrade of the Company's products. Furthermore, the Group has smoothly completed the construction of its compatible production line with annual capacity of 400 tons of CCFL/PDP phosphor. CCFL phosphor segment will serve as a new driver of the Group's luminous materials operation. Meanwhile, market promotion for other luminous materials such as PDP phosphor, lithium iron phosphate battery powder, electronic silver paste and LED phosphor is progressing effectively, with some products having been sold in small scale.

- ***FPD Devices***

The Group's production lines of OLED, the third generation display device, which commenced construction in Shunde District, Foshan, Guangdong Province in May 2009, has completed engineering design and pile foundation construction of plants. Currently, the main parts of the plants are under construction and equipments are manufactured. The construction is expected to be completed in 2010.

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）have been put into full production.

(3) Traditional Operations

As for its traditional CPT business, the Group took a series measures to cope with the rapid contraction in the industry such as increasing marketing efforts, strengthening cost control, adjusting organisational structure and streamlining human resources. CPT sales volume of the Group amounted to 8,270,000 units in 2009. With a 38.1% domestic market share and 17.3% international market share, the Group ranked first in China and second in the world in terms of market presence, respectively. Furthermore, the Group made a provision for fixed assets impairment of its CPT production equipment in the total amount of RMB995,706,000 in 2009. As such, the Group believes CPT business will pose burden on the Company's operation in future.

3. Future Prospects

Looking into 2010, the Group aims to achieve rapid growth in new businesses and promote the strategic transformation in an all-round way.

The craftsmanship and each index of LCD glass substrate operation of the Group will see steadfast improvement and is hopefully to attain a relatively better level in the industry in a short period. In addition, the Phase II project is expected to be completed in succession starting from the end of 2010. As a result, the Group will see continuous enhancement in the scale effect and competitiveness of its glass substrate business.

As to solar photovoltaic glass project, based on the two production lines included in phrase I of the project, the Group expects to further expand the project in the future, with an aim to form a relatively large scale and become an leading player in the industry rapidly. In addition, the Group will explore other electronic glass businesses with potentials.

The Group will further expand the production, sales and market share of its energy saving lamp phosphors and CCFL phosphor, and put more efforts in market promotion of new products such as PDP phosphor, lithium iron phosphate battery powder, electronic silver paste and LED phosphor, thus achieving bulk sales.

4. Financial Review

(1) Results performance

Profit and loss data for 2005-2009 *(RMB'000)*

	2005	2006	2007	2008	**2009**
Turnover	3,927,500	3,861,710	3,358,990	3,541,920	**2,097,251**
Sales of CPTs	3,441,096	3,342,888	2,914,351	3,079,428	**1,303,672**
Sales of components and materials	486,404	518,822	444,639	462,492	**793,579**
Cost of sales	(4,357,371)	(3,356,160)	(3,002,987)	(2,913,300)	**(2,188,395)**
Gross profit	(429,871)	505,550	356,003	628,620	**(91,144)**
Operating expenses					
Administrative expenses	(278,875)	(241,113)	(238,790)	(368,698)	**(422,267)**
a) General administrative expenses	(241,935)	(215,196)	(216,112)	(342,119)	**(395,501)**
b) Research and development expenses	(36,940)	(25,917)	(22,678)	(26,579)	**(26,766)**
Distribution expenses	(152,565)	(150,343)	(162,073)	(176,558)	**(95,047)**
Other operating expenses	(36,968)	(38,381)	(42,055)	(11,501)	**(17,743)**
Operating profit	(839,381)	250,337	91,520	158,068	**(1,515,475)**
Finance costs	(70,096)	(61,849)	(66,729)	(59,046)	**(39,690)**
Profit attributable to owners of the Company	(754,547)	129,512	64,663	94,908	**(1,113,014)**

Turnover by products *(RMB'000)*

Name	**2009**	2008	**Increase/ (decrease)**	**Percentage of change**
CPTs	**1,303,672**	3,079,428	(1,775,756)	(57.67%)
Components and materials	**793,579**	462,492	331,087	71.59%
Total	**2,097,251**	3,541,920	(1,444,669)	(40.79%)

4. Financial Review *(continued)*

(2) Change over last year and reasons

- *Turnover and gross profit margin*

In 2009, the Group recorded a turnover of RMB2,097,251,000, representing a year-on-year decrease of RMB1,444,669,000, or 40.79% from 2008. Turnover of the CPT business amounted to RMB1,303,672,000, representing a year-on-year decrease of RMB1,775,756,000 or 57.67% from 2008. Turnover of the components and materials business amounted to RMB793,579,000, representing an year-on-year increase of RMB331,087,000 or 71.59% from 2008. The overall gross profit margin of the Group decreased from 17.75% in 2008 to -4.35% in 2009 mainly due to 1) a dramatic contraction of CPT market and a plunge in CPT price as a result of the financial crisis and the price drop in FPD television sets; and 2) a provision of approximately RMB108,541,000 for impairment of certain inventories.

- *Administrative expenses*

The Group's administrative expenses for 2009 increased by RMB53,569,000, or 14.53%, to RMB422,267,000 from RMB368,698,000 for 2008. The increase in administrative expenses was mainly due to the losses of approximately RMB129,303,000 from suspension of production in 2009.

- *Finance costs*

The Group's finance costs in profit and loss for 2009 was RMB39,690,000 (net of interest expense capitalised amounting to RMB38,560,000), representing a decrease of RMB19,356,000, or 32.78%, from RMB59,046,000 for 2008. The decrease in finance cost was mainly attributable to a decrease in the interest rates of bank borrowings.

4. Financial Review *(continued)*

(3) Current assets and financial resources

As at 31 December 2009, the Group's cash and bank balances amounted to RMB1,077,661,000, representing an increase of 93.61% from RMB556,606,000 as at 31 December 2008. For the year ended 31 December 2009, the Group's capital expenditures totalled RMB578,560,000 (31 December 2008: RMB812,966,000). Net cash from operating activities amounted to RMB224,261,000 (31 December 2008: RMB939,891,000), while net cash from financing activities and net cash from investing activities were RMB742,528,000 (31 December 2008: RMB45,081,000) and RMB-445,882,000 (31 December 2008: RMB-802,914,000) respectively. As at 31 December 2009, the Group's total borrowings was RMB1,815,451,000, of which borrowings due within one year amounted to RMB1,221,949,000 and borrowings with maturity beyond one year amounted to RMB593,502,000. As at 31 December 2008, the Group's total borrowings was 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 at 31 December 2009, the Group's bank loans amounting to approximately RMB197,000,000 (31 December 2008: RMB256,000,000) were secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB228,811,000 (31 December 2008: RMB186,330,000). As at 31 December 2009, the short-term bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB983,501,000 (31 December 2008: RMB109,000,000).

For the year ended 31 December 2009, the turnover days for trade receivables of the Group was 157 days, representing an increase of 35 days as compared to 122 days for the year ended 31 December 2008 which was mainly attributable to the increase in collection period resulting from the shrinking CPT market under the influence of the financial crisis and the emerging FPD devices. For the year ended 31 December 2009, the inventory turnover days of the Group was 81 days, representing a decrease of 7 days from 88 days for the year ended 31 December 2008, which was mainly attributable to the enhanced inventory control.

(4) Capital structure

As at 31 December 2009, 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 2009, its total liabilities including bank loans was RMB3,150,959,000 (31 December 2008: RMB2,243,654,000) while cash and bank balances was RMB1,077,661,000 (31 December 2008: RMB556,606,000) and the gearing ratio (total liabilities/total assets) was 62% (31 December 2008: 39%).

4. Financial Review *(continued)*

(5) Dividend

The Company's dividend policy will remain unchanged. In light of the absence of undistributed surplus in 2009, 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 2009, the operating cost of the Group increased by RMB1,154,000 (31 December 2008: RMB23,734,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2009, capital commitments of the Group amounted to RMB228,950,000 (as at 31 December 2008: RMB11,304,000), which were mainly financed by the Group's working capital.

(8) Contingent liabilities

As at 31 December 2009, the Group had no material contingent liability.

(9) Pledged assets

As at 31 December 2009, the Group's bank loans amounted to approximately RMB197,000,000 (31 December 2008: RMB256,000,000) was secured by certain properties, plants and equipment, land use rights and inventories of the Group with an aggregate net book value of approximately RMB228,811,000 (31 December 2008: RMB186,330,000).

(10) Impairment of fixed assets

During the reporting period, given the continuous shrinkage in market demands for CPT products, the Group's CPT and spare parts production line operated under capacity in 2009. Certain production lines were even suspended from production. As such, the capacity utilization rate reduced significantly. The Company's management were of the view that market demands for CPT products would continue to shrink in the future, and relevant production lines would not be able to generate the expected economic benefits to the Group in the future.

Based on estimates on the prospects of the market and the evaluation over the production capacity, as well as the asset evaluation results of the relevant CPT production equipment and ancillary spare parts production equipment, the Company decided to make a provision in respect of the impairment of fixed assets for the above production equipment, which amounted to RMB995,706,000 in total.

The provision made by the Company in respect of the relevant assets under the CPT segment this time will enable the Company's asset conditions to be presented in a fairer manner, and is in turn conductive to the development of the Company's new business segments and helps boost the sustainable development of the Company.

Directors

Executive Directors

Name	Age	Title
Xing Daoqin	55	Chairman
Tao Kui	57	Vice Chairman
Zhang Junhua	51	President

Non-executive Directors

Name	Age
Guo Mengquan	53
Niu Xinan	49
Fu Jiuquan*	40
Zhang Weichuan	55

Independent Non-executive Directors

Name	Age
Xu Xinzhong*	46
Feng Bing*	43
Wang Jialu	49
Lv Hua*	53
Zhong Pengrong*	57

* Member of the Audit Committee

Mr. Xing Daoqin (邢道欽), aged 55, 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. Since November 2007, he has served as the Chairman of IRICO Display Devices Co., Ltd. He once 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.

Directors *(continued)*

Mr. Tao Kui (陶魁), aged 57, 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's 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 and the deputy factory manager of CPT Plant.

Mr. Zhang Junhua (張君華), aged 51, 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, chairman of Xi'an Caihui Display Technology Co., Ltd., assistant to the general manager, the deputy general manager, the general manager, the vice chairman of IRICO Display Devices Co., Ltd and Vice President of the Company.

Mr. Guo Mengquan (郭盟權), aged 53, 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's 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. Since November 2007, Mr. Guo has served as the Vice Chairman of IRICO Display Devices Co., Ltd. He once was the factory manager of the glass plant under CPT Plant and the Chairman of IRICO Group Electronics Company Limited.

Mr. Niu Xinan (牛新安), aged 49, 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's 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 40, 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's 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.

Directors *(continued)*

Mr. Zhang Weichuan (張渭川), aged 55, 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's degree in electrical vacuum devices. He is a senior engineer at a researcher level. He is currently the manager of the Strategic Planning Department of IRICO Group, 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 Planning and Development Department of the Company and the general manager of IRICO (Zhangjiagang) Flat Panel Display Company Limited (彩虹(張家港)平板顯示有限公司). Mr. Zhang was a staff supervisor of the Company from September 2004 to June 2008.

Mr. Xu Xinzhong (徐信忠), aged 46, 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's 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 43, 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's degree in computer software from Northwestern Polytechnical University, his master's 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 49, 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's 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's degree course in the Law Faculty of Beijing University.

Directors *(continued)*

Mr. Lv Hua (呂樺), aged 53, 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 57, 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

Name	Age	Title
Wang Qi	51	Shareholder Supervisor, Chairman of the supervisory committee
Fu Yusheng	51	Staff Supervisor
Tang Haobo	50	Staff Supervisor
Sun Haiying	66	Independent Supervisor
Wu Xiaoguang	52	Independent Supervisor

Supervisors:

Ms. Wang Qi (王 琪), aged 51, 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.

Supervisors *(continued)*

Mr. Fu Yusheng (付玉生), aged 51, 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 50, 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 66, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwestern University in geography . 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.

Ms. Wu Xiaoguang (吳曉光), aged 52, is an independent supervisor of the Company and joined the Group in September 2004. Ms. Wu received her bachelor's 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's degree of business administration upon graduation at the Faculty of Business of The Hong Kong Polytechnic University. 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:

Name	Age	Title
Zhang Chunning	50	Vice President
Zou Changfu	51	Assistant to the President
Ge Di	51	Assistant to the President (Resigned on 31 March 2010)
Wei Xiaojun	52	Assistant to the President (Resigned on 31 March 2010)
Chu Xiaohang	40	Joint Company Secretary (Appointed on 20 November 2009)
Lam Chun Lung	37	Qualified Accountant and Joint Company Secretary
Liu Xiaodong	38	Joint Company Secretary (Resigned on 20 November 2009)

Mr. Zhang Chunning (張春寧), aged 50, 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's degree in science (chemistry) and from Xi'an Jiaotong University with a master's 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 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 51, Assistant to the President of the Company, is responsible for the operation of production, safety, environmental protection, fire safety, security and resources protection. Mr. Zou joined the Group in August 1981. Mr. Zou obtained a bachelor's degree in engineering and is a senior engineer. He was the general manager of Shenzhen Hongyang Industry and Trade Company Limited from February 2001 to February 2003; and the general manager in the head office of IRICO Kunshan Holdings (彩虹昆山實業) and the chairman of the board 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.

Mr. Ge Di (葛迪) , aged 51, an assistant to the president of the Company. He joined the Group in December 1979. Mr. Ge is a senior engineer with a tertiary diploma. He currently is the general manager of IRICO (Hefei) LCD Glass Substrate Company Limited. He once was the factory manager of IRICO Glass Factory and the manager of the Company's Metal Part Department. Furthermore, he has been the supervisor of IRICO Display Devices Co., Ltd. since September 2005, the chairman of Cai Qin Electrical Devices Company Limited (彩秦電子器件有限公司) and IRICO Electronic Parts Company Limited since March 2007. He became an assistant to the president of the Company in December 2007 and resigned from the position on 31 March 2010.

Senior Management: *(continued)*

Mr. Wei Xiaojun (魏小軍) , aged 52, an assistant to the president of the Company, mainly engaged in innovative business management. Mr. Wei joined the Group in December 1981. Mr. Wei obtained a bachelor's degree in engineering and is a senior engineer. He was the general manager of head office in Shaanxi IRICO General Service Corporation Co., Ltd.; the general manager of IRICO Kunshan Holdings Limited (昆山彩虹實業有限公司); and the chairman of Xianyang IRICO Electronic Shadow Mask Co., Ltd. since September 2008. He became an assistant to the president of the Company in December 2007 and resigned from the position on 31 March 2010.

Mr. Chu Xiaohang (褚曉航), aged 40, Joint Company Secretary of the Company, is responsible for the securities management, legal matters and investor relations of the Company. Mr. Liu joined the Group in July 1991. Mr. Chu graduated from Northwest University with a bachelor's degree in computer science and is a senior engineer. He is currently studying in Graduate University of Chinese Academy of Sciences for a master's degree in project management. He worked at IRICO Glass Factory and the Strategic Planning Department of IRICO Group and served as senior project management engineer and head of the Board Office of the Company. He has been a Joint Company Secretary of IRICO Group Electronics Company Limited since November 2009.

Mr. Lam Chun Lung (林晉龍), aged 37, qualified accountant and Joint Company Secretary of the Company. 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's degree in business administration (accounting) in May 1998, and from the City University of Hong Kong with a master's 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.

Mr. Liu Xiaodong (劉曉東), aged 38, was the Joint Company Secretary of the Company during the reporting period. 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 master's 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. He was the Joint Company Secretary of the Company from January 2008 to 20 November 2009.

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 2009 to the Shareholders.

Principal operations

The Group is principally engaged in the production and sales of LCD glass substrates, solar photovoltaic glass, phosphor materials as well as display devices and spare parts.

Results and dividend

The turnover of the Group in 2009 was RMB2,097,251,000, operating losses amounted to RMB1,515,475,000, gross loss margin was 4.35% and losses attributable to owners of the Company amounted to RMB1,113,014,000 and the comprehensive loss attributable to owners amounted to RMB1,121,087,000.

The annual results of the Group for the year ended 31 December 2009 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 62 to 161 of this annual report.

The Company's dividend policy will remain unchanged. In light of the absence of accumulated surplus in 2009, the Board has decided not to distribute any final dividend for the year ended 31 December 2009.

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 162 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.

To return the support of the shareholders, increase the Company's registered capital and the circulation of the Shares on the market. On 3 December 2009, the Board of the Company approve a capitalization issue (the "Capitalization Issue") to holders of H Shares and Domestic Shares on the basis of one capitalization H Share for every ten H Shares and one capitalization Domestic Share for every ten Domestic Shares in issue on the relevant record date.

The Capitalization Issue was approved by the shareholders at the EGM held on 28 January 2010 and the new shares were issued to the shareholders on 1 February 2010. The Company has made disclosure according to the requirement of Listing Rules. For details, please refer to the Company's announcement dated 3 December 2009 and circular dated 14 December 2009.

Change in the Company's share capital before and after the Capitalization Issue.

	Before the Capitalization Issue *(shares)*	**After the Capitalization Issue** *(shares)*
H Shares	485,294,000	533,823,400
Domestic Shares	1,455,880,000	1,601,468,000
Total share capital	1,941,174,000	2,135,291,400

Purchase, redemption and sale of shares of the Company

Neither has the Company nor any of its subsidiaries purchased, redeemed or sold any shares of the Company during 2009.

Reserves

Details of the movements of reserves of the Company and of the Group during 2009 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, accounting for 4.3% of the total purchase amount

— five largest suppliers, accounting for 13.4% of the total purchase amount

Sales

— largest customer, accounting for 13.0% of the total sales amount

— five largest customers, accounting for 35.5% of the total sales amount

Due to the relatively large variety of materials required for the Company's production, 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 accounted for only 13.4% of our total purchase amount. 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/ re-designation/resignation during the reporting period
Xing Daoqin	Executive Director and Chairman	
Tao Kui	Executive Director and Vice Chairman	
Zhang Junhua	Executive Director and President	
Guo Mengquan	Non-executive Director	
Niu Xinan	Non-executive Director	
Fu Jiuquan	Non-executive Director	
Zhang Weichuan	Non-executive Director	
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 and Chairman of the Supervisory Committee	
Tang Haobo	Supervisor	
Fu Yusheng	Supervisor	
Wu Xiaoguang	Supervisor	
Sun Haiying	Supervisor	
Zhang Chunning	Senior management and Vice President	
Zou Changfu	Senior Management and Assistant to the President	
Ge Di[1]	Senior Management and Assistant to the President	
Wei Xiaojun[1]	Senior Management and Assistant to the President	
Liu Xiaodong	Joint Company Secretary and Assistant to Chief Financial Officer	Resigned on 20 November 2009
Chu Xiaohang	Joint Company Secretary	Appointed on 20 November 2009
Lam Chun Lung	Joint Company Secretary and Qualified Accountant	

Note 1: On 31 March 2010, Mr. Ge Di and Mr. Wei Xiaojun ceased to be Assistants to the President due to internal re-posting arrangement .

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. 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 2009.

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 2009, 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[1]	300,000	Senior Management
Chu Xiaohang[2]	130,000	Senior Management

Note 1: Mr. Liu Xiaodong resigned as the Joint Company Secretary of the Company, which became effective on 20 November 2009.

Note 2: Mr. Chu Xiaohang was appointed as Joint Company Secretary of the Company, which became effective on 20 November 2009.

The share appreciation rights granted by the Company to Directors, supervisors and senior management in 2010 are set out as below:

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 400,000 shares, Mr. Zhang Junhua 530,000 shares and Mr. Zhang Weichuan 400,000 shares; Supervisors: Mr. Fu Yusheng 200,000 shares and Mr. Tang Haobo 200,000 shares; and Senior management: Mr. Zhang Chunning 300,000 shares, Mr. Zou Changfu 300,000 shares and Mr. Chu Xiaohang 200,000 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 2009.

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 and its associated corporations

Save as the interests mentioned in the section headed "Share Appreciation Rights Plan" above, during the year ended 31 December 2009, none of the Directors, or chief executive or supervisors or their respective associates had any interests 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

During the year ended 31 December 2009, 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 2009 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 482,631,990 H Shares of the Company (representing 99.45% 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.

Interests and short positions of substantial shareholders and other parties *(continued)*

Notes:

As at 31 December 2009, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 482,631,990 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 the remaining 544,000 H shares of the Company were held by JF International Management Inc..

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) on behalf of Pictet Funds Asian Equities.

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 2009.

Designated deposit and overdue time deposit

As at 31 December 2009, the Group had no designated deposits in any financial institutions in the PRC. All of the Group's bank deposits are placed with 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 2009, the Group had 6,234* employees with various talents, of whom 9.1% were management and administrative personnel, 9.6% were technological personnel, 1.3% were accounting and audit personnel, 1.3% were sales and marketing personnel, 76.7% were production employees and 2% 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 2009 are as follows:

1. Continuing connected transactions during 2009

For the year ended 31 December 2009, 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 before August 2009. Xianyang Cailian was an associate of IRICO Group, which is the controlling shareholder of the Company. As IRICO Phosphor was a non-wholly owned subsidiary of the Company and its 10% equity interests was held by an associate of IRICO Group, IRICO Phosphor was a connected person of the Company under the Listing Rules before August 2009.

After the capital injection by the Company to IRICO Phosphor in August 2009 (Note 1), IRICO Phosphor was owned as to 76.32% of its equity interests by the Company, 9.47% of its equity interests by Xianyang Cailian and 14.21% of its equity interests by an independent third party. IRICO Phosphor ceased to be a connected person of the Company under the Listing Rules after the capital injection in August 2009.

Note 1:

On 3 July 2009, the Company entered into a Capital Injection Agreement with IRICO Phosphor, pursuant to which the Company has agreed to inject further capital amount of RMB5 million by way of cash contribution into IRICO Phosphor. The other shareholder of IRICO Phosphor did not inject any further capital into IRICO Phosphor at the time of capital injection. The said capital injection was completed in August 2009.

Connected transactions *(continued)*

1. Continuing connected transactions during 2009 *(continued)*

For the year ended 31 December 2009, 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	Cap for connected transaction of 2009 *RMB'000*	Amount for connected transaction of 2009 *RMB'000*
(i)	Supply of fuel, coal, industrial chemicals products and raw materials to IRICO Group	116,900	26,839
(ii)	Supply of industrial chemicals products, parts and raw materials to IRICO Technology and IRICO Phosphor	835,000	5,346 *(Note 2)*
(iii)	Purchase of foam plastics, gloves, wood brackets and raw materials from IRICO Group	130,000	61,363
(iv)	Purchase of phosphor from IRICO Phosphor	240,000	146,914 *(Note 2)*
(v)	Purchase of packaging materials and adhesive tapes from Xianyang Cailian	59,980	28,693
(vi)	Utilities obtained from IRICO Group	620,000	291,512
(vii)	Social and ancillary services obtained from IRICO Group		
	(a) School	—	—
	(b) Social welfare facilities	2,240	3
	(c) Security services	800	—
	(d) Environmental hygiene and greening services	1,200	—
(viii)	Rental payable to IRICO Group	46,234	36,446
(ix)	Land use rights leasing fees payable to IRICO Group	4,603	4,603
(x)	Trademark licensing fees payable to IRICO Group	5,000	1,685

The consideration for each of the transactions during each reporting period 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.

Note 2: The respective transaction amount of connected transactions for 2009 under items (ii) and (iv) above was approximately RMB5,346,000 and RMB146,914,000, including transaction amount of RMB5,303,000 and RMB146,914,000 between the Company and IRICO Phosphor for the first eight months of 2009 when IRICO Phosphor was still a connected person of the Company.

Connected transactions *(continued)*

1. Continuing connected transactions during 2009 *(continued)*

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 during the reporting period, 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.

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 auditor 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.

Connected transactions *(continued)*

2. Continuing connected transactions after the balance sheet date

As the agreements for each of the Continuing Connected Transactions expired on 31 December 2009, the Company held an extraordinary general meeting on 2 March 2010 pursuant to Chapter 14A of the Listing Rules for the purpose of seeking the Independent Shareholders' approval of the renewal of certain continuing connected transactions (the detail of which is set out in the announcement of the Company dated 24 December 2009 and the circular of the Company dated 14 January 2010) for further three financial years and the relevant proposed annual caps for each of the renewed continuing connected transactions for the three financial years ending 31 December 2012, subject to the terms of the original agreements. The formal agreements in relation to the renewed continuing connected transactions were signed on 24 December 2009 and were generally and unconditionally approved, confirmed and ratified by independent shareholders. The terms and annual caps of the renewed continuing connected transactions were set out in the announcement of the Company dated 24 December 2009.

In respect of these continuing connected transactions, the Company confirms that it complied with the relevant requirements set out in Chapter 14A of the Listing Rules.

3. One-off connected transactions

(1) On 3 July 2009, the Company entered into a Capital Injection Agreement with IRICO Phosphor, pursuant to which the Company has agreed to inject further capital amount of RMB 5 million by way of cash contribution into IRICO Phosphor. The other shareholder of IRICO Phosphor did not inject any further capital into IRICO Phosphor at the time of capital injection. The capital injection was completed in August 2009. Immediately prior to the completion, the Company, IRICO Electronics (HK) Limited (a wholly-owned subsidiary of the Company), Xianyang Cailian and an independent third party were interested in the equity interests of IRICO Phosphor as to 45%, 30%, 10% and 15%, respectively. Xianyang Cailian was an associate of IRICO Group, the controlling shareholder of the Company. As IRICO Phosphor was a non wholly-owned subsidiary of the Company and 10% of its equity interest was held by an associate of IRICO Group, IRICO Phosphor is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the Capital Injection constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. IRICO Phosphor ceased to be a connected person of the Company after the capital injection. Please refer to the announcement of the Company dated 3 July 2009 for the detail of the transaction.

(2) Very substantial disposal and connected transactions and very substantial acquisition and connected transactions involving: (A) initial capital injection transactions comprising: (a) the first capital injection into Shaanxi IRICO Electronics Glass Company Limited ("IRICO Glass") by IRICO Display Device Co., Ltd. ("A Share Company"or "IRICO Display"); (b) the first capital injection into IRICO (Zhangjiagang) Flat Panel Display Co., Ltd.("Irico (Zhangjiagang)") and IRICO (Hefei) LCD Glass Company Limited ("Irico (Hefei)") by IRICO Glass; (B) A share issue and related transactions comprising: (a) the issue of new A shares by A Share Company; (b) the second capital injection into IRICO Glass by A Share Company; and (c) the second capital injection into Irico (Zhangjiagang) and Irico (Hefei) by IRICO Glass

Connected transactions *(continued)*

3. One-off connected transactions *(continued)*

(A) Initial Capital Injection Transactions

(a) First IRICO Glass Capital Injection

On 17 September 2009, the Company, A Share Company and the other existing shareholders of IRICO Glass entered into the First IRICO Glass Registered Capital Increase Agreement, pursuant to which A Share Company has agreed to inject RMB475 million in cash into IRICO Glass. The Company and the other existing shareholders of IRICO Glass will not inject any capital into IRICO Glass pursuant to the First IRICO Glass Registered Capital Increase Agreement.

(b) First IRICO (Zhangjiagang) Capital Injection and First IRICO (Hefei) Capital Injection

On 17 September 2009, IRICO Group, Zhangjiagang Industry Corporation and IRICO Glass entered into the First IRICO (Zhangjiagang) Registered Capital Increase Agreement, pursuant to which IRICO Glass has agreed to inject RMB500 million in cash into IRICO (Zhangjiagang), an associate of IRICO Group (the controlling shareholder of the Company). IRICO Group and Zhangjiagang Industry Corporation (a shareholder of IRICO (Zhangjiagang) will not inject any capital into IRICO (Zhangjiagang) pursuant to the First IRICO (Zhangjiagang) Registered Capital Increase Agreement.

On 17 September 2009, IRICO Group and IRICO Glass entered into the First IRICO (Hefei) Registered Capital Increase Agreement, pursuant to which IRICO Glass has agreed to inject RMB15 million in cash into IRICO (Hefei), an associate of IRICO Group (the controlling shareholder of the Company). IRICO Group will not inject any capital into IRICO (Hefei) pursuant to the First IRICO (Hefei) Registered Capital Increase Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no connected person of the Company (other than at the level of its subsidiaries) as defined under Rules 14A.11(1) to (4) is or are (individually or together) entitled to exercise, or control the exercise of 10% or more of the voting power at any general meeting of A Share Company, a non-wholly owned subsidiary of the Company, other than through the Company. Therefore A Share Company is not a connected person of the Company. However, as the proceeds received by IRICO Glass from the First IRICO Glass Capital Injection would be used for the First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection, which would constitute connected transactions, the Company considers it appropriate to also classify the First IRICO Glass Capital Injection as a connected transaction. As the highest of its applicable percentage ratios is more than 2.5%, the deemed disposal resulting from the First IRICO Glass Capital Injection is considered to be a very substantial disposal and connected transaction,

Connected transactions *(continued)*

3. One-off connected transactions *(continued)*

(B) A Share Issue and Related Transactions

(a) A Share Issue

A Share Company proposes to issue new A Shares, by way of non-public offering, to not more than 10 specific investors, including IRICO Group and Zhangjiagang Industry Corporation. The number of new A Shares proposed to be issued pursuant to the A Share Issue will not exceed 540 million A Shares. The net proceeds (after deducting the related expenses) of the A Share Issue to be received by A Share Company is expected to be not more than RMB3.5 billion.

(b) Second IRICO Glass Capital Injection

On 17 September 2009, the Company, A Share Company and the other existing shareholders of IRICO Glass entered into the Second IRICO Glass Registered Capital Increase Agreement, pursuant to which the A Share Company has agreed to further inject RMB3.5 billion (such amount may be adjusted depending on the amount of the A Share Issue Proceeds) in cash raised from the A Share Issue into IRICO Glass. The Company and the other existing shareholders of IRICO Glass will not inject any capital into IRICO Glass pursuant to the Second IRICO Glass Registered Capital Increase Agreement. On 22 October 2009, the Company, A Share Company and the other existing shareholders of IRICO Glass entered into the Second Supplemental Agreement, pursuant to which the amount of registered capital to be acquired by A Share Company in respect of the Second IRICO Glass Capital Injection was determined to be RMB3,164.84 million.

(c) Second IRICO (Zhangjiagang) Capital Injection and Second IRICO (Hefei) Capital Injection

On 17 September 2009, IRICO Group, Zhangjiagang Industry Corporation and IRICO Glass entered into the Second IRICO (Zhangjiagang) Registered Capital Increase Agreement, pursuant to which IRICO Glass has agreed to further inject RMB500 million (it is the parties' understanding that such amount may be adjusted depending on the amount of the A Share Issue Proceeds) in cash into IRICO (Zhangjiagang). IRICO Group and Zhangjiagang Industry Corporation will not inject any capital into IRICO (Zhangjiagang) pursuant to the Second IRICO (Zhangjiagang) Registered Capital Increase Agreement.

Connected transactions *(continued)*

3. One-off connected transactions *(continued)*

(B) A Share Issue and Related Transactions (continued)

(c) Second IRICO (Zhangjiagang) Capital Injection and Second IRICO (Hefei) Capital Injection (continued)

On 17 September 2009, IRICO Group and IRICO Glass entered into the Second IRICO (Hefei) Registered Capital Increase Agreement, pursuant to which IRICO Glass has agreed to inject RMB1.8 billion (it is the parties' understanding that such amount may be adjusted depending on the amount of the A Share Issue Proceeds) in cash into IRICO (Hefei). IRICO Group will not inject any capital into IRICO (Hefei) pursuant to the Second IRICO (Hefei) Registered Capital Increase Agreement.

Given that the First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection are relating to the same line of business of the Group, the Company considers it appropriate to aggregate the two transactions for the purpose of calculating the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) in accordance with Chapters 14 and 14A of the Listing Rules.

The First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection constitute acquisitions under Chapter 14 of the Listing Rules. Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company aggregates the impact of the Initial Capital Injection Transactions with the A Share Issue and Related Transactions for the purpose of classifying the First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection under Chapters 14 and 14A of the Listing Rules. As the highest percentage ratio among all the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the acquisitions in respect of the First IRICO (Zhangjiagang) Capital Injection and First IRICO (Hefei) Capital Injection, calculated on an aggregate basis, is more than 100%, such transactions constitute a very substantial acquisition under Chapter 14 of the Listing Rules. Further, as each of IRICO (Zhangjiagang) and IRICO (Hefei) is an associate of IRICO Group, the First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection together also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the First IRICO (Zhangjiagang) Capital Injection and the First IRICO (Hefei) Capital Injection together are considered to be a very substantial acquisition and connected transaction.

Connected transactions *(continued)*

3. One-off connected transactions *(continued)*

(B) A Share Issue and Related Transactions (continued)

(c) Second IRICO (Zhangjiagang) Capital Injection and Second IRICO (Hefei) Capital Injection (continued)

The Second IRICO (Zhangjiagang) Capital Injection and the Second IRICO (Hefei) Capital Injection will constitute acquisitions under Chapter 14 of the Listing Rules. Having considered the implications of Rules 14.22 and 14.23 of the Listing Rules, the Company aggregates the impact of the Initial Capital Injection Transactions with the A Share Issue and Related Transactions for the purpose of classifying the Second IRICO (Zhangjiagang) Capital Injection and the Second IRICO (Hefei) Capital Injection under Chapters 14 and 14A of the Listing Rules. As the highest percentage ratio among all the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules), calculated on an aggregate basis, for such transactions is more than 100%, such transactions constitute a very substantial acquisition under Chapter 14 of the Listing Rules. Further, as each of IRICO (Zhangjiagang) and IRICO (Hefei) is a connected person of the Company, the Second IRICO (Zhangjiagang) Capital Injection and the Second IRICO (Hefei) Capital Injection together also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore the Second IRICO (Zhangjiagang) Capital Injection and the Second IRICO (Hefei) Capital Injection together should be considered as a very substantial acquisition and connected transaction.

The relevant transactions were approved by the independent shareholders at the Company's extraordinary general meeting held on 14 December 2009. Please refer to the announcements of the Company dated 20 September 2009 and 22 October 2009 and the circular dated 13 November 2008 for the details of the transactions.

Immediately following the completion of the Initial Capital Injection Transactions and the A Share Issue and Related Transactions, A Share Company, among others, will be a connected person of the Company as A Share Company (a subsidiary of the Company) will be owned as to 15.92% (assuming the final subscription price of the new A Shares is the minimum subscription price of RMB6.6) of its equity interests by IRICO Group (a connected person of the Company) and therefore A Share Company will become a connected person of the Company by virtue of Rule 14A.11(5) of the Listing Rules.

The Company held an extraordinary general meeting on 2 March 2010 pursuant to Chapter 14A of the Listing Rules for the purpose of seeking the Independent Shareholders' approval of the new continuing connected transaction with the A Share Company (the details of which is set out in the announcement of the Company dated 24 December 2009 and the circular of the Company dated 14 January 2010)_as a non-exempted continuing connected transaction. The formal agreement in relation to the new continuing connected transactions were signed on 24 December 2009 and was generally and unconditionally approved, confirmed and ratified by independent shareholders. The terms and annual caps of the new continuing connected transaction were set out in the announcement of the Company dated 24 December 2009.

Bank loans

As at 31 December 2009, 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 did not have any external guarantee during 2009.

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 RMB995,706,000 was made for 2009. 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 2009, save as disclosed below, the Directors were not aware of any other litigation or claim of material importance pending or threatened against any member of the Group.

- ### Claims by Fanshawe College against the Company and IRICO Display

  The Company and IRICO Display received statement of claim from Ontario Superior Court of Justice Canada in respect of a litigation brought by the Fanshawe College of Applied Arts and Technology ("Fanshawe College") in August 2009 and July 2009 respectively. The plaintiff, accused various global cathode ray tube (the "CRT") manufacturing enterprises, including the Company and IRICO Display, of a conspiracy to sustain, control and stabilise the price of CRT since 1 January 1998, and a collusion to manipulate the market and to enter into agreements raising the price of CRT to an unreasonable level. All these were alleged to coerce the plaintiff and the public to pay an artificially high price for the CRT products which caused damage to their interests. Therefore, the plaintiff claimed for damages. As at the date of this report, Ontario Superior Court of Justice Canada has accepted the case. Upon respective investigations and as confirmed by the Company and IRICO Display, the Company and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1998. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group.

Material Litigation *(continued)*

- ### Claims by Curtis Saunders against the Company and IRICO Display

In January 2010, IRICO Group, the Company and IRICO Display received a statement of class action from the Registry of Supreme Court of British Columbia, Vancouver, Canada（加拿大不列顛哥倫比亞省高級法院溫哥華市書記官處）. Curtis Saunders, the plaintiff, accused over 50 global CRT manufacturing enterprises, including IRICO Group, the Company and IRICO Display, of a conspiracy or a collusion to enter into agreements raising the price of CRT to an unreasonable level and lifting the profits from selling CRT products from 1 January 1995 to 1 January 2008. All these were alleged to cause damage to the interests of the plaintiff and other buyers of CRT products. Therefore, the plaintiff claimed for damages. As at the date of this report, Supreme Court of British Columbia Canada has accepted the case. Upon respective investigations and as confirmed by the Company, IRICO Group and IRICO Display, the Company, IRICO Group and IRICO Display have not sold any CRT products in the market of Canada directly or via agency since 1995. The Company's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group. Please refer to the announcement of the Company dated 25 January 2010 for the details of the class action.

- ### Claims by American Crago Company against IRICO Display

In January 2008, IRICO Display, a subsidiary of the Company, received a statement of class action from the U.S. District Court, Northern District of California in respect of a class action being brought by American Crago Company on behalf of itself and other companies for the similar issue. The plaintiff accused various CRT manufacturing enterprises, including IRICO Display, of a conspiracy to control the market which was in violation of antitrust law. It was alleged that the plaintiff and other members in the class proceedings paid more than that would have been determined by competitive market and therefore claimed for triple damages. At present, U.S. District Court, Northern District of California has accepted the case. Upon investigations, IRICO Display have not sold any CRT products in the market of USA since 1995. The Company and IRICO Display's preliminary assessment is that the claim will not pose any negative impact on the business operation of the Group.

Contingent Liabilities

As at 31 December 2009, 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 2009. 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 during the reporting period.

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 2009, including accounting principles adopted by the Group.

Auditor

SHINEWING (HK) CPA Limited was reappointed as the auditor of the Company at the annual general meeting held on 29 June 2009.

The financial statements of the Company have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment subject to approval by Shareholders at the annual general meeting to be held on 18 June 2010.

By order of the Board
Xing Daoqin
Chairman

Xianyang, the PRC
19 April 2010

In 2009, 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 2009. I hereby present the report of 2009 as follows:

In the year, pursuant to the requirement of the Articles of Association, the Supervisory Committee reviewed financial reports regularly. In 2009, the Supervisory Committee held two meetings to review the following proposals: the 2008 report of the Supervisory Committee, the audited annual financial report of 2008 and the audited interim financial report of 2009. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

In 2009, the supervisors of the Company attended all Board meetings of 2009 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.

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 applicable 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
19 April 2010

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 ensure 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 2009, 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 Articles of Association, 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. 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 Stock Exchange and the code provisions as set out in the Code, which mainly include the following stricter areas:

- 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 objectives and performance 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;

2. The Board *(continued)*

Duties of the Board *(continued)*

- 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 reports.

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 of the Board) independent non-executive Directors. In determining the independence of a non-executive Director, the Director is considered independent only after the Board has 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 as set out in Rules 3.10(1) and 3.10(2).

The Company has made appropriate arrangement to insure against the possible legal actions 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 President 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 overall operation of the Company. As the chief manager of the Company's day-to-day affairs, the President assumes the responsibilities for the formulation of annual business plans and investment schemes and basic management rules of the Company, as well as the direct responsibility for the operation of the Company.

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 closely monitors the operation and financial results of the Company based on plans and budget and makes suggestions to the Board in respect of material events.

Joint Company Secretaries

The Joint Company Secretaries report to the Board. All Directors are entitled to the Joint Company Secretaries' services. They notify the Board the latest information on governance and oversight on a regular basis, assist the Chairman in preparation of the agenda, and prepare and dispatch 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 lawyers, the Joint Company Secretaries are 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. They make a regular enquiry to the Company's financial department for information on connected transactions to secure the compliance with the Listing Rules in respect of such transactions.

The Joint Company Secretaries also take charge of preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which are available 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 dispatched 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 Secretaries, 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 the effective communications between them.

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.

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

Directors	**Duties**	**Board Meetings** (Attendances in person/ supposed attendances)
Xing Daoqin	Executive Director and Chairman	3/4
Tao Kui	Executive Director and Vice Chairman	4/4
Zhang Junhua	Executive Director and President	4/4
Guo Mengquan	Non-executive Director	3/4
Niu Xinan	Non-executive Director	3/4
Fu Jiuquan	Non-executive Director	3/4
Zhang Weichuan	Non-executive Director	4/4
Xu Xinzhong	Independent non-executive Director	2/4
Feng Bing	Independent non-executive Director	4/4
Wang Jialu	Independent non-executive Director	3/4
Lv Hua	Independent non-executive Director	4/4
Zhong Pengrong	Independent non-executive Director	3/4

2. The Board *(continued)*

Board meetings *(continued)*

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.

Board committees

Four special 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 engage lawyers, accountants or other professionals for professional advice when necessary, the expenses of which are borne by the Company.

Nomination Committee

The Nomination Committee is chaired by Mr. Xing Daoqin and comprises six other members, namely, 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 change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection 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 2009, the Nomination Committee of the Board held one meeting to mainly consider the proposal on the changes of members of certain special committees, together with the proposal to be approved by the Board.

The attendance of each member of the Nomination Committee in 2009 are detailed as follows:

Directors	**Meetings of Nomination Committee** (Attendances in person/supposed attendances)
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 auditing the financial reports of the Company, reviewing internal control and corporate governance and providing advice in respect thereof 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 Mr. Lv Hua, an independent non-executive Director. 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 2009, the Audit Committee convened two meetings with an average attendance rate of 100%. The senior management and external auditor were invited to these meetings.

In 2009, the Audit Committee:

- considered the Company's financial statements and annual results announcement for the year ended 31 December 2008, 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 2008, 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 2008, together with the proposals to be approved by the Board;
- considered the audit fees and remuneration payable to the external auditor for the year ended 31 December 2008 together with the proposal for re-appointment of the auditor;
- considered the Company's financial statements and interim results announcement for the half year ended 30 June 2009, 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 auditor of the Company.

2. The Board *(continued)*

Audit Committee *(continued)*

The attendance of each member of the Audit Committee in 2009 is detailed as follows:

Directors	Meetings of Nomination Committee (Attendances in person/supposed attendances)
Lv Hua	2/2
Fu Jiuquan	2/2
Xu Xinzhong	2/2
Feng Bing	2/2
Zhong Pengrong	2/2

Remuneration Committee

The Remuneration Committee is chaired by Mr. Tao Kui and comprises three other members, namely, Mr. Feng Bing, Mr. Wang Jialu 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 determine their remunerations.

During the reporting period, the Remuneration Committee convened one meeting to consider the proposal of remuneration of Directors and supervisors of the Company.

The attendance of each member of the Remuneration Committee in 2009 is detailed as follows:

Directors	Meetings of Nomination Committee (Attendances in person/supposed attendances)
Tao Kui	1/1
Feng Bing	1/1
Wang Jialu	1/1
Lv Hua	1/1

2. The Board *(continued)*

Remuneration Committee *(continued)*

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 Commission of the State Council, and hence are subject to Provisional Management Methods for Remunerations of Persons in Charge of Central Enterprises and Interim Measures for Assessment of the Operational Performance of Persons in Charge of Central Enterprises issued in 2004. These five directors' remunerations consist of basic salary, performance-linked salary and medium 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. 60% of the performance-linked salary is paid in the relevant period while the payment of the remaining 40% will be deferred until the expiry of their term of office.

Based on their individual performance and the business performance of the Company, the Remuneration Committee approve and grant the share appreciation rights to the executive Directors pursuant to the share appreciation rights plan as approved by Shareholders.

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

2. The Board *(continued)*

Remuneration Committee *(continued)*

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 2009 were as follows:

(Unit: RMB'000)

Name	Position	Remuneration and allowance	Directors' fee	Contribution to retirement benefits	Remarks
Xing Daoqin	Chairman	237	—	15	
Tao Kui	Vice Chairman	237	—	15	
Zhang Junhua	Director, President	226	—	15	
Guo Mengquan	Non-executive Director	214	—	15	
Niu Xinan	Non-executive Director	—	—	—	not received remuneration from the Company
Fu Jiuquan	Non-executive Director	—	—	—	not received remuneration from the Company
Zhang Weichuan	Non-executive Director	—	—	—	not received remuneration from the Company
Xu Xinzhong	Independent Director	—	100	—	
Feng Bing	Independent Director	—	100	—	
Wang Jialu	Independent Director	—	100	—	
Lv Hua	Independent Director	—	100	—	
Zhong Pengrong	Independent Director	—	100	—	
Total		914	500	60	

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 is 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 acknowledge their responsibilities 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 auditor's reporting responsibilities, please refer to the auditor's 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 information 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, two month prior to the Board meeting to approve the Company's interim results and two 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 2009, 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 2009 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 on Corporate Governance Practices for the year ended 31 December 2009

Internal audit

The Company has set up an internal audit department, which oversees the 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 2009, 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 such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the audit department and the external auditor 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 Company and its subsidiaries in the following areas:

- establishment of the risk management system of the Company and identification of the risk portfolio 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 auditor and their remunerations

As approved in the annual general meeting held on 29 June 2009, the Board has continued to appoint SHINEWING (HK) CPA Limited as the auditor 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 to be provided by the firm as required.

For the year ended 31 December 2009, the remuneration of the external auditor amounted to RMB2,270,000, 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 annual 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 6 March 2009, an extraordinary general meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 29 June 2009, the 2008 Annual General Meeting was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 14 December 2009, 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 on the respective websites of the Stock Exchange and the Company.

The Company Secretaries are 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 has been 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 reverse road shows 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 Secretaries through the hotline at (8629) 3333 3858 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
Chu Xiaohang **Lam Chun Lung**
Joint Company Secretaries

Xianyang, the PRC
19 April 2010

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 62 to 161, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 consolidated 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 2009 and of the Group's loss 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
19 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 RMB'000	2008 RMB'000 (Restated)
Turnover	9	**2,097,251**	3,541,920
Cost of sales		**(2,188,395)**	(2,913,300)
Gross (loss) profit		**(91,144)**	628,620
Other operating income	10	**106,432**	86,438
Selling and distribution costs		**(95,047)**	(176,558)
Administrative expenses		**(422,267)**	(368,698)
Impairment losses on property, plant and equipment	18	**(995,706)**	(233)
Other operating expenses		**(17,743)**	(11,501)
Finance costs	12	**(39,690)**	(59,046)
Share of (loss) profit of associates	23	**(4,684)**	26,405
(Loss) profit before taxation		**(1,559,849)**	125,427
Taxation	13	**(4,834)**	(7,851)
(Loss) profit for the year	14	**(1,564,683)**	117,576
Other comprehensive expense			
Exchange differences arising on translation		**148**	(126)
Share of exchange reserve of an associate		**(8,221)**	—
Other comprehensive expense for the year (net of tax)		**(8,073)**	(126)
Total comprehensive (expense) income for the year		**(1,572,756)**	117,450
(Loss) profit for the year attributable to:			
Owners of the Company		**(1,113,014)**	94,908
Minority interests		**(451,669)**	22,668
		(1,564,683)	117,576

	NOTES	**2009** ***RMB'000***	2008 *RMB'000* (Restated)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,121,087)**	94,782
Minority interests		**(451,669)**	22,668
		(1,572,756)	117,450
		RMB	RMB
(Loss) earnings per share (basic and diluted)	16	**(0.5734)**	0.0489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	NOTES	2009 RMB'000	2008 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	18	**1,718,922**	2,642,509
Investment properties	19	**17,513**	16,563
Leasehold land and land use rights	20	**161,044**	54,270
Intangible assets	21	**1,383**	3,017
Interests in associates	23	**350,366**	366,055
Available-for-sale investments	24	**24,060**	24,060
Deferred income tax assets	35	**—**	1,857
Deposits paid for acquisition of property, plant and equipment		**100,652**	—
		2,373,940	3,108,331
Current assets			
Inventories	25	**486,343**	708,475
Trade and bills receivables	26	**906,489**	1,195,731
Other receivables, deposits and prepayments	27	**207,720**	167,993
Bank balances and cash	28	**1,077,661**	556,606
		2,678,213	2,628,805
Current liabilities			
Trade and bills payables	29	**400,152**	559,902
Other payables and accruals	30	**809,328**	641,736
Tax payables		**2,204**	5,819
Current portion of long-term provisions	36	**2,815**	3,574
Bank and other borrowings - due within one year	31	**1,221,949**	673,000
		2,436,448	1,884,031
Net current assets		**241,765**	744,774
Total assets less current liabilities		**2,615,705**	3,853,105

AS AT 31 DECEMBER 2009

	NOTES	**2009** **RMB'000**	2008 RMB'000 (Restated)
Capital and reserves			
Share capital	32	**1,941,174**	1,941,174
Other reserves	33	**730,061**	768,328
Accumulated losses		**(1,479,865)**	(366,851)
Equity attributable to owners of the Company		**1,191,370**	2,342,651
Minority interests		**709,824**	1,150,831
Total equity		**1,901,194**	3,493,482
Non-current liabilities			
Bank and other borrowings - due after one year	31	**593,502**	318,707
Deferred income	34	**104,801**	21,040
Deferred income tax liabilities	35	**7,960**	9,655
Long-term provisions	36	**8,248**	10,221
		714,511	359,623
		2,615,705	3,853,105

The consolidated financial statements on pages 62 to 161 were approved and authorised for issue by the Board of directors on 19 April 2010 and are signed on its behalf by:

Xing Daoqin	**Zhang Junhua**
Chairman	*Director*

STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009** **RMB'000**	2008 RMB'000
Non-current assets			
Property, plant and equipment	18	**313,819**	702,077
Intangible assets	21	**877**	1,788
Investments in subsidiaries	22	**1,073,301**	1,426,947
Investment in an associate	23	**357,216**	360,000
		1,745,213	2,490,812
Current assets			
Inventories	25	**225,639**	235,827
Trade and bills receivables	26	**243,846**	447,907
Other receivables, deposits and prepayments	27	**230,640**	33,892
Bank balances and cash	28	**42,002**	143,079
		742,127	860,705
Current liabilities			
Trade and bills payables	29	**454,361**	294,244
Other payables and accruals	30	**461,707**	443,699
Current portion of long-term provisions	36	**814**	2,503
Bank and other borrowings - due within one year	31	**390,950**	424,000
		1,307,832	1,164,446
Net current liabilities		**(565,705)**	(303,741)
Total assets less current liabilities		**1,179,508**	2,187,071

	NOTES	**2009** **RMB'000**	2008 *RMB'000*
Capital and reserves			
Share capital	32	**1,941,174**	1,941,174
Other reserves	33	**986,153**	986,153
Accumulated losses		**(1,754,116)**	(746,236)
Total equity		**1,173,211**	2,181,091
Non-current liabilities			
Deferred income tax liabilities	35	**4,602**	4,602
Long-term provisions	36	**1,695**	1,378
		6,297	5,980
		1,179,508	2,187,071

Xing Daoqin
Chairman

Zhang Junhua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000* *(Note 33)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2008,	1,941,174	1,037,316	(461,759)	2,516,731	1,170,758	3,687,489
Profit for the year	—	—	94,908	94,908	22,668	117,576
Other comprehensive expense for the year	—	(126)	—	(126)	—	(126)
Total comprehensive income for the year	—	(126)	94,908	94,782	22,668	117,450
Dividends declared to minority shareholders by certain subsidiaries	—	—	—	—	(8,640)	(8,640)
Merger reserve arising from common control combination						
— IRICO Glass	—	(313,584)	—	(313,584)	—	(313,584)
— IRICO (Zhangjiagang)	—	51,920	—	51,920	48,080	100,000
Acquisition of additional interests in subsidiaries from minority shareholders	—	(7,198)	—	(7,198)	(82,035)	(89,233)
	—	(268,862)	—	(268,862)	(42,595)	(311,457)
Balance at 31 December 2008, (as restated)	1,941,174	768,328	(366,851)	2,342,651	1,150,831	3,493,482

	Attributable to owners of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000* *(Note 33)*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 31 December 2008, and 1 January 2009 (as restated)	1,941,174	768,328	(366,851)	2,342,651	1,150,831	3,493,482
Loss for the year	—	—	(1,113,014)	(1,113,014)	(451,669)	(1,564,683)
Other comprehensive expense for the year	—	(8,073)	—	(8,073)	—	(8,073)
Total comprehensive expense for the year	—	(8,073)	(1,113,014)	(1,121,087)	(451,669)	(1,572,756)
Deemed partial disposal of interests in subsidiaries	—	8,651	—	8,651	(8,651)	—
Merger reserve arising from common control combination — IRICO (Zhangjiagang)	—	(11,942)	—	(11,942)	11,942	—
Partial disposal of interests in a subsidiary	—	13,075	—	13,075	12,959	26,034
Capital reduction of a subsidiary *(Note)*	—	(39,978)	—	(39,978)	(37,022)	(77,000)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	34,400	34,400
Dividend paid to minority shareholders of subsidiaries	—	—	—	—	(2,966)	(2,966)
	—	(30,194)	—	(30,194)	10,662	(19,532)
Balance at 31 December 2009	1,941,174	730,061	(1,479,865)	1,191,370	709,824	1,901,194

Note: On 10 August 2009, an extraordinary shareholders' meeting was held to approve the reduction of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd.'s registered capital from RMB500,000,000 to RMB23,000,000 and paid-up capital from RMB100,000,000 to RMB23,000,000. On 25 August 2009, the capital reduction had been verified by Suzhou Tian He Certified Public Accountants Co., Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2009

	2009 RMB'000	2008 RMB'000 (Restated)
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(1,559,849)**	125,427
Adjustments for:		
Amortisation of deferred income on grants received	**(8,262)**	(15,885)
Amortisation of leasehold land and land use rights and intangible assets	**3,791**	4,256
Depreciation for property, plant and equipment and investment properties	**237,110**	248,362
Dividend income from available-for-sale investment	**—**	(4,510)
Finance costs	**39,690**	59,046
Gain on disposal of available-for-sale investment	**—**	(3,760)
Impairment loss on an intangible assets	**271**	—
Impairment loss on investment in an associate	**2,784**	—
Impairment losses on property, plant and equipment	**995,706**	233
Interest income	**(4,197)**	(4,352)
Loss on disposal of leasehold land and land use right	**6,557**	—
Net gain on disposal of property, plant and equipment	**(55,080)**	(11,085)
Net impairment losses on trade and other receivables	**4,950**	31,447
Provision of warranty	**13,898**	25,713
Reversal of write-down of inventories	**—**	(3,831)
Share of results of associates	**4,684**	(26,405)
Write-down of inventories	**108,541**	34,288
Operating cash flows before movements in working capital	**(209,406)**	458,944
Decrease (increase) in inventories	**113,591**	(37,727)
Decrease in trade and bills receivables and other receivables, deposits and prepayments	**245,128**	515,855
Decrease in trade and bills payables and other payables and accruals	**(6,056)**	(23,354)
(Decrease) increase in long-term provisions	**(2,732)**	1,607
Increase in deferred income	**92,023**	35,902

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Cash generated from operations	**232,548**	951,227
Income tax paid	**(8,287)**	(11,336)
NET CASH FROM OPERATING ACTIVITIES	**224,261**	939,891
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(283,575)**	(802,631)
Purchases of land use rights	**(117,333)**	(10,335)
Deposit paid for acquisition of property, plant and equipment	**(100,652)**	—
Capital reduction of a subsidiary	**(77,000)**	—
Proceeds from disposal of property, plant and equipment	**67,036**	23,332
Capital contribution from minority shareholders of a subsidiary	**34,400**	100,000
Proceeds from partial disposal of a subsidiary	**26,034**	—
Interest received	**4,197**	4,352
Dividend income received from available-for-sale investment	**—**	4,510
Proceeds from disposal of land use rights	**1,011**	—
Consideration paid for the acquisition subsidiaries under common control	**—**	(100,000)
Acquisition of additional interests in subsidiaries	**—**	(18,927)
Contribution to an associate	**—**	(7,200)
Purchases of intangible assets	**—**	(975)
Proceeds from disposal of available-for-sale investment	**—**	3,760
Dividend received from an associate	**—**	1,200
NET CASH USED IN INVESTING ACTIVITIES	**(445,882)**	(802,914)

	NOTES	2009 RMB'000	2008 RMB'000 (Restated)
FINANCING ACTIVITIES			
Bank borrowings raised		**1,819,949**	996,023
Repayments of bank and other borrowings		**(996,205)**	(967,000)
Interest expense paid		**(78,250)**	(75,302)
Dividends paid to minority shareholders by certain subsidiaries		**(2,966)**	(8,640)
Advances from ultimate holding company		**—**	100,000
NET CASH FROM FINANCING ACTIVITIES		**742,528**	45,081
NET INCREASE IN CASH AND CASH EQUIVALENTS		**520,907**	182,058
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**148**	(126)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**556,606**	374,674
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	28	**1,077,661**	556,606

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 and trading of colour picture tubes ("CPTs") for colored television sets and related CPT components, trading and assembly of glass related products and the development of other advanced glass products. The 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. On 19 June 2008, approval was obtained from the State-owned Assets Supervision and Administration Commission ("SASAC") at a consideration of RMB313,583,900. The transaction was completed on 24 July 2008 and IRICO Glass became a non-wholly owned subsidiary of the Company.

On 17 September 2009, IRICO Group Corporation, IRICO Glass, a subsidiary of the Company, and other independent third parties, entered into agreements pursuant to which, IRICO Glass agreed to inject RMB500 million and RMB15 million capital into IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. ("IRICO (Zhangjiagang)") and IRICO (Hefei) LCD Glass Company Limited ("IRICO (Hefei)"), respectively (the "Capital Injections").

IRICO (Zhangjiagang) was established in October 2008 with paid-up capital of RMB23 million and IRICO Group Corporation held 60% equity interest before the Capital Injections.

IRICO (Hefei) was established in August 2009 with paid-up capital of RMB5 million and IRICO Group Corporation held 100% equity interest before the Capital Injections.

The Capital Injections were completed on 24 December 2009. Upon the completion of the Capital Injections, IRICO Glass owns 95.6% and 75% of the enlarged capital of IRICO (Zhangjiagang) and IRICO (Hefei), respectively, and the Group has effective interest of 52.40% and 41.11% in IRICO (Zhangjiagang) and IRICO (Hefei), respectively. Details of the Capital Injections were set out in the circular of the Company dated 13 November 2009.

1. GENERAL *(continued)*

The above Capital Injections were accounted for using merger accounting under common control combination. The Company, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) are all 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, IRICO Glass, IRICO (Zhangjiagang) and IRICO (Hefei) 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 Company.

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

In the current year, the Group has applied a number of new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see Note 8) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedge Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[7]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combination[1]
HKFRS 9	Financial Instruments[6]
HK (IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[1]
HK (IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instuments[7]

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

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

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2011.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 January 2010.

[6] Effective for annual periods beginning on or after 1 January 2013.

[7] Effective for annual periods beginning on or after 1 July 2010.

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.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs(2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are initially measured at fair value. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 statement of financial position, the investments in subsidiaries are stated at cost less accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The consolidated statement of comprehensive income 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 reporting 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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 or 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 statement of financial position, investment in an associate is stated at cost less accumulated impairment losses. 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 is recognised with the Group's accounting policy for operating lease (see the accounting policy below).

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 on initial recognition.

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 profit or loss in the period 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 statement of comprehensive income 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 statement of comprehensive income 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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

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 and amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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. 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 other comprehensive income and accumulated in equity (the exchange reserve).

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 capitalization.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenues over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

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: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs *(continued)*

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 reporting 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 statement of comprehensive income 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 end of the reporting period.

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extend that it is probable the there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 profit or loss in the period 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.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. 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 to the net carrying amount on initial recognition.

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 the end of each reporting period 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).

Available-for-sale financial assets

Available-for-sale financial assets 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 end of the reporting period.

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 the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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.

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 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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, are considered uncollectible, they are 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.

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 other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 and other borrowings and long-term provisions 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 in other comprehensive income 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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Impairment losses on tangible and intangible assets

At the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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 statements of financial position:

Consolidated statement of financial position as at 31 December 2009:

	Group (before adopting merger accounting for the Capital Injections)	IRICO (Zhangjiagang) and IRICO (Hefei)	Adjustments		Group (after adopting merger accounting for the Capital Injections)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	515,000	—	(515,000)		—
Other assets - net	1,364,853	536,341			1,901,194
Net assets	1,879,853	536,341			1,901,194
Share capital	1,941,174	543,000	(543,000)		1,941,174
Other reserves	730,061	—			730,061
Accumulated losses	(1,474,258)	(6,659)		1,052	(1,479,865)
Minority interests	682,876	—	28,000	(1,052)	709,824
	1,879,853	536,341			1,901,194

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

Consolidated statement of financial position as at 31 December 2008:

	Group (before adopting merger accounting for the Capital Injections)	IRICO (Zhangjiagang)	Adjustments		Group (after adopting merger accounting for the Capital Injections)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (a)	*Note (b)*	
Original investment in combining entity	—	—			—
Other assets - net	3,394,284	99,198			3,493,482
Net assets	3,394,284	99,198			3,493,482
Share capital	1,941,174	100,000	(100,000)		1,941,174
Other reserves	716,408	—	51,920		768,328
Accumulated losses	(366,435)	(802)		386	(366,851)
Minority interests	1,103,137	—	48,080	(386)	1,150,831
	3,394,284	99,198			3,493,482

Note (a): The above adjustments represent the elimination of the share capital of the combining entities under common control 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:

	2009	2008
	RMB'000	*RMB'000*
Increase in administrative expenses	**(5,857)**	(802)
Increase in loss for the year	**(5,857)**	(802)
Attributable to:		
Owners of the Company	**(4,805)**	(416)
Minority interests	**(1,052)**	(386)
	(5,857)	(802)

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

	2009	2008
	RMB'000	*RMB'000*
Increase in administrative expenses and decrease in profit for the year	**(5,857)**	(802)

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

	2009	2008
	RMB'000	*RMB'000*
Expressed in RMB per share		
Reported figures before adjustments	**(0.5709)**	0.0491
Adjustments arising on common control combination	**(0.0025)**	(0.0002)
Restated	**(0.5734)**	0.0489

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 end of the reporting period, 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 estimation 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 the end of each reporting period, 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 the end of each reporting period and makes allowance for obsolete items. During the year ended 31 December 2009, the Group recognised an impairment loss of approximately RMB108,541,000 (2008: RMB34,288,000) 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 at each reporting date 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 the higher of their fair value less costs to sell and their value-in-use calculations. These calculations require the use of estimates.

The Group reviews property, plant and equipment 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 the higher of their fair value less costs to sell and their 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 the higher of their fair value less costs to sell and their 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 2009, the Group recognised an impairment loss of approximately RMB995,706,000 (2008: RMB233,000) 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 statement of comprehensive income for the year ended 31 December 2009. As at 31 December 2009, the carrying amount of available-for-sale investments is RMB24,060,000, net of accumulated impairment losses of RMB5,940,000 (2008: RMB24,060,000, net of accumulated impairment losses of RMB5,940,000).

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 statement of comprehensive income when there is objective evidence that the asset is impaired.

In determining whether allowance for bad and 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. As at 31 December 2009, the carrying amount of trade and bills receivables is RMB906,489,000, net of accumulated impairment losses of RMB48,643,000 (2008: RMB1,195,731,000, net of accumulated impairment losses of RMB43,810,000).

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 statement of comprehensive income in the period in which the related sales are made. The level of provision required was assessed by the directors annually. As at 31 December 2009, the carrying amount of provision for warranty is RMB7,052,000 (2008: RMB8,553,000).

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 and other borrowings disclosed in Note 31, cash and cash equivalents and equity attributable to owners 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 2009 and 2008 were as follows:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Total debt *(a)*	**1,815,451**	991,707
Net debt *(b)*	**737,790**	435,101
Total equity	**1,901,194**	3,493,482
Total capital (based on total debts) *(c)*	**3,716,645**	4,485,189
Total capital (based on net debt) *(d)*	**2,638,984**	3,928,583
Total debt to total capital (based on total debts) ratio (%)	**48.8**	22.1
Net debt to total capital (based on net debt) ratio (%)	**28.0**	11.1

Notes:

(a) Total debt equals to bank and other 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Financial assets				
Loans and receivables (including cash and cash equivalents)				
Trade and bills receivables	**906,489**	1,195,731	**243,846**	447,907
Other receivables and deposits	**182,512**	138,807	**226,742**	30,742
Bank balances and cash	**1,077,661**	556,606	**42,002**	143,079
	2,166,662	1,891,144	**512,590**	621,728
Available-for-sale financial assets	**24,060**	24,060	**—**	—
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and bills payables	**400,152**	559,902	**454,361**	294,244
Other payables	**804,259**	625,533	**461,707**	439,074
Long-term provisions	**11,063**	13,795	**2,509**	3,881
Bank and other borrowings	**1,815,451**	991,707	**390,950**	424,000
	3,030,925	2,190,937	**1,309,527**	1,161,199

7. FINANCIAL INSTRUMENTS *(continued)*

7b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include equity investments, bank and other borrowings, trade and bills receivables, other receivables, bank balances and cash, trade and bills payables, other payables and long-term provisions. 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 and the Company 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 and other borrowings of the Group are denominated in the United States dollars ("USD"). Such USD denominated bank balances, and bank and other borrowings are exposed to fluctuations in the value of RMB against USD in which these bank balances, and bank and other borrowing 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 statement of comprehensive income.

At the end of the reporting period, included in the bank balances and cash are the following amount denominated in USD and Japanese yen which is other than the functional currency of the relevant group entities to which it relates.

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD				
Bank balances and cash	**17,507**	39,991	**6,127**	20,395
Trade and bills receivables	**101,762**	89,101	**4,026**	4,716
Bank and other borrowings	**(218,502)**	(218,707)	**—**	—
Japanese Yen				
Bank balances and cash	**532**	773	**—**	—

7. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Sensitivity analysis

As of 31 December 2009, if RMB had strengthened / weakened 10% (2008: 10%) against USD, with all other variables held constant, the Group's loss for the year would have been approximately RMB8,405,000 lower / higher (2008: profit for the year would have been RMB9,101,000 higher / lower), mainly as a result of foreign exchange losses / gains on translation of USD denominated bank balances, trade and bills receivables, and bank and other borrowings equivalents.

As of 31 December 2009, if RMB had strengthened / weakened 10% (2008: 10%) against USD, with all other variables held constant, the Company's loss for the year would have been approximately RMB863,000 higher / lower (2008: profit for the year would have been RMB2,134,000 lower / higher), mainly as a result of foreign exchange gains / losses on translation of USD denominated bank balances equivalents.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate borrowings (see Note 31 for details of these borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see Note 31 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Company has no variable-rate borrowings and therefore is not exposed to cash flow interest rate risk in relation to variable-rate borrowings.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate and the basic borrowing rate announced by the People's Bank of China arising from the Group's variable-rate borrowings. The Company does not have exposure to interest rates on financial liabilities as the Company has no variable-rate borrowings.

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 non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 (2008: 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 loss for the year would increase / decrease by approximately RMB1,857,000 (2008: profit for the year would decrease / increase by RMB2,709,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

In management's opinion, the sensitivity analysis is not necessarily of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2009, the Group and the Company's maximum exposures to credit risk which will cause a financial loss to the Group and the Company 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 statement of financial position and the statement of financial position respectively.

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 80% (2008: 86%) of the total trade and bills receivables as at 31 December 2009.

The Company's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 97% (2008: 89%) of the total trade and bills receivables as at 31 December 2009.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk *(continued)*

The Group has concentration of credit risk as 19% (2008: 12%) and 46% (2008: 50%) 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 13% (2008: 15%) and 35% (2008: 48%) of total turnover respectively.

The Company has concentration of credit risk as 16% (2008: 14%) and 58% (2008: 46%) 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 56% (2008: 64%) and 70% (2008: 92%) of total turnover respectively.

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

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other 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 and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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 and the Company can be required to pay.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

The Group

	On demand or within 1 year *RMB'000*	1 - 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2009 *RMB'000*
2009					
Trade and bills payables	400,152	—	—	400,152	400,152
Other payables	808,240	—	—	808,240	804,259
Long-term provisions	2,815	9,383	—	12,198	11,063
Bank and other borrowings	1,249,488	652,955	20,792	1,923,235	1,815,451
	2,460,695	662,338	20,792	3,143,825	3,030,925

	On demand or within 1 year *RMB'000*	1 - 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2008 *RMB'000*
2008					
Trade and bills payables	559,902	—	—	559,902	559,902
Other payables	634,025	—	—	634,025	625,533
Long-term provisions	3,574	11,810	—	15,384	13,795
Bank and other borrowings	717,283	187,206	270,867	1,175,356	991,707
	1,914,784	199,016	270,867	2,384,667	2,190,937

7. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

The Company

	On demand or within 1 year *RMB'000*	1 - 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2009 *RMB'000*
2009					
Trade and bills payables	454,361	—	—	454,361	454,361
Other payables	461,707	—	—	461,707	461,707
Long-term provisions	815	1,927	—	2,742	2,509
Bank and other borrowings	402,124	—	—	402,124	390,950
	1,319,007	1,927	—	1,320,934	1,309,527

	On demand or within 1 year *RMB'000*	1 - 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2008 *RMB'000*
2008					
Trade and bills payables	294,244	—	—	294,244	294,244
Other payables	439,074	—	—	439,074	439,074
Long-term provisions	2,642	1,536	—	4,178	3,881
Bank and other borrowings	451,886	—	—	451,886	424,000
	1,187,846	1,536	—	1,189,382	1,161,199

7. FINANCIAL INSTRUMENTS *(continued)*

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

- 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 fair values of early retirement allowance 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 3.73% (2008: 5.53%).

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

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer. In contrast, the predecessor Standard (HKAS 14 Segment reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The Group's primary reporting format was business segment and the Group's revenues, expenses, assets, liabilities and capital expenditures are primarily attributable to the production and sales of CPT. The directors consider that the application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed solely on the basis of production and sales of CPT. However, information reported to Chief Executive Officer is more specifically focused on the category of operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Production and sales of CPT ("CPT production and sales")

2. Trading and assembly of glass related products ("Trading and assembly of glass related products")

3. Development of other advanced glass products ("Development of others")

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

	CPT production and sales *RMB'000*	Trading and assembly of glass related products *RMB'000*	Development of others *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2009				
TURNOVER	1,687,894	409,357	—	2,097,251
SEGMENT RESULTS	(1,509,536)	8,798	(15,323)	(1,516,061)
Interest income				4,197
Unallocated income				1,965
Unallocated expenses				(5,576)
Finance costs				(39,690)
Share of loss of associates				(4,684)
Loss before taxation				(1,559,849)

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	CPT production and sales *RMB'000*	Trading and assembly of glass related products *RMB'000*	Development of others *RMB'000*	Consolidated *RMB'000*
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	10,602	—	311,533	322,135
Additions of leasehold land and land use rights	—	—	117,333	117,333
Amortisation of leasehold land and land use rights and intangible assets	3,619	—	172	3,791
Depreciation of property, plant and equipment	234,578	26	1,479	236,083
Impairment losses on property, plant and equipment	995,706	—	—	995,706
Allowance for doubtful debts	4,219	731	—	4,950
Write-down of inventories	108,541	—	—	108,541
Impairment losses on intangible assets	271	—	—	271
Loss on disposal of leasehold land and land use rights	6,557	—	—	6,557
Net gain on disposal of property, plant and Equipment	(55,080)	—	—	(55,080)

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2008				
TURNOVER	3,356,035	185,885	—	3,541,920
SEGMENT RESULTS	151,345	12,355	(7,083)	156,617
Interest income				4,352
Unallocated income				2,914
Unallocated expenses				(5,815)
Finance costs				(59,046)
Share of profit of associates				26,405
Profit before taxation				125,427

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	29,012	—	791,538	820,550
Impairment losses on property, plant and equipment	233	—	—	233
Additions of leasehold land and land use rights	256	—	10,079	10,335
Amortisation of leasehold land and land use rights and intangible assets	4,084	—	172	4,256
Depreciation of property, plant and equipment	247,330	25	789	248,144
Allowance for doubtful debts	31,447	—	—	31,447
Write-down of inventories	34,288	—	—	34,288
Net gain on disposal of property, plant and equipment	(11,085)	—	—	(11,085)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' salaries, share of profit (loss) of associates, interest income and finance costs. This is the measure reported to the Chief Executive Officer for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

An analysis of the Group's consolidated statement of financial position by reportable segments is as follows:

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009				
ASSETS				
Segment assets	2,161,776	45,572	1,375,205	3,582,553
Interest in associates				350,366
Unallocated corporate assets				1,119,234
Consolidated total assets				5,052,153
LIABILITIES				
Segment liabilities	938,356	30,274	345,651	1,314,281
Unallocated corporate liabilities				1,836,678
Consolidated total liabilities				3,150,959

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities *(continued)*

	CPT production and sales	Trading and assembly of glass related products	Development of others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2008				
ASSETS				
Segment assets	3,884,106	15,496	872,393	4,771,995
Interest in associates				366,055
Unallocated corporate assets				599,086
Consolidated total assets				5,737,136
LIABILITIES				
Segment liabilities	1,076,474	14,216	131,988	1,222,678
Unallocated corporate liabilities				1,020,976
Consolidated total liabilities				2,243,654

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interest in associates, investment properties, available-for-sale investments, deferred tax assets, and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— all liabilities are allocated to reportable segments other than current and deferred tax liabilities, bank and other borrowings, and long-term provisions. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

8. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's operation is located on the PRC (country of domicile).

The Group's revenue from external customers by geographical location is detailed below:

	2009	2008
	RMB'000	*RMB'000*
The PRC (excluding Hong Kong)	**1,970,843**	3,130,593
Hong Kong	**22,430**	142,227
Europe	**34,184**	209,392
Other countries	**69,794**	59,708
	2,097,251	3,541,920

An analysis of non-current assets excluding financial instruments by geographical area in which the assets are located has not been presented as the Group's assets are all located in the PRC.

Information about major customers

For the year ended 31 December 2009, revenue from a single customer of the Group amounting to RMB273,530,000 had individually accounted for over 10% of the Group's total revenue. The customer is the same largest single customer for the year ended 31 December 2008. The turnover of this customer is from the CPT production and sales.

For the year ended 31 December 2008, revenue from a single customer of the Group amounting to RMB533,594,000 had individually accounted for over 10% of the Group's total revenue.

9. TURNOVER

The Group is principally engaged in CPT production and sales and trading and assembly of glass related products.

	2009	2008
	RMB'000	*RMB'000*
CPT production and sales	**1,687,894**	3,356,035
Trading and assembly of glass related products	**409,357**	185,885
	2,097,251	3,541,920

10. OTHER OPERATING INCOME

	2009	2008
	RMB'000	*RMB'000*
Net gain on disposal of property, plant and equipment	**55,080**	11,085
Interest income	**4,197**	4,352
Sales of raw materials, scraps and packaging materials	**19,229**	31,366
Proceeds from collection of written off trade receivables	**11,331**	—
Rental income *(Note)*	**1,965**	2,914
Dividend income from available-for-sale investment	**—**	4,510
Reversal of write-down of inventories	**—**	3,831
Gain on disposal of available-for-sale investment	**—**	3,760
Amortisation of deferred income on government grants received *(Note 34)*	**8,262**	15,885
Others	**6,368**	8,735
	106,432	86,438

Note: Outgoings of RMB309,000 (2008: RMB332,000) were incurred resulting in net rental income of RMB1,656,000 (2008: RMB2,582,000).

11. EMPLOYEE BENEFIT EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Wages and salaries	**255,138**	365,868
Retirement benefit contributions		
— pension obligations *(Note)*	**32,863**	39,201
— one-off termination benefits	**—**	990
— early retirement benefits *(Note 36)*	**468**	5,460
Welfare and social security costs	**67,191**	86,355
	355,660	497,874

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% (2008: 20% and 7%) 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', supervisors' and senior management's emoluments

The emoluments of each director, supervisor and senior management for the year ended 31 December 2009 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. Tao Kui	—	237	15	252
Mr. Xing Daoqin	—	237	15	252
Mr. Zhang Junhua	—	226	15	241
Non-executive directors				
Mr. Guo Mengquan	—	214	15	229
Mr. Niu Xinan	—	—	—	—
Mr. Fu Jiuquan	—	—	—	—
Mr. Zhang Weichuan	—	—	—	—
Independent non-executive directors				
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
Supervisors				
Ms. Wang Qi	—	—	—	—
Mr. Fu Yusheng	—	201	15	216
Mr. Tang Haobo	—	156	15	171
Mr. Sun Haiying	—	80	—	80
Ms. Wu Xianguang	—	80	—	80
Senior management				
Mr. Zhang Chunning	—	205	15	220
Mr. Zou Changfu	—	208	15	223
Mr. Ge Di	—	195	15	210
Mr. Wei Xiaojun	—	132	9	141
Mr. Chu Xiaohang *(note ii)*	—	55	12	67
Mr. Liu Xiaodong *(note i)*	—	150	15	165
Mr. Lam Chun Lung	—	127	—	127
	500	2,503	171	3,174

Notes:

(i) Retired on 20 November 2009.

(ii) Appointed on 20 November 2009.

Except for the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan and Ms Wang Qi which are born 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.

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

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

The emoluments of every director, supervisor and senior management 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. Niu Xinan *(note i)*	—	—	—	—
Mr. Fu Jiuquan *(note ii)*	—	—	—	—
Mr. Zhang Weichuan *(note ii)*	—	—	—	—
Mr. Zhang Xingxi *(note iii)*	—	—	—	—
Independent non-executive directors				
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
Supervisors				
Ms. Wang Qi *(note ii)*	—	—	—	—
Mr. Fu Yusheng *(note ii)*	—	197	13	210
Mr. Tang Haobo *(note ii)*	—	157	13	170
Mr. Sun Haiying	—	80	—	80
Ms. Wu Xiaoguang	—	80	—	80
Senior management				
Mr. Zhang Chunning	—	241	13	254
Mr. Zou Changfu	—	222	13	235
Mr. Ge Di	—	225	13	238
Mr. Wei Xiaojun	—	203	9	212
Mr. Liu Xiaodong *(note iv)*	—	200	12	212
Mr. Lam Chun Lung	—	140	—	140
	500	3,241	170	3,911

11. EMPLOYEE BENEFIT EXPENSE *(continued)*

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

Notes:

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

(ii) Appointed on 30 June 2008.

(iii) Retired on 30 June 2008.

(iv) Appointed on 18 January 2008.

Except for the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan, Mr. Zhang Xingxi and Ms. Wang Qi which are born 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.

Five highest paid individuals

During the year 2009 and 2008, the five individuals whose emoluments were the highest in the Group for the year include four directors and one senior management whose emoluments are reflected in the analysis presented above.

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 (2008: nil).

12. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**35,752**	45,828
Bank and other borrowings wholly repayable over five years	**32,202**	10,777
Finance charge on discounted trade receivables to banks	**4,394**	11,555
Amount due to ultimate holding company (Note 39)	**5,902**	8,805
Total borrowing costs	**78,250**	76,965
Less: amounts capitalised	**(38,560)**	(17,919)
	39,690	59,046

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 8.45% per annum (2008: 7.31%) to expenditure on qualifying assets.

13. TAXATION

	2009	2008
	RMB'000	*RMB'000*
Current income tax	**4,672**	12,850
Deferred income tax *(Note 35)*	**162**	(4,999)
	4,834	7,851

No provision for Hong Kong Profits Tax has been made as the Group's income neither arose in, nor was derived from Hong Kong for the two years ended 31 December 2009 and 2008.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

13. TAXATION *(continued)*

Taxation for the year can be reconciled to the (loss) profit per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
(Loss) profit before taxation	**(1,559,849)**	125,427
Tax at the domestic income tax rate of 25% (2008: 25%)	**(389,962)**	31,357
Tax effect of share of results of associates	**1,171**	(6,601)
Tax effect of expenses not deductible	**2,265**	1,259
Tax effect of income not taxable for tax purposes	**(2,904)**	(4,872)
Income under tax exemption and reduction *(Note)*	**(4,943)**	(12,067)
Tax effect of tax losses not recognised	**122,404**	—
Utilisation of tax losses previously not recognised	**(496)**	(16,901)
Tax effect of deductible temporary differences not recognised	**277,299**	15,676
Taxation for the year	**4,834**	7,851

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") and Xian IRICO Zixun Co., Ltd have met the requirements under the OUWC Policy for the two years ended 31 December 2009 and 2008, and accordingly, EIT has also been provided at 15%.

Zhuhai Caizhu Industrial Co., Ltd. is registered in a special economic zone and is entitled to pay EIT at 20% and 15% in 2009 and 2008 respectively.

Kunshan Caihong Yingguang Electronics Co., Ltd. is registered in a technological economic development zone and is required to pay EIT at a rate of 20% and 15% in 2009 and 2008 respectively.

Xianyang IRICO Electronics Shadow Mask Co., Ltd. is Sino-foreign equity joint ventures engaging in the production business and is exempted from taxation for the first two profitable years and a 50% relief from the national PRC income tax rate (also exempted from paying the 3% local income tax) for the next three profitable years thereafter. As a result, Xianyang IRICO Electronics Shadow Mask Co., Ltd. which was established in 2003 and the entity is in the exemption period for the year ended 31 December 2009.

14. (LOSS) PROFIT FOR THE YEAR

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**2,188,395**	2,913,300
Depreciation for property, plant and equipment	**236,083**	248,144
Depreciation for investment properties	**1,027**	218
Amortisation of leasehold land and land use rights	**2,428**	1,865
Amortisation of intangible assets	**1,363**	2,391
Net impairment losses on trade and other receivables (included in administrative expenses)	**4,950**	31,447
Loss on disposal of land use rights	**6,557**	—
Research and development expenses	**26,766**	26,579
Write-down of inventories (included in cost of sales)	**108,541**	34,288
Impairment loss on investment in an associate (included in administrative expenses)	**2,784**	—
Impairment loss on an intangible asset (included in administrative expenses)	**271**	—
Operating lease rentals in respect of land use rights	**3,755**	4,055
Operating lease rentals in respect of property, plant and equipment	**36,252**	39,437
Net exchange losses	**1,154**	23,734
Provision for warranty *(Note 30)*	**13,898**	25,713
Auditor's remuneration	**4,102**	3,735
Share of tax of associates (included in share of results of associates)	**(225)**	132

15. (LOSS) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the consolidated financial statements of the Company to the extent of approximately RMB1,007,880,000 (2008: profit of approximately RMB1,878,000).

16. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss attributable to owners of the Company approximately RMB1,113,014,000 (2008: profit attributable to owners of the Company approximately RMB94,908,000) and based on the weighted average of 1,941,174,000 (2008: 1,941,174,000) shares in issue.

As there were no dilutive potential shares during the two years ended 31 December 2009 and 2008 and accordingly, the diluted (loss) earnings per share is the same as basic (loss) earnings per share.

17. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2009, nor has any dividend been proposed since the reporting date (2008: 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 2008							
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
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	791,508	820,550
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	872,421	2,642,509
At 31 December 2008							
Cost	481,483	2,728,402	912,424	775,760	83,359	872,421	5,853,849
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	872,421	2,642,509

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 2009							
Opening carrying value	234,677	1,092,012	172,055	266,720	4,624	872,421	2,642,509
Additions	4,071	3,526	—	10,176	5,417	298,945	322,135
Transfer from construction in progress	27,474	2,380	—	962	79	(30,895)	—
Transfer to investment properties	(1,977)	—	—	—	—	—	(1,977)
Disposals	(2,694)	(3,068)	(4,702)	(1,296)	(196)	—	(11,956)
Depreciation charge	(17,459)	(124,258)	(37,663)	(49,809)	(6,894)	—	(236,083)
Impairment charge	—	(791,125)	(115,553)	(89,028)	—	—	(995,706)
Carrying value	244,092	179,467	14,137	137,725	3,030	1,140,471	1,718,922
At 31 December 2009							
Cost	504,198	2,706,118	907,544	778,931	85,914	1,140,471	6,123,176
Accumulated depreciation and impairment loss	(260,106)	(2,526,651)	(893,407)	(641,206)	(82,884)	—	(4,404,254)
Carrying value	244,092	179,467	14,137	137,725	3,030	1,140,471	1,718,922

18. PROPERTY, PLANT AND EQUIPMENT

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 2008						
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
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

The Company *(continued)*

	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*
Year ended 31 December 2009						
Opening carrying value	248,512	242,745	173,643	1,707	35,470	702,077
Additions	521	—	131	1,813	143,067	145,532
Transfer	119,487	(76,748)	(42,739)	—	—	—
Transfer from construction in progress	—	—	—	79	(79)	—
Disposals	(2,555)	(4,702)	(97)	(86)	—	(7,440)
Depreciation charge	(54,650)	(36,051)	(7,415)	(3,330)	—	(101,446)
Impairment charge	(226,969)	(115,553)	(82,382)	—	—	(424,904)
Carrying value	84,346	9,691	41,141	183	178,458	313,819
At 31 December 2009						
Cost	667,578	693,699	267,866	50,711	178,458	1,858,312
Accumulated deprecation and impairment loss	(583,232)	(684,008)	(226,725)	(50,528)	—	(1,544,493)
Carrying value	84,346	9,691	41,141	183	178,458	313,819

Depreciation on property, plant and equipment

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 RMB187,886,000 (2008 : RMB235,677,000), RMB546,000 (2008: RMB483,000) and RMB47,651,000 (2008: RMB11,984,000) has been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The Company's depreciation charge of approximately RMB97,180,000 (2008 : RMB101,530,000), RMB21,000 (2008: RMB1,606,000) and RMB4,245,000 (2008: RMB2,600,000) has been included in cost of sales, selling and distribution costs and administrative expenses respectively.

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

The carrying value of properties shown above comprises:

Land in the PRC:

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
— between 10 to 50 years	**242,765**	207,689
— less than 10 years	**1,327**	26,988
	244,092	234,677

The official property title certificate of the Group's buildings with carrying amount of approximately RMB25,286,000 (2008: nil) has not yet been issued by the relevant local government authorities. The directors of the Company 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.

As at 31 December 2009, bank borrowings of the Group amounting to approximately RMB197,000,000 (2008: RMB256,000,000) are secured by the Group's buildings and machineries with the carrying amount of approximately RMB177,650,000 (2008: RMB186,330,000) (Note 31). No bank borrowings of the Company are secured by the Company's machineries (Note 31).

During the year ended 31 December 2009, the Group has suffered significant loss from their CPT manufacturing operation located at Shaanxi province of the PRC. As a result of the adverse operating environment and the change of market conditions, the directors of the Company revisited their business plans and decided to focus the Group's resources on the newly developed products and business. Some of the Group's manufacturing facilities of CPT products will be ceased for production in the coming 2 to 5 years. The directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, due to the change of business plans as mentioned above. Accordingly, impairment losses of approximately RMB791,125,000 (2008:233,000), RMB115,553,000 (2008:nil) and RMB89,028,000 (2008:nil) have been recognised in the consolidated statement of comprehensive income for the year in respect of machineries for electronics production, machineries for glass production and other machineries in respectively.

The Company had recognized impairment losses of approximately RMB226,969,000 (2008:nil), RMB115,553,000 (2008:nil) and RMB82,382,000 (2008:nil) in the statement of comprehensive income in respect of machineries for electronics production, machineries for glass production and other machineries respectively due to the same reason as mentioned above.

In the impairment assessment, the recoverable amounts are determined based on the higher of fair value less cost of sale and its value in use. Value in use calculation is the cash flow projection based on financial budgets covering from one-year to five-year period approved by senior management, depending on the management's expectation on the period the assets could generate further income. A discount rate of 7.36% is used which, in management's view, represents the rate that the market would expect on an investment of equivalent risk. To the extent that the carrying amount exceeds the recoverable amount, an impairment loss has been recognised in respect of the affected property, plant and equipment.

19. INVESTMENT PROPERTIES - GROUP

	RMB' 000
At 1 January 2008	
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
Year ended 31 December 2009	
Opening carrying value	16,563
Transferred from property, plant and equipment during the year	1,977
Charge for the year	(1,027)
Closing carrying value	17,513
At 31 December 2009	
Cost	18,976
Accumulated depreciation	(1,463)
Carrying value	17,513

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 *(Restated)*
At 1 January 2008	
Cost	59,470
Accumulated amortisation	(11,805)
Carrying value	47,665
Year ended 31 December 2008	
Opening carrying value	47,665
Additions	10,335
Amortisation charge	(1,865)
Closing carrying value	56,135
At 31 December 2008	
Cost	69,805
Accumulated amortisation	(13,670)
Carrying value	56,135

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

	RMB' 000 *(Restated)*
Year ended 31 December 2009	
Opening carrying value	56,135
Additions	117,333
Amortisation charge	(2,428)
Disposals	(7,568)
Closing carrying value	163,472
At 31 December 2009	
Cost	178,614
Accumulated amortisation	(15,142)
Carrying value	163,472

	2009 ***RMB'000***	2008 *RMB'000* *(Restated)*
Outside Hong Kong, held on leases of:		
— between 10 to 50 years	**163,307**	50,250
— less than 10 years	**165**	5,885
	163,472	56,135
Analysed for reporting purposes as:		
— current asset (included in other receivables, deposits and prepayments)	**2,428**	1,865
— non-current asset	**161,044**	54,270
	163,472	56,135

As at 31 December 2009, bank borrowings of the Group amounting to approximately RMB197,000,000 (2008: RMB256,000,000) are secured by the Group's land use rights with the carrying amount of approximately RMB19,763,000 (2009: nil) (Note 31).

The official property title certificate of the Group's land use right with carrying amount of approximately RMB6,400,000 (2008: RMB6,400,000) has not yet been issued by the relevant local government authorities. The directors of the Company 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 2008			
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
Year ended 31 December 2009			
Opening carrying value	1,605	1,412	3,017
Impairment on intangible assets	(271)	—	(271)
Charge for the year	(705)	(658)	(1,363)
Closing carrying value	629	754	1,383
At 31 December 2009			
Cost	365,641	3,394	369,035
Accumulated amortisation and impairment loss	(365,012)	(2,640)	(367,652)
Carrying value	629	754	1,383

21. INTANGIBLE ASSETS *(continued)*

The Company

	Licences for technical knowledge	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2008			
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 Company *(continued)*

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2009			
Opening carrying value	571	1,217	1,788
Charge for the year	(302)	(609)	(911)
Closing carrying value	269	608	877
At 31 December 2009			
Cost	80,746	3,013	83,759
Accumulated amortisation and impairment loss	(80,477)	(2,405)	(82,882)
Carrying value	269	608	877

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 RMB705,000 (2008: RMB1,847,000) has been included in cost of sales and RMB658,000 (2008: RMB544,000) has been included in the administrative expenses.

During the year, the directors conducted a review of the Group's intangible assets and determined that a licence for technical knowledge used in CPT production and sales segment was fully impaired, due to technical obsolescence. Accordingly, an impairment loss of RMB271,000 has been recognised which is included in the administrative expenses.

22. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2009	2008
	RMB'000	*RMB'000*
Investments, at cost :		
Shares in a listed company in the PRC	**579,648**	597,288
Unlisted equity interest	**493,653**	829,659
	1,073,301	1,426,947
Market value of listed shares	**2,085,406**	519,900

As at 31 December 2009, The Group's shares in a listed company in the PRC represent a 40.49% (2008: 41.14%) equity interest in IRICO Display, a company listed on the Shanghai Stock Exchange.

During the year ended 31 December 2009, the Company disposed of its 0.95% equity interests in IRICO Display at a total consideration of RMB26,034,000 through the Shanghai Stock Exchange, and resulted in a gain on partial disposal of approximately RMB13,075,000 which was included in the capital reserve.

During the year ended 31 December 2008, the Company acquired an additional 0.36% equity interests in IRICO Display at a total consideration of approximately RMB1,118,000 through the Shanghai Stock Exchange, and resulted in a gain on partial acquisition of approximately RMB4,131,000 which was included in the capital reserve.

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

As at 31 December 2009, the Company had direct and indirect interests in the following subsidiaries, all of which were established and operated 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	40.49%	—
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	47.89%	28.42%
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%	—
IRICO (Foshan) Flat Panel Display Co., Ltd	RMB110,000,000	Research and development, manufacture, sales of panel display devices, electronic products and components	—	51%
IRICO (Zhangjiagang) Flat Panel Display Co., Ltd	RMB23,000,000	Development of advanced thin film transistor liquid crystal display ("TFT-LCD") glass substrate production line project	—	95.6%
IRICO (Hefei) LCD Glass Co., Ltd	RMB5,000,000	Setting up of project research of liquid crystal display ("LCD") glass substrate	—	75%

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

Name	Registered capital	Principal activities	Interest directly held by the Company	Interest indirectly held through subsidiaries
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%
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	Manufacture of electronic devices and components	75%	—
IRICO Display Technology Co., Ltd.	US$13,500,000	Production and sale of CPTs, black and white picture tubes and ancillary electronic components	75%	—
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	33.09%	52.41%

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 IRICO Display have been nominated by the Company which constituted over 50% of the members of the board.

23. INTERESTS IN ASSOCIATES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of investment in associates - unlisted equity interests in the PRC	**368,800**	368,800	**360,000**	360,000
Share of post-acquisition profits, and other reserves net of dividends received	**(15,650)**	(2,745)	**—**	—
	353,150	366,055	**360,000**	360,000
Less: provision for impairment loss on investment in an associate	**(2,784)**	—	**(2,784)**	—
	350,366	366,055	**357,216**	360,000

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

	2009	2008
	RMB'000	*RMB'000*
Total assets	**2,112,468**	2,077,831
Total liabilities	**(360,730)**	(272,677)
Net assets	**1,751,738**	1,805,154
Revenue	**71,089**	103,810
(Loss) profit for the year	**(22,790)**	136,394
Group's share of results of associates	**(4,684)**	26,405

23. INTERESTS IN ASSOCIATES *(continued)*

The particulars of the associates of the Group at 31 December 2009 are set out below:

Name	Place of establishment	Registered capital	Principal activities	Interest directly held by the Company 2009	Interest indirectly held through subsidiaries 2009	Interest directly held by the Company 2008	Interest indirectly held through subsidiaries 2008
Sichuan Shuanghong	PRC	RMB 1,800,000,000	Production, research and development and sale of plasma display panels ("PDP") and related materials	**20%**	**—**	20%	—
Shenzhen Ruisheng Phosphor Material Co., Ltd.	PRC	RMB 4,000,000	Production regenerated red, green and blue phosphor materials	**—**	**40%**	—	40%
Wujiang Shanyuan	PRC	RMB 10,000,000	Production of PTC thermostat and other electronic products	**—**	**48%**	—	48%

Note: During the year ended 31 December 2008, a subsidiary of the Company, IRICO Kunshan Industry Co., Ltd. ("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 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 2009, RMB7,200,000 were paid and an extraordinary general meeting during November 2009 and a resolution has been passed to cease production and dissolution of Wujiang Shanyuan. The dissolution has not been commenced. An impairment loss of RMB2,784,000 has been recognised on the investment cost of Wujiang Shanyuan.

24. AVAILABLE-FOR-SALE INVESTMENTS - GROUP

	2009 **RMB'000**	2008 RMB'000
Unlisted investments	**30,000**	30,000
Impairment loss	**(5,940)**	(5,940)
	24,060	24,060

At the reporting 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 the end of each reporting period 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 ended 31 December 2008, the Group disposed of 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**	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Raw materials	**153,672**	154,780	**170,385**	83,306
Work in progress	**15,370**	36,401	**—**	7,550
Finished goods	**432,500**	485,760	**140,013**	103,817
Consumables	**37,491**	75,683	**26,875**	54,154
	639,033	752,624	**337,273**	248,827
Write-down to net realisable value	**(152,690)**	(44,149)	**(111,634)**	(13,000)
	486,343	708,475	**225,639**	235,827

During the year ended 2008, there was a significant increase in the net realisable value of raw materials due to strong market demand in finished goods. As a result, a reversal of write-down of finished goods of RMB 3,831,000 has been recognised and included in cost of sales in the current year.

Included in the above figures are raw materials of RMB51,161,000 (2008: nil), which have been pledged as security for bank loans for the Group and the Company.

26. TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
— third parties	**298,132**	270,656	**118,207**	24,519
— related parties *(Note 39)*	**188,907**	190,341	**4,028**	4,336
— subsidiaries of the Company	**—**	—	**69,921**	76,130
	487,039	460,997	**192,156**	104,985
Less: impairment losses	**(48,643)**	(43,810)	**(51,059)**	(62,390)
Trade receivables - net	**438,396**	417,187	**141,097**	42,595
Trade bills receivable				
— third parties	**229,277**	603,053	**20,817**	403,225
— related parties *(Note 39)*	**238,816**	175,491	**—**	2,087
— subsidiaries of the Company	**—**	—	**81,932**	—
	468,093	778,544	**102,749**	405,312
Total trade and bills receivables	**906,489**	1,195,731	**243,846**	447,907

As at 31 December 2008 and 2009, the aging of trade bills receivable are all within 180 days.

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 presented based on the invoice date at the reporting date.

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0-90 days	**318,158**	329,282	**140,436**	34,475
91-180 days	**100,027**	50,370	**103**	44
181-365 days	**14,688**	32,378	**—**	5,565
Over 365 days	**5,523**	5,157	**558**	2,511
	438,396	417,187	**141,097**	42,595

26. TRADE AND BILLS RECEIVABLES *(continued)*

Included in the Group and the Company's trade debtors are debtors with aggregate carrying amount of RMB120,238,000 (2008: RMB87,905,000) and RMB661,000 (2008: RMB8,120,000) respectively which were past due at the reporting date for which the Group and the Company have not provided for impairment losses. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default. The Group and the Company do not hold any collateral over these balances.

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
91-180 days	**100,027**	50,370	**103**	44
181-365 days	**14,688**	32,378	**—**	5,565
Over 365 days	**5,523**	5,157	**558**	2,511
	120,238	87,905	**661**	8,120

Based on the experience of the management and repayment record of the customers, trade receivables which are past due but not impaired are generally recoverable.

The Group and the Company'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 and the Company do not hold any collateral over those balances.

26. TRADE AND BILLS RECEIVABLES *(continued)*

At end of each reporting period, the Group and the Company'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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of the year	**43,810**	12,621	**62,390**	47,165
Impairment losses recognised	**16,164**	33,437	**—**	15,225
Amounts recovered during the year	**(11,331)**	(2,248)	**(11,331)**	—
Balance at end of the year	**48,643**	43,810	**51,059**	62,390

Included in the allowance for doubtful debts of the Group and the Company are individually impaired trade debtors with an aggregated balance of RMB48,643,000 (2008: RMB43,810,000) and RMB51,059,000 (2008: RMB62,390,000) respectively which have either been placed under liquidation or in financial difficulties. The Group and the Company do not hold any collateral over these balances.

Included in trade debtors are factored debtors amounting to RMB192,252,000 (2008: RMB150,201,000) and RMB118,916,000 (2008: RMB84,313,000) for the Group and the Company respectively. For factored debtors, the Group and the Company will need to repay the financial institutions if there are credit losses on the receivables before the end of factoring period, accordingly, the Group and the Company continue to recognise the full carrying amount of the debtors and has recognised the cash received as a secured borrowing (see note 31).

27. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables	**185,328**	141,506	**101,538**	16,404
Amounts due from subsidiaries	**—**	—	**125,866**	15,000
Less: impairment loss	**(2,816)**	(2,699)	**(662)**	(662)
Deposits and prepayments	**25,208**	29,186	**3,898**	3,150
	207,720	167,993	**230,640**	33,892

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

At the end of each reporting period, the Group and the Company'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 Group and the Company do not hold any collateral over these balances. The movement in the impairment of other receivable is as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at beginning of the year	**2,699**	2,441	**662**	662
Impairment losses recognised	**140**	271	**—**	—
Amounts recovered during the year	**(23)**	(13)	**—**	—
Balance at end of the year	**2,816**	2,699	**662**	662

28. BANK BALANCES AND CASH

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Time deposits	**25,000**	27,000	**—**	—
Other bank balances and cash	**1,052,661**	529,606	**42,002**	143,079
	1,077,661	556,606	**42,002**	143,079

All the bank balances and cash are denominated in RMB and deposited with banks in the PRC except for the equivalent amounts of approximately RMB18,039,000 (2008: RMB40,764,000) at 31 December 2009 which is denominated in foreign currencies. Included in the amounts RMB17,507,000 (2008: RMB39,991,000) which is denominated in USD. The remaining amount of RMB532,000 (2008: RMB773,000) is denominated in Japanese Yen respectively. The Company has equivalent amounts of approximately RMB6,127,000 (2008: RMB20,395,000) at 31 December 2009 which is denominated in USD. 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 1.98% to 3.78% (2008: 3.33% to 4.14%). These deposits had a maturity from 90 days to 365 days (2008: 90 days to 365 days).

29. TRADE AND BILLS PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables				
— third parties	**360,706**	389,660	**293,648**	153,517
— related parties *(Note 39)*	**38,714**	70,012	**14,319**	28,784
— subsidiaries of the Company	**—**	—	**146,394**	11,943
	399,420	459,672	**454,361**	194,244
Trade bills payables				
— third parties	**302**	62,698	**—**	62,468
— related parties *(Note 39)*	**430**	37,532	**—**	37,532
	732	100,230	**—**	100,000
Total trade and bills payables	**400,152**	559,902	**454,361**	294,244

The aging analysis of trade and bills payable presented based on the invoice date at the reporting date are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0—90 days	**255,666**	512,559	**414,568**	271,897
91—180 days	**48,614**	33,346	**23,229**	15,459
181—365 days	**69,498**	1,466	**12,161**	1,073
Over 365 days	**26,374**	12,531	**4,403**	5,815
	400,152	559,902	**454,361**	294,244

The average credit period on purchases of goods is 90 days.

30. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount due to ultimate holding company *(Note 39)*	**270,878**	337,123	**163,584**	213,584
Amount due to subsidiaries	**—**	—	**253,474**	187,683
Provisions of warranty *(Note)*	**7,052**	8,553	**—**	—
Others	**531,398**	296,060	**44,649**	42,432
	809,328	641,736	**461,707**	443,699

Note:

Movements of the provisions of warranty are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**8,553**	3,972	**—**	6
Charged in the consolidated statement of comprehensive income *(Note 14)*	**13,898**	25,713	**9,692**	17,094
Utilised during year	**(15,399)**	(21,132)	**(9,692)**	(17,100)
Closing carrying amount	**7,052**	8,553	**—**	—

Under the terms of the Group and the Company's sales agreements, the Group and the Company 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 end of the reporting period. The amount of provision takes into account the Group and the Company's recent claim experience and the Group and the Company only make provision where a claim is probable.

31. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans — secured	**197,000**	256,000	**54,000**	66,000
Bank loans — unsecured				
Guaranteed by the ultimate holding company	**983,501**	109,000	**302,000**	50,000
Advanced from banks on discounted trade receivables	**34,950**	70,000	**34,950**	70,000
Other loans — unsecured	**50,000**	—	**—**	—
Bank loans — unguaranteed	**550,000**	556,707	**—**	238,000
	1,815,451	991,707	**390,950**	424,000

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The bank and other borrowings are repayable as follows:				
Within one year or on demand	**1,221,949**	673,000	**390,950**	424,000
More than one year, but not exceeding two years	**—**	37,338	**—**	—
More than two years, but not exceeding five years	**320,000**	112,014	**—**	—
More than five years	**273,502**	169,355	**—**	—
	1,815,451	991,707	**390,950**	424,000
Less: Amounts due within one year shown under current liabilities	**(1,221,949)**	(673,000)	**(390,950)**	(424,000)
Amounts due over one year shown under non-current liabilities	**593,502**	318,707	**—**	—

As at 31 December 2009, the Group's secured bank borrowing of approximately RMB197,000,000 (2008: RMB256,000,000) are secured by certain land use rights (Note 20), buildings and machineries of the Group (Note 18) and inventories (Note 25) respectively.

As at 31 December 2009, the Company's secured bank borrowings of approximately RMB54,000,000 (2008: RMB66,000,000) are secured by certain factored debtors (Note 26) and inventories (Note 25) respectively.

31. BANK AND OTHER BORROWINGS *(continued)*

Other borrowings represented a specific borrowing from an independent third party financial institution for purpose of acquiring plant and equipment specifically relating to the production of organic light-emitting diode. RMB 30,000,000 has been drawn in March 2009 and RMB 20,000,000 has been drawn in May 2009. The loan is repayable after eight years from date of drawdown.

As at 31 December 2009, the Group and the Company's unguaranteed bank borrowings were secured by certain land and buildings with carrying values of approximately RMB169,059,000 (2008: RMB180,477,000) 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 2009, approximately RMB218,502,000 (2008: RMB218,707,000) of bank borrowings were denominated in USD while the remaining were denominated in RMB.

As at 31 December 2009 and 2008, all short term bank borrowings are based on fixed interest rate and long term borrowings are based on fixed and floating rate. The effective interest rates as at the reporting date were as follows:

	2009	2008
Short term bank borrowings at fixed rate	**4.86% — 5.31%**	5.31% — 7.84%
Long term bank borrowings at fixed rate	**2.92%**	4.68%
Long term bank borrowings at floating rate	**4.50% — 5.40%**	5.34% — 7.83%
Long term other borrowings at floating rate	**5.94%**	nil

As at 31 December 2009, the unutilised banking facilities of the Group and the Company amounted to approximately RMB305,553,000 (2008: RMB138,695,000) and RMB211,323,000 (2008: RMB52,878,000) respectively.

32. SHARE CAPITAL

	As at 31 December 2008 and 2009	
	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 2008	742,616	23,530	271,170	—	1,037,316
Exchange difference arising on translation of foreign operations	—	—	—	(126)	(126)
Other comprehensive expense for the year	—	—	—	(126)	(126)
Acquisition of additional interests in subsidiaries from minority shareholders	(7,198)	—	—	—	(7,198)
Merger reserve arising from group reorganisation					
— IRICO Glass	—	—	(313,584)	—	(313,584)
— IRICO (Zhangjiagang)	—	—	51,920	—	51,920
	(7,198)	—	(261,664)	—	(268,862)
Balance at 31 December 2008 (restated) and 1 January 2009	735,418	23,530	9,506	(126)	768,328
Share of exchange reserve of an associate	—	—	—	(8,221)	(8,221)
Exchange difference arising on translation of foreign operations	—	—	—	148	148
Other comprehensive expense for the year	—	—	—	(8,073)	(8,073)
Partial disposal of interests in a subsidiary	13,075	—	—	—	13,075
Deemed partial disposal of interests in subsidiaries	8,651	—	—	—	8,651
Merger reserve arising from group reorganisation					
— IRICO (Zhangjiagang)	—	—	(11,942)	—	(11,942)
Capital reduction of a subsidiary					
— IRICO (Zhangjiagang)	—	—	(39,978)	—	(39,978)
	21,726	—	(51,920)	—	(30,194)
Balance as at 31 December 2009	757,144	23,530	(42,414)	(8,199)	730,061

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 2008, 31 December 2008, 1 January 2009 and 31 December 2009	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

The deferred income is released to the consolidated statement of comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	2009 ***RMB'000***	2008 *RMB'000*
At 1 January	**21,040**	1,023
Additions	**92,023**	35,902
Release to consolidated statement of comprehensive income *(Note 10)*	**(8,262)**	(15,885)
At 31 December	**104,801**	21,040

34. DEFERRED INCOME *(continued)*

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 statement of comprehensive income on a straight-line basis over the expected lives of the corresponding assets. RMB 1,023,000 had been amortised in 2008 as other operating income in the consolidated statement of comprehensive income.

During the year ended 31 December 2008, the Group received government grants of RMB14,862,000 from PRC government for production, research and development on projects of plasma display panels. During the year, the same amount had been incurred and the same amount out of the deferred income has been recognised as other operating income in the consolidated statement of comprehensive income.

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 statement of comprehensive income as the machineries and equipment have not been put into use.

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 statement of comprehensive income.

During the year ended 31 December 2009, the Group received government grants of RMB800,000 from 佛山市財政局for housing subsidies of the experts and staff. The amount will be recognised as other operating income once the relevant expenditure is incurred. During the year, such expenditure of RMB 65,000 had been incurred and the same amount out of the deferred income has been recognised as other operating income in the consolidated statement of comprehensive income.

During the year ended 31 December 2009, the Group received government grants of RMB7,579,000 from PRC government for production, research and development on projects of plasma display panels. During the year, the same amount had been incurred and the same amount out of the deferred income has been recognised as other operating income in the consolidated statement of comprehensive income.

During the year ended 31 December 2009, the Group received government grants of RMB618,000 from PRC government for compensation for relocation of certain factory premises of a subsidiary of the Company during the year. During the year, the same amount had been incurred and the same amount out of the deferred income has been recognised as other operating income in the consolidated statement of comprehensive income.

34. DEFERRED INCOME *(continued)*

During the year ended 31 December 2009, the Group received government grants of RMB60,000,000 from 廣東省佛山市順德區人民政府 and 廣東省經濟和信息化委員會聯合廣東省財政廳, RMB30,000,000 for each respectively for research and development of technology and the acquisition of machineries and equipment. The amount used for the acquisition of machineries and equipment will be recognised as other operating income over the useful lives of such machineries and equipment. The amount used for the research and development will be recognised as other operating income when the expenditure is incurred. During the year, such expenditure had not yet been incurred and thus no deferred income has been recognised in the consolidated statement of comprehensive income.

During the year ended 31 December 2009, the Group received government grants of RMB13,920,000 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 statement of comprehensive income.

During the year ended 31 December 2009, the Group received government grants of RMB9,106,000 for training, education and other miscellaneous projects. During the year, such expenditure had not yet been incurred and thus no deferred income has been recognised in the consolidated statement of comprehensive income.

35. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2008: 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% (2008: 15%).

The gross movement on the deferred income tax assets (liabilities) is as follows:

	The Group		**The Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**(7,798)**	(12,797)	**(4,602)**	(5,403)
(Credited) charged to the consolidated statement of comprehensive income (Note 13)	**(162)**	4,999	**—**	801
Closing carrying amount	**(7,960)**	(7,798)	**(4,602)**	(4,602)

35. DEFERRED TAXATION *(continued)*

For the purpose of presentation in the consolidated statement of financial position, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets	**—**	1,857	**—**	—
Deferred tax liabilities	**(7,960)**	(9,655)	**(4,602)**	(4,602)
	(7,960)	(7,798)	**(4,602)**	(4,602)

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax assets and liabilities:

	The Group Accelerated tax depreciation	**The Company Accelerated tax depreciation**
	RMB' 000	*RMB' 000*
At 1 January 2008	(12,797)	(5,403)
Credited to the consolidated statement of comprehensive income	4,999	801
At 31 December 2008 and 1 January 2009	(7,798)	(4,602)
Credited to the consolidated statement of comprehensive income	(162)	—
At 31 December 2009	(7,960)	(4,602)

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

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 tax losses of approximately RMB741,069,000 (2008: RMB253,437,000) 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. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2014.

35. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has deductible temporary differences of RMB1,171,101,000 (2008: RMB61,904,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. LONG-TERM PROVISIONS

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Opening carrying amount	**13,795**	12,188	**3,881**	2,870
Utilised during year	**(3,200)**	(3,853)	**(1,489)**	(989)
Debited (credited) to consolidated statement of comprehensive income *(Note 11)*	**468**	5,460	**117**	2,000
Closing carrying amount	**11,063**	13,795	**2,509**	3,881
Less: current portion included in current liabilities	**(2,815)**	(3,574)	**(814)**	(2,503)
Non-current portion	**8,248**	10,221	**1,695**	1,378

The provision 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.

37. MATERIAL LITIGATIONS

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

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

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

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

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

In the opinion of the directors of the Company, the above case did not have any material impact on the Group's consolidated financial statements for the year ended 31 December 2009.

38. COMMITMENTS

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for				
— Investment in a subsidiary	**—**	—	**—**	51,000
— Investment in an associate	**—**	7,200	**—**	—
— Construction of organic light-emitting diode production lines	**132,256**	—	**—**	—
— Construction of photovoltaic glass production line	**63,326**	—	**63,326**	—
— Construction of LCD glass substrate production lines	**29,192**	4,104	**—**	—
— Construction of PDP/cold cathode fluorescent lamp production lines	**4,176**	—	—	—
	228,950	11,304	**63,326**	51,000

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**6,067**	4,431	**34,811**	78,258	**4,725**	3,584	**19,872**	67,605
In the second to fifth years inclusive	**12,134**	—	**68,137**	—	**9,449**	—	**39,744**	—
	18,201	4,431	**102,948**	78,258	**14,174**	3,584	**59,616**	67,605

38. COMMITMENTS *(continued)*

As lessee *(continued)*

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 three years respectively and rentals are fixed for an average of one and three years respectively.

As lessor

At the reporting date, investment properties are leased out for a period of 1 year to 2 years (2008: 1 year) 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 2009 is 11.1%(2008: 17.6%). The Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Within one year	**988**	1,004
In the second to fifth years inclusive	**926**	1,081
Over five years	**594**	773
	2,508	2,858

39. 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.

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.

39. RELATED-PARTY TRANSACTIONS *(continued)*

The following transactions were carried out with related parties:

A. Sale of goods

	2009 **RMB'000**	2008 *RMB'000*
Sales of goods to the IRICO Group *(Note)*		
— Shenzhen Hongyang Industrial Trade Company	**8,483**	10,011
— Caihong Labour Service Company	**12,289**	2,677
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**2,920**	536
— The ultimate holding company	**384**	283
— Xianyang IRICO Thermoelectricity Co., Ltd.	**231**	1,957
— Color Picture Tube Plant	**2,473**	4,337
— IRICO Hospital	**51**	—
— Xianyang IRICO Display Co., Ltd.	**8**	—
	26,839	19,801
Other state controlled enterprises	**699,783**	992,802

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

39. RELATED-PARTY TRANSACTIONS *(continued)*

B. Purchases of goods and provision of services

	2009 *RMB'000*	2008 *RMB'000*
Purchases of goods from the IRICO Group *(note (i))*		
— Caihong Labour Service Company	**26,469**	63,070
— Xianyang Cailian Packaging Materials Co., Ltd.	**26,372**	51,555
— Xianyang Caihong Adhesive Belt Co., Ltd.	**1,985**	4,235
— Shenzhen Hongyang Industrial Trade Company	**12,730**	12,732
— Xianyang IRICO Electronic Materials Co., Ltd.	**336**	—
— Xianyang IRICO Display Co., Ltd.	**7,513**	—
— Xianyang IRICO Thermos Co., Ltd.	**1,033**	—
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**14,244**	52,810
	90,682	184,402
Other state controlled enterprises	**95,397**	612,091
Purchases of property, plant and equipments		
— Xianyang IRICO Digital Display Co., Limited	**7,547**	3,165
Other state controlled enterprises	**427**	695

39. RELATED-PARTY TRANSACTIONS *(continued)*

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

	2009 *RMB'000*	2008 *RMB'000*
Provision of services from the IRICO Group		
— Rental expense to the ultimate holding company *(note (ii))*	**41,049**	40,827
— Trademark license fee to the ultimate holding company *(note (iii))*	**1,685**	3,511
— Network fee to the ultimate holding company	**191**	317
— IRICO Hospital	**3**	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	**285,376**	423,066
— Miscellaneous charges to Color Picture Tube Plant	**705**	—
— Environmental expenses to Color Picture Tube Plant	**5,039**	—
	334,048	469,180
Other state controlled enterprises	**782**	93,662

Notes:

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

(ii) From 1 January 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 2009 amounted to RMB41,048,000 (2008: RMB40,827,000).

(iii) License fee for using the trademark owned by the ultimate holding company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, 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.

39. RELATED-PARTY TRANSACTIONS *(continued)*

C. Acquisition of subsidiaries

(a) Acquisition of equity interests in IRICO (Zhangjiagang) and IRICO (Hefei)

As mentioned in the circular of the Company dated 13 November 2009, on 17 September 2009, IRICO Group Corporation, IRICO Glass, a subsidiary of the Company, and other independent third parties, entered into agreements pursuant to which, IRICO Glass agreed to inject RMB500 million and RMB15 million capital into IRICO (Zhangjiagang) and IRICO (Hefei), respectively.

IRICO (Zhangjiagang) was established in October 2008 with registered capital of RMB23 million and IRICO Group Corporation held 60% equity interest before the Capital Injections.

IRICO (Hefei) was established in August 2009 with registered capital of RMB5 million and IRICO Group Corporation held 100% equity interest before the Capital Injections.

The Capital Injections were completed on 24 December 2009. Upon the completion of the Capital Injections, IRICO Glass owns 95.6% and 75% of the enlarged capital of IRICO (Zhangjiagang) and IRICO (Hefei), respectively, and the Group has effective interest of 52.40% and 41.11% in IRICO (Zhangjiagang) and IRICO (Hefei), respectively.

D. Balance with ultimate holding company

i. Loans from the ultimate holding company - Group

	2009 ***RMB'000***	2008 *RMB'000*
Opening carrying amount	**121,663**	20,000
Loans borrowed	**—**	100,000
Repayment	**(40,000)**	(7,142)
Interest expense *(Note 12)*	**5,902**	8,805
Closing carrying amount	**87,565**	121,663

Loans from the ultimate holding company were unsecured and bears interest at 5.47% to 6.22% (2008: 7.47% to 8.22%) per annum and repayable on demand.

39. RELATED-PARTY TRANSACTIONS *(continued)*

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

ii. Amount due from the ultimate holding company

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other receivables, deposits and prepayments				
The ultimate holding company	**60,296**	36,623	**60,296**	—

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

iii. Amount due to the ultimate holding company

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
The ultimate holding company	**183,313**	215,460	**163,584**	213,584

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

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

During the year ended 31 December 2009, the emoluments for Mr. Fu Jiuquan, Mr. Zhang Weichuan Mr. Niu Xing and Ms. Wang Qi (2008: Mr. Fu Jiuquan, Mr. Zhang Weichuan, Mr. Niu Xinan, Mr. Zhang Xingxi and Ms. Wang Qi) are born by IRICO Group (Note 11).

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

As at 31 December 2009 and 2008, the ultimate holding company granted a guarantee and pledged certain of its land and buildings for certain bank borrowings granted to the Company and the Group (Note 31).

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

39. RELATED-PARTY TRANSACTIONS *(continued)*

E. Amount due to a fellow subsidiary

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Other payables and accruals				
Rui Bou Electronics (HK) Ltd	**69,076**	69,188	**—**	—

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

F. Key management compensation

	2009	2008
	RMB'000	*RMB'000*
Short-term benefits	**1,423**	2,604
Post-employment benefits	**67**	130
	1,490	2,734

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

39. RELATED-PARTY TRANSACTIONS *(continued)*

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables from related parties *(note)*				
The IRICO Group				
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**744**	22	**2**	7
— Shaanxi IRICO Construction Engineering Co., Ltd.	**7**	5	**7**	5
— IRICO Hospital	**1**	—	**1**	—
— Shanghai Languang Technology Co. Ltd.	**2,044**	—	**2,044**	—
— 咸陽彩虹熱電有限公司	**3**	—	**—**	—
— 彩虹集團勞動服務公司	**18**	—	**—**	—
— IRICO Group Co.	**323**	—	**323**	—
— 彩虹彩色顯像管總廠	**1**	—	**1**	—
— Xianyang IRICO Digital Display Co., Limited	**7**	3,733	**7**	3,733
— Shenzhen Hongyang Industrial Trade Company	**785**	—	**785**	—
	3,933	3,760	**3,170**	3,745
Other state controlled enterprises	**423,790**	362,072	**858**	2,678
	427,723	365,832	**4,028**	6,423
Representing:				
Trade receivables *(Note 26)*	**188,907**	190,341	**4,028**	4,336
Trade bills receivable *(Note 26)*	**238,816**	175,491	**—**	2,087
	427,723	365,832	**4,028**	6,423

39. RELATED-PARTY TRANSACTIONS *(continued)*

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables from related parties *(Note)*				
The IRICO Group				
— Caihong Labour Service Company	**6,979**	3,720	**11**	770
— Xianyang Cailian Packaging Materials Co., Ltd.	**5,588**	14,942	**4,342**	13,483
— Xianyang Caihong Adhesive Belt Co., Ltd.	**1,050**	525	**—**	—
— Shenzhen Hongyang Industrial Trade Company	**2,048**	361	**2,023**	261
— The ultimate holding company	**415**	23	**324**	—
— Shaanxi IRICO Photo Electronic Material Corporation (previously known as Shaanxi IRICO General Service Corporation)	**12**	8,448	**—**	690
— Xianyang IRICO Digital Display Co., Limited	**2,154**	7,108	**57**	—
— Shenzhen Caihong Electronics Co. Ltd.	**—**	1,209	**—**	—
— IRICO Hospital	**—**	231	**—**	231
— Color Picture Tube Plant	**12,209**	4,261	**—**	—
— Xianyang IRICO Electronic Materials Co., Ltd.	**184**	—	**—**	—
	30,639	40,828	**6,757**	15,435
Other state controlled enterprises	**8,505**	66,716	**7,562**	50,881
	39,144	107,544	**14,319**	66,316
Representing:				
Trade payables *(Note 29)*	**38,714**	70,012	**14,319**	28,784
Trade bills payable *(Note 29)*	**430**	37,532	**—**	37,532
	39,144	107,544	**14,319**	66,316

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

39. RELATED-PARTY TRANSACTIONS *(continued)*

H. Bank balances in and loans from state controlled banks

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank balances in state controlled banks	**795,286**	306,129	**226,428**	143,075
Short-term borrowings from state controlled banks	**992,000**	912,707	**782,000**	354,000

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from state controlled banks	**3,201**	3,096	**720**	1,161
Interest expenses to state controlled banks	**36,847**	55,536	**16,994**	25,096

40. EVENTS AFTER THE REPORTING DATE

On 3 December 2009, the Board of the Company approved a capitalisation issue to holders of H Shares and domestic Shares on the basis of one capitalisation H Shares for every ten H Shares and one capitalisation domestic Shares for every ten domestic Shares in issue on the relevant record date.

The capitalisation issue was approved by the shareholders at the extraordinary general meeting held on 28 January 2010 and the new shares were issued to the shareholders on 1 February 2010. The Company has made disclosure according to the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The details are stated in the Company's announcement dated 3 December 2009 and circular dated 14 December 2009.

41. COMPARATIVE FIGURES

As described in Note 1, 4A and 4B, the Group had undertaken common control combination during the year and restatement of comparative figures have been made on the consolidated financial statements of the Group. No consolidated statement of financial position as at 1 January 2008 has been presented as the reclassifications were related to subsidiaries which were established during the two years ended 31 December 2008 and 2009.

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

	As previously reported	**Reclassification**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Other operating income	94,941	(8,503)	86,438
Other operating expenses	(20,004)	8,503	(11,501)

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
Results					
Turnover	**2,097,251**	3,541,920	3,358,990	3,861,710	3,927,500
(Loss)Profit before taxation	**(1,559,849)**	125,427	77,919	187,543	(911,956)
Taxation	**(4,834)**	(7,851)	(8,420)	(19,828)	(48,377)
(Loss)Profit before minority interests	**(1,564,683)**	117,576	69,499	167,715	(960,333)
Minority interests	**(451,669)**	22,668	4,836	38,203	(205,786)
(Loss)Profit attributable to owners of the year	**(1,113,014)**	94,908	64,663	129,512	(754,547)
Assets, liabilities and minority interests	**8,912,936**	9,131,621	8,473,929	8,832,541	9,361,210
Total assets	**5,052,153**	5,737,136	5,495,330	5,515,063	5,795,426
Total liabilities	**3,150,959**	2,243,654	1,807,841	2,274,452	2,734,800
Minority interests	**709,824**	1,150,831	1,170,758	1,043,026	830,984

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
Fu Jiuquan
Feng Bing
Xu Xinzhong
Zhong Pengrong

JOINT COMPANY SECRETARIES

Chu Xiaohang
Lam Chun Lung

QUALIFIED ACCOUNTANT

Lam Chun Lung

AUTHORIZED REPRESENTATIVES

Niu Xinan
Liu Xiaodong

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