



BOE TECHNOLOGY GROUP CO., LTD.
2003 ANNUAL REPORT
(Overseas Version)

Stock Exchange Listed With: Shenzhen Stock Exchange
Short Form of the Stock: BOE - B,
Stock Code: 200725

Apr. 23, 2004

Important Announcement:

Board of Directors and its members of BOE TECHNOLOGY GROUP CO., LTD. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. This report has been edited by two languages, Chinese and English. If there is any different meaning between those two language, please abide the original Chinese meaning.

Chairman of the Board and concurrently CEO Mr. Wang Dongsheng, President and concurrently COO Mr. Liang Xinqing, CFO Mr. Wang Yanjun, and Vice CFO and concurrently Secretary of Planning & Financial Dept. Ms. Sun Yun hereby confirm that the Financial Report enclosed the Annual Report is true and complete.

Director of the Company, Mr. Xuan Jiansheng, Zhao Caiyong, Wang Hui and Xie Zhi Hua were absent from the Board meeting, Xuan Jiansheng and Zhao Caiyong entrusted Director Mr. Chen Yanshun and Jiang Yukun in writing to exercised the voting right on their behalf.

Contents

Chapter	Company Profile.....	3
Chapter	Summary of Financial Highlights and Business Highlights.....	4
Chapter	Changes in Share Capital and Particulars about Shareholders.....	5
Chapter	Directors, Supervisors, Senior Executives and Employees.....	9
Chapter	Administrative Structure.....	12
Chapter	Shareholders' General Meeting.....	14
Chapter	Report of the Board of Directors.....	16
Chapter	Report of the Supervisory Committee.....	23
Chapter	Significant Events.....	24
Chapter	Financial Report.....	27
Chapter	Documents for Reference.....	27

CHAPTER I COMPANY PROFILE

1. Legal Name of the Company:
In Chinese: 京东方科技集团股份有限公司
In English: BOE TECHNOLOGY GROUP CO., LTD.
Abbr. in Chinese: 京东方
Abbr. in English: BOE
2. Legal Representative: Wang Dongsheng
3. Secretary of the Board of Directors: Zhong Huifeng
Contact Address: No. 10, Jiuxianqiao Road, Chaoyang District, Beijing
Tel: (86)10 - 64366264
Fax: (86)10 - 64366264
E-mail: hfzhong@boe.com.cn
4. Registered Address: No. 10, Jiuxianqiao Road, Chaoyang District, Beijing
Office Address: No. 10, Jiuxianqiao Road, Chaoyang District, Beijing
Post Code: 100016
The Company's Internet Web Site: <http://www.boe.com.cn>
E-mail: web.master@boe.com.cn
5. Newspapers Chosen for Disclosing the Information of the Company:
Securities Times and Ta Kung Pao
Internet Web Site for Publishing the Annual Report: <http://www.cninfo.com.cn>
Place Where the Annual Report is Prepared and Placed: Secretariat of the Board of Director
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form for A-share: BOE - A, Stock Code for A-share: 000725
Short Form for B-share: BOE - B, Stock Code for B-share: 200725
7. Other Related Information:
Initial registration date: April 9, 1993
Initial registration address: No.10, Jiuxianqiao Road, Chaoyang District, Beijing
Registrations date after change: June 2,1997; December 25,1997; December 28, 2000;
June 18, 2001; December 10, 2001; July 4, 2003
Registration address after change: No.10, Jiuxianqiao Road, Chaoyang District, Beijing
Registered number of enterprise legal person's business license: 100001501259
Registration number of taxation: GSJZ No.110105101101660
DSJZ No. 11010510110166-0
The Name of Certified Public Accountants Company that BOE employs:
PricewaterhouseCoopers Zhongtian Certified Public Accountants
Office Address: 12th Floor, Rui'an Square, No.333 Huaihai Center Road, Shanghai

CHAPTER II. FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

1. Major accounting data as of the year 2003

Items	Amount
Profit before tax	519,332
Net profit	411,234
Gross profit of sales	1,727,377
Other operating Income	39,745
Operating profit	665,837
Net cash inflow arising from operating activities :	709,206
Balance in cash and cash equivalents at the year-end	2,051,459

Note: Attend to the difference in financial report between the rules of Chinese accounting system and international accounting system

	Net assets	Net Profit
	Unit: RMB'000	
As reported under PRC GAAP	2,570,869	403,185
Adjustments to conform with IFRS		
- Difference in the amortisation of goodwill	(4,001)	(1,333)
- Appropriation of staff bonus and welfare funds	-	(828)
- Government grant	(3,014)	1,987
- Capitalization of certain development cost	8,676	8,676
- Difference in negative goodwill recognition from acquiring certain shares in a subsidiary	(2,171)	-
- Others	(1,279)	(453)
As reported under IFRS	<u>2,569,080</u>	<u>411,234</u>

2. Major accounting data and financial indexes over the past three years as ended the report period:

(Unit: RMB'000)

Items	2003	2002	2001	
			After adjustment	Before adjustment
Sales income	11,180,106	4,782,587	2,669,543	2,683,798
Net profit	411,234	79,000	22,817	22,817
Total assets	12,040,450	6,779,294	4,034,811	4,034,811
Shareholders' equity	2,569,080	2,176,390	2,113,010	2,113,010
Unit RMB 000				
Earnings per share	0.62	0.12	0.04	0.04
Net assets per share	3.90	3.96	3.84	3.84
Net cash flow per share from operating activities	1.08	0.35	0.78	0.78
Return on equity (%)	16%	3.63%	1.08%	1.08%

Note: Note: The said per-share data are calculated on the basis of lately average number of ordinary shares in issue of 659.4648 million shares at the year-end of 2003, the per share data for 2002 and 2001 were adjusted to reflect the conversion of share premium to ordinary shares with ratio of 10 to 2 in 2003.

The above data were reported in accordance with the consolidated financial statements.

The Company has completed secondary issuance of 316.4 million B shares on Jan. 16, 2004, therefore, the Company's total share capital has increased to 975.8648 million shares. Calculated based on total share capital of 975.8648 million shares, the Company's earnings per share as of year 2003 was RMB 0.42.

3. Changes in shareholders' equity in the report period

(Unit: RMB'000)

Items	Ordinary share	Premium share capital	Other reserve	Retained profit	Total
Jan. 1, 2003	549,554	1,150,895	280,767	195,174	2,176,390
Increase of capital reserve	-	-	-	-	-
Dividend distribution as of the year 2002	109,911	-109,911	-	-	-
Profit as of 2003	-	-	-	411,234	411,234
Translation difference	-	-	-18,554	-	-18,544
Allotted surplus reserve as of this year	-	-	160,943	-160,943	-

Dec. 31, 2003	659,465	1,040,895	423,166	445,465	2,569,080
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CHAPTER III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

1. Statement of change in the Company's shares (ended Dec. 31, 2003)

Unit: Share

	Before the change	Increase/decrease (+, -) in this time					Sub-total	After the change
		Rationed share	Bonus shares	Shares transferred from public reserves	Additional issuance	Others		
I. Unlisted shares:								
1. Sponsors' shares								
Including :								
State-owned shares:	328029000			65605800			65605800	393634800
Domestic legal person's shares:								
Foreign legal person's shares:								
Others:								
2. Raised legal person's shares:	3575000			715000			715000	4290000
3. Inner employees' shares:	8450000			1690000			1690000	10140000
4. Preference shares or others:								
Total listed shares:	340054000			68010800			68010800	408064800
II. Listed shares:								
1. RMB ordinary shares	60000000			12000000			12000000	72000000
2. Domestically listed foreign shares (B share)	149500000			29900000			29900000	179400000
3. Overseas listed foreign shares:								
4. Others:								
Total listed shares:	209500000			41900000			41900000	251400000
III. Total shares:	549554000							659464800

As examined and approved by the shareholders' general meeting 2002, the Company implemented plan of transferring capital reserve into share capital at the rate of 2 shares for every 10 shares to all shareholders dated June 10, 2003. After transferring capital reserve into share capital, the Company's total shares has increased to 659,464,800 shares from 549,554,000 shares, and the structure of equity did not change. For details, please refer to Public Notice on Implementation of Transferring Capital Public Reserve into Share Capital for the Year 2002 of BOE Technology Group Co., Ltd. published on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News dated June 4, 2003.

2. Issuance and Listing of shares

Approved by State Council Securities Regulatory Commission with ZWF [1997] No. 32 document, the Company issued and listed 115 million domestically listed foreign shares (B-share) on June 10, 1997 at the issuance price of HK\$ 3.08 per share. After issuance of B-share, share capital of the Company has increased to 376.58 million shares from 261.58 million shares.

Approved by Beijing Securities Regulatory Commission with JZJH [1997] No. 67 document, the Company implemented profit distribution plan at the rate of 3 bonus shares for every 10 shares with RMB 1.00 in cash as to cumulative undistributed profit by the

year 1996. The last trade date of B-share is Nov. 5, 1997, the ex-right or ex-dividend of B-share is Nov. 6, 1997. Total share capital of the Company has increased to 489.554 million shares from 376.58 million shares after the distribution of bonus shares.

Approved by China Securities Regulatory Commission with ZJGSZ [2000] No. 197 document, the Company additionally issued 60 million RMB ordinary shares (A-share) on Dec. 19, 2000 at the issuance price of RMB 16.80 per share. After the additional issuance, share capital of the Company has increased to 549.554 million shares from 489.554 million shares. On Jan. 12, 2001, the said 60 million A shares were listed with Shenzhen Stock Exchange for trading.

As examined and approved by the shareholders' general meeting 2002, the Company implemented plan of transferring capital reserve into share capital at the rate of 2 shares for every 10 shares to all shareholders dated June 10, 2003, After transferring capital reserve into share capital, the Company's total shares has increased to 659,464,800 shares.

Issuance of the employees' shares of the Company, amounting to 6.5 million shares, has been completed in Feb. 1993 with par value RMB 1.00 per share, totaling 6.5 million. Approved by Beijing Securities Regulatory Commission with JZJH [1997] No. 67 document, the Company implemented profit distribution plan at the rate of 3 bonus shares for every 10 shares with RMB 1.00 in cash as to cumulative undistributed profit by the year 1996. After bonus share, the Company's inner employees' share has increased to 8.45 million shares from 6.5 million shares. As examined and approved by the shareholders' general meeting 2002, the Company implemented plan of transferring capital reserve into share capital at the rate of 2 shares for every 10 shares dated Jun. 10, 2003, After transferring capital reserve into share capital, the Company's inner employees' share has increased to 10.14 million shares from 8.45 million shares. The said 10.14 million inner employees' shares were listed for trading dated Jan. 12, 2004.

3. About shareholders

(1) Ended Dec. 31, 2003, the Company had totally 51,815 shareholders, including 4 shareholders of legal person's share, 32,901 shareholders of A-share and 18914 shareholders of B-share.

(2) Particulars about the shares held by top ten shareholders by Dec. 31, 2003

	Name of shareholder	Shares held (share)	Proportion in total shares	Natural of equity
1	Beijing BOE Investment & Development Co., Ltd.	350,470,800	53.15%	State-owned legal person's shares
2	Beijing Dongdian Industrial Development Company	40,044,000	6.07%	State-owned legal person's shares
3	Beijing Yixin Microdisplay Technology Development Center	4,290,000	0.65%	Legal person's shares
4	FF GREATER CHINA FD GT1 24037	3,499,940	0.53%	B-share
5	Beijing CRT General Plant	3,120,000	0.47%	State-owned legal person's shares

6	Yu Long Securities Investment Funds	2,581,395	0.39%	A-share
7	ABU DHABI INVESTMENT AUTHORITY	2,483,000	0.38%	B-share
8	BEST RELIANCE INVESTMENTS LTD	2,040,400	0.31%	B-share
9	DZ BK INTL SA A/C UNION INVESTMENT LUX SA S/A UNIEM FERNOST	2,000,000	0.30%	B-share
10	NBP/FRUCTILUX SICAV	1,999,730	0.30%	B-share

Note: In the report period, the Company's controlling shareholders is still Beijing BOE Investment & Development Co., Ltd..

The actual controller of Beijing BOE Investment & Development Co., Ltd., Beijing Dongdian Industrial Development Company and Beijing CRT General Plant is Beijing Electronics Holding Co., Ltd.. For other shareholders, the Company is unknown whether there exists associated relationship.

The shares held by Beijing BOE Investment & Development Co., Ltd., Beijing Dongdian Industrial Development Company, Beijing Yixin Microdisplay Technology Development Center and Beijing CRT General Plant were not mortgaged or frozen, and the increase of shares held by them was because the Company implemented plan of transferring capital reserve into share capital at the rate of 2 shares for every 10 shares dated Jun. 10, 2003.

(3) Ended Dec. 31, 2003, particulars about shares held by the top ten shareholders of circulation share

	Name of shareholders	Shares held (share)	Proportion in total shares	Natural of equity
1	FF GREATER CHINA FD GT1 24037	3,499,940	0.53%	B-share
2	YU LONG SECURITIES INVESTMENT FUNDS	2,581,395	0.39%	A-share
3	ABU DHABI INVESTMENT AUTHORITY	2,483,000	0.38%	B-share
4	BEST RELIANCE INVESTMENTS LTD	2,040,400	0.31%	B-share
5	DZ BK INTL SA A/C UNION INVESTMENT LUX SA S/A UNIEM FERNOST	2,000,000	0.30%	B-share
6	NBP/FRUCTILUX SICAV	1,999,730	0.30%	B-share
7	CHINA SOUTHERN (HK) CO., LTD.	1,900,000	0.29%	B-share
8	TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	1,664,580	0.25%	B-share
9	SHANGHAI (HONG KONG) WANGUO SECURITIES	1,654,085	0.25%	B-share
10	JF GREATER CHINA ABSOLUTE RETURN FUND	1,599,985	0.24%	B-share
Explanation on associated relationship among the top ten shareholders circulation share or consistent action		The Company is unknown whether there exists associated relationship or consistent action.		

(4) About the controlling shareholders

Beijing BOE Investment & Development Co., Ltd. holds 53.15% of the Company's total shares, therefore is the virtual controlling shareholder of the Company; Beijing Electronics Holding Co., Ltd. holds 56.25% of the total shares of Beijing BOE Investment & Development Co. Ltd. and therefore is the virtual controller of the Company. Beijing Electronics Holding Co., Ltd. is a state-owned holding company under Beijing Municipal

Government and is authorized to operate state-owned assets.

Beijing BOE Investment & Development Co., Ltd.

Legal Representative: Wang Dongsheng

Date of Foundation: Oct.15, 1956

Location: No.10 Jiuxianqiao Road,Chaoyang District, Beijing

Registered Capital: RMB 680.982 million

Business Scope: project investment, manufacture and design of electronic products, communications equipment, computer software & hardware, paper products, industrial gasses, mould and matrix, steam; acquisition and sales of mechanical and electrical equipment, metal products, computer software and hardware and supporting equipment, construction material, general merchandise; technical development, technical consultation, technical service and transfer, undertaking exhibitions and sales

Beijing Electronics Holding Co., Ltd.

Legal Representative: Bao Yutong

Date of Foundation: April 8, 1997

Location: No.12 Jiuxianqiao Road, Chaoyang District, Beijing

Registered Capital: RMB 1307.37 million

Type: Limited Liability Company (owned and funded solely by the state)

Business scope: operation and management of state-owned assets within authorization; Communications equipments, audio & visual products for broadcasting and television; computer and its supporting equipments and the applied products; electronic raw material and components; home electric appliances and electronic products; electronic surveying instruments and meters; mechanical and electric equipments; electronic transportation products and investment in business fields other than electronics and its management; development of real estate, lease and sales of commodity apartments; property management.

CHAPTER IV. DIRECTORS, SUPERVISORS, SENIOR EXECUTIVES AND EMPLOYEES

1. Directors, supervisors and senior executives

(1) General Introduction

Name	Sex	Age	Title	Office term	Shares held		Receiving pay from the company?
					Year-begin	Year-end	
Wang Dongsheng	Male	46	Chairman of the Board, Chairman of the Executive Committee, CEO	June 2001-June 2004	6500	7800	Yes
Jiang Yukun	Male	50	Vice Chairman of the Board	June 2001-June 2004	3900	4680	No
Liang Xinqing	Male	51	Executive Director, President and COO	June 2001-June 2004	2600	3120	Yes
Cui Bingdou	Male	54	Executive Director, Executive Vice-President	Oct. 2003- June 2004	0	0	Yes
Chen Yanshun	Male	38	Executive Director, Senior Vice-President	June 2001-June 2004	0	0	Yes
Sun Jiping	Male	45	Executive Director, Senior Vice-President	June 2001-June 2004	0	0	Yes

Zhao Caiyong	Male	56	Director	June 2001-June 2004	6500	7800	No
Wang Hui	Male	48	Director	June 2001-June 2004	0	0	No
Tai Zhonghe	Male	53	Independent Director	June 2001-June 2004	0	0	No
Xie Zhihua	Male	44	Independent Director	May 2002- June 2004	0	0	No
Zhang Baizhe	Male	60	Independent Director	Oct. 2003- June 2004	0	0	No
Li Zhaojie	Male	48	Independent Director	Oct. 2003- June 2004	0	0	No
Wang Aizhen	Female	54	Convener of the Supervisory Committee	June 2001-June 2004	1300	1560	No
Mu Chengyuan	Male	36	Supervisor	Sep. 2001-June 2004	650	780	No
Yang Anle	Male	33	Supervisor	June 2001-June 2004	0	0	No
Xu Yan	Female	52	Employee Supervisor	June 2001-June 2004	3900	4680	Yes
Cao Hong	Male	49	Employee Supervisor	Aug. 2003- June 2004	1300	1560	Yes
Song Ying	Female	46	Senior Vice-President	June 2001-June 2004	6500	7800	Yes
Ren Jianchang	Male	57	Senior Vice-President	June 2001-June 2004	0	0	Yes
Han Guojian	Male	50	Vice-President	June 2001-June 2004	2600	3120	Yes
Liu Xiaodong	Male	39	Vice-President	Apr. 2003- June 2004	0	0	Yes
Wang Jiaheng	Male	35	Vice-President	June 2001-June 2004	0	0	Yes
Wang Yanjun	Male	34	Chief Financial Officer	June 2001-June 2004	2600	3120	Yes
Zhang Peng	Male	39	Chief Tech. Supervisor	June 2001-June 2004	0	0	Yes
Zhong Huifeng	Male	33	Secretary of the Board	Apr. 2002- June 2004	0	0	Yes

Note: Shares held by directors, supervisors and senior executives are all inner employees' shares, increase of shares held by them was because the Company implemented plan of transferring capital reserve into share capital at the rate of 2 shares for every 10 shares dated Jun. 10, 2003; the said shares has been frozen after the Company's inner employees' shares were listed for trading dated Jan. 12, 2004.

(2) Directors and supervisors assuming title in and receiving pay from shareholding companies

Name	Title	
	Beijing BOE Investment & Development Company Limited	Beijing Dongdian Industrial Development Company
Jinag Yukun	Director, President and Secretary of the Party Committee	
Zhao Caiyong	Director, Standing Vice-President and Chief Financial Officer	
Wang Aizhen	Supervisor, Vice-Secretary of the Party Committee, Secretary of Discipline Commission and Chairwoman of Labor Union and Vice-President	
Mu Chengyuan	Secretary of the Board and Vice President	
Yang Anle	Manager of Planning and Financial Department	Chief Accountant

(3) The Conditions of Annual Salary

The remuneration and award of the Company's directors, supervisors and senior executives are determined by the Company according to the evaluation of their performance under the company's salary and personnel system.

The total annual remuneration (including basic wage, various premium, welfare, subsidy, housing allowance and other allowance) of the Company's present directors, supervisors and senior executives is: RMB 6.135 million

Total remuneration of the top three directors: RMB 3.121 million

Total allowances for independent directors:

Mr. Tai Zhonghe: US\$ 10,000 per year

Mr. Xie Zhihua: RMB 50,000 per year

Mr. Zhang Baizhe & Mr. Li Zhaojie: RMB 12,500 per quarter

In the year of 2003, there were 15 directors, supervisors and senior executives receiving payment from the Company, among whom one person enjoyed an annual salary below RMB 100,000, two of them enjoyed between 100,000 and 200,000 and 12 enjoyed over 200,000.

(4) Directors, supervisors and senior executives leaving their posts during the report period:

On Apr. 18, 2003, as approved by the 11th meeting of the 3rd Board of Directors, Mr. Liu Xiaodong was engaged as Vice-president of the Company, while Mr. Gong Xiaoqing no longer took the post of Vice-president of the Company due to work change.

On Aug. 26, 2003, as approved by Presidium Meeting of Union Labor Employees' Representative Meeting, Mr. Cao Hong was additionally elected as employee supervisor, reelected Ms. Xu Yan as employee supervisor of the Company.

On Aug. 29, 2003, as approved by the 16th meeting of the 3rd Board of Directors, Ms. Song Ying, Mr. Ren Jianchang and Mr. Shidong resigned from the post of Director, and Mr. Cui Bingdou was engaged as Executive Vice-president of the Company. Mr. Cui Bingdou was recommended as candidate of executive director, Mr. Zhang Baizhe and Mr. Li Zhaojie was recommended as candidate of Independent Director of the Company respectively.

On Oct. 8, 2003, as approved by the 1st Extraordinary Shareholders' General Meeting 2003, Mr. Cui Bingdou was elected as Executive Director of the Company, Mr. Zhang Baizhe and Mr. Li Zhaojie was elected as Independent Director of the Company.

2. About employees

By the end of the year 2003, the total number of employees in company is 10,443, which includes 604 for R&D, 1,502 as professional technician, 424 for sales and marketing, 852 for administration, 166 for finance, 6,535 skill workers and 360 for others.

Educational background of employees: 36 staff have doctor and post-doctor degrees, 281 staff have master degrees, 1518 staff have bachelor degrees, 945 staff have high-education diploma, 3472 staff have professional certificates and 4,191 have others backgrounds.

V. ADMINISTRATIVE STRUCTURE

1. The Company's current administrative structure

Strictly according to the requirements of Company Law, Securities Law, Listed Rules of shares in Shenzhen Stock Exchange, the Articles of the Association, and other regulations of CSRC, the company operated normatively and consummated consistently the relevant rules and regulations.

Proceeding from the principle of protecting the interests of the vast number of shareholders, in the report period, the Company made standardized management in strict line with a series of system such as Rules of Procedure of Shareholders' General Meeting, Work Regulations of Board of Directors, Rules of Procedure of Supervisory Committee

Rules of Information Disclosing, Management System on Using of Raised Proceeds and Work Rules of Executive Committee, amended the Articles of Associations of the Company timely, and formed the Management System on Investorship of the Company, which guaranteed the normative operation of the Company in the aspect of system and strengthened the communication and maintenance of investorship.

2. The performance of Independent Director

The Company has engaged four independent directors at present, which were the specialists in IT, finance, law and TFT-LTD respectively. During their term, independent directors performed their duties as Independent Director according to the relevant regulations of Guiding Opinions on the Establishment of Independent Director System in Listed Companies, actively expressed independent opinions on the Company's vital purchasing of assets, related transaction, posts change of directors and senior executives and the other major projects and played an important role in promoting the Company's strategic decision-making process, and safeguarded the benefits of the mass of medium and small shareholders and the interest of the Company in real earnest.

3. The separation between the Company and the controlling shareholder in dealing with personnel, assets, finance, organization and business

The Company's business activities, personnel, assets, institutions and finance were separated from that of the controlling shareholder. The Company was independent in personnel, finance and organization with complete finance and capability of production and operation.

(1) Business activities: The Company is independent from the shareholders and the other controllers in the aspect of business with its independent purchase and sales system. The purchase of raw materials and the sales of products are conducted through its own purchase and sale system. The Company makes independent decision-making, assumes sole responsibility for its profits or losses, with complete and independent business and capability of independent operation. The related transaction of the Company is carried on according to the standards of market principle, and doesn't do harm to the legal benefit of the Company and the all shareholders.

(2) Personnel: The Company is fully independent in its labor, personnel, salary and other matters. The president, vice-presidents, chief financial supervisor, secretary of the Board and other senior executives of the Company are all full-time staff and they do not have any dual duty in shareholding company.

(3) Assets: The assets of the Company were independent, complete and the property rights were clear. The Company independently possessed the assets required by its major business activities, such as production system, auxiliary production system, equipment facilities, land using right and intellectual property rights and so on. There was no occupation of the Company's assets by its controlling shareholder or actual controller.

(4) Organization: The Company has set up organizations and institutions independent from its controlling shareholder and actual controller and possessed independent, sound organizations and legal person's administrative structure. It has never handled business

together with its controlling shareholder or its actual controller in the same office.

(5) Finance: The Company has set up independent financial departments. The financial personnel were all full-time personnel. The Company has also established standard and independent financial and accounting system and the system of financial administration for its subsidiaries. Meanwhile, the Company has kept archives of its financial administration and prepared relevant management staff.

4. The Standardization of Administration Structure of the Company

Examined and approved by the meeting on enlarging the presidium of employee representative of the Company's labor union (on Aug. 26, 2003), Mr. Cao Hong was supplemented as employee supervisor of the Company and Ms. Xu Yan was reelected as the employee supervisor. At present there were 5 supervisors in the Company including 2 employee supervisors.

Examined and approved by 2003 1st Shareholders' General Meeting (on Oct. 8, 2003) of the Company, Ms. Song Ying, Mr. Ren Jianchang and Mr. Shi Dong were approved to resign the post of Director of the Company; Mr. Cui Bingdou was elected as execution director of the Company; Mr. Zhang Baizhe and Mr. Li Zhaojie were elected as independent directors. There were 12 directors in office including 4 independent directors. The composition of the Board and the Supervisory Committee of the Company accorded with the relevant laws and regulations and the requirements of the Articles of the Association.

5. Selection, Assessment, Encouragement, and Binding Mechanism on the Senior Executives of the Company

In the report period, the Company operated normatively strictly according to the requirements of relevant laws and regulations, amended timely the Articles of the Association, and worked out Independent Director System, Working Rules of Auditing Committee of the Board, and Working Rules of Nomination, Salary and Assessment Committee of the Board.

The Company implemented engagement system on the senior executives. In the aspect of selecting senior executives, pursuant to the principal of wisdom and concurrently talent, the Company selected all-round key members of good quality and noble moral and high working efficiency. The engagement and disengagement of senior executives of the Board of the Company was based on the working achievements and business capability.

The Company applies strict assessment measures of achievement. Based on the nature of the post, in December of each year, the Company decided the annual achievement objective of the next year of senior executives and signed operating objective responsibility letters with senior executives; the assessments for senior administrators will go through according to their responsibilities. Assessments are conducted by monthly inspection, quarterly inspection, half-year and annual assessments, which toughly integrated the salaries and achievements.

In the aspect of encouraging on senior executives, the Company strengthened the achievement management, reinforced encouragement mechanism and set up perfect

achievements evaluation and encouragement assessment index system.

VI. SHAREHOLDERS' GENERAL MEETING

1. Particulars about notification of Shareholders' General Meeting

On Apr. 22, 2003, the Company published Public Notice of Holding 2002 Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News.

On Sep. 2, 2003, the Company published Public Notice of Holding 2003 1st Provisional Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News.

On Nov. 22, 2003, the Company published Public Notice of Holding 2003 2nd Provisional Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News.

2. Particulars about convening and holding of Shareholders' General Meeting

On May 30, 2003, 2002 Shareholders' General Meeting was held in Beijing Guomen Road Hotel. Totally 61 shareholders and shareholder's proxies attended the meeting, representing 348,204,354 shares, which took 63.36% of the total amount of shares of the Company, including: 3 legal person's shareholders (proxy), representing 329,004,000 shares; 39 shareholders (proxy) of RMB ordinary share (A share), representing 121,500 shares and 19 shareholders (proxy) of overseas listed foreign capital share (B share), representing 19,078,854 shares. The meeting examined and approved the following proposals: Work Report 2002 of the Board of the Company; Work Report 2002 of the Supervisory Committee of the Company; Financial Settlement Report 2002 of the Company; Profit Distribution Preplan 2002 of the Company; Proposal on Loan and External Guarantee Line of the Company; Proposal on Adjusting Raising Capital Use of Partial Programs, Special Report on Use of Raised Capital of Last Time; Proposal on The Company's Issuance Additional B-shares and Listing Shares in light of the Requirements; Proposal on Increasing Capital to Issue Additional Domestic Listed Foreign B-shares; Report on Workingness of Raising Capital by way of Increasing Capital to issue Additional Domestic Listed Foreign B-shares; Preplan on Handling Undistributed Profit before Increasing Capital to issue Additional Domestic Listed Foreign B-shares; Preplan on Withdrawing 2002 Encourage Fund of the Company; Proposal on Transferring Share Equity of Beijing BOE Land Co., Ltd. held by the Company and Entrusting Partial Assets of the Company to Beijing BOE Land Co., Ltd. to operate.

On Oct. 8, 2003, 2003 1st Provisional Shareholders' General Meeting was held in Beijing Guomen Road Hotel. Totally 18 shareholders and shareholder's proxies attended the meeting, representing 400,708,560 shares (valid share), which took 60.76% of the total amount of shares of the Company, including: 3 legal person's shareholders, representing 394,804,800 shares; 10 shareholders of RMB ordinary share (A share), representing 38,220 shares and 5 shareholders of domestically listed foreign capital share (B share), representing 5,865,540 shares. The meeting examined and approved the following proposals: Proposal on Change of Post of Director of the Board; Proposal on Amending

the Articles of Association; Proposal on Assigning Xinke Building; Proposal on Transferring Share Equity of Beijing Panasonic Lighting Co., Ltd. held by the Company. On Dec.12, 2003, 2003 2nd Provisional Shareholders' General Meeting was held in Beijing Guomen Road Hotel. Totally 52 shareholders and shareholder's proxies attended the meeting, representing 418,260,063 shares (valid share), which took 63% of the total amount of shares of the Company, including: 3 legal person's shareholders, representing 394,804,800 shares; 32 shareholders of RMB ordinary share (A share), representing 429,938 shares and 17 shareholders of domestically listed foreign capital share (B share), representing 23,025,325 shares. The meeting examined and approved Proposal on Purchasing Partial Share Equity of Guanjie Technology Co., Ltd..

3. Particulars about public notice of resolutions of Shareholders' General Meeting

On May 31, 2003, the Company published Public Notice of Resolutions of 2003 Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities Times and Shanghai Securities News.

On Oct. 9, 2003 the Company published Public Notice of Resolutions of 2003 1st Provisional Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News.

On Dec. 23, 2003 the Company published Public Notice of Resolutions of 2003 2nd Provisional Shareholders' General Meeting of BOE Technology Group Co., Ltd. on Hong Kong Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News.

4. Particulars about election and change of directors and supervisors

Examined and approved by the meeting on enlarging the presidium of employee representative of the Company's labor union (on Aug. 26, 2003), Mr. Cao Hong was supplemented as employee supervisor of the Company and Ms. Xu Yan was reelected as the employee supervisor.

Examined and approved by 2003 1st Shareholders' General Meeting (on Oct. 8, 2003) of the Company, Ms. Song Ying, Mr. Ren Jianchang and Mr. Shi Dong were approved to resign the post of Director of the Company; Mr. Cui Bingdou was elected as execution director of the Company; Mr. Zhang Baizhe and Mr. Li Zhaojie were supplemented as independent directors.

CHAPTER VII. REPORT OF THE BOARD OF DIRECTORS

1. Discussion and analysis to operation

In the report period, the Company firmly carried out the work policy of "Changing those impossible into possible and creating strong points of individual, department and company", on the one hand, overcoming the influence of SARS epidemic, fully pushing the industrial development in all causes especially in TFT-LCD cause by catching market

chance and gaining relatively good operating achievements; on the other hand, constructing and accomplishing the flat display industrial structure with TFT-LCD cause as the core so as to found a foundation for the future development of the Company. In the report period, the Company has achieved sales in RMB 11.18 billion, correspondingly increased 133.74% over last year. Net profit has reached to RMB 411 million, increased of 420.25% over the same period of last year.

2. Main operations in report period

(1) Scope of main operations and management

The Company belonged to electronic information industry, a high-tech enterprise in Technology Park, Electronic City, Zhongguancun, Beijing. The main operations of the Company were focused on display field with main products including: The biggest producer of TFT-LCD in China and the 9th strongest in the world; Monitor/Panel TV, including CRT monitor, TFT-LCD monitor, PDP monitor, TFT-LCD TV set, PDP TV set. Company is the second biggest producer in the world. Small-size panel monitor including, and OEL etc., of which the productive and sales volume of VFD is the biggest in China and 3rd in the world and the productive and sales volume of STN-LCD ranked the 5th all over the world; The second biggest producer in China for CRT productions by cooperation with Panasonic Digital products and services: digital mobile products (notebooks, flat computers and digital computers) and IT service (intelligent system and machines and instruments, network computer system and LED display system). Precision electronic components and materials, majority of which ranked the top in the world

In 2003, the Company realized sales volume amounting to 2.988 million pieces in TFT-LCD, 27.404 million pieces in STN-LCD business, 21.756 million pieces in VFD business, 3.619 million pieces in monitors and realized sales volume amounting to 8.817 million pieces in CRT incorporated with Panasonic.

(2) Main products taking over 10% in income or profit from main operations of the Company and their areas

Formation of income from main operations and cost of main operations classified according to product type

(Unit: RMB000)

Products	Income from main operations	Cost of main operations	Gross profit	Increase/decrease in income from	Increase/decrease in cost of main	Increase/decrease in gross profit
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			ratio (%)	main operations over the last year (%)	operations over the last year (%)	ratio over the last year (%)
Business of monitor terminal products	3,145,925	2,948,751	6.27%	20.89%	21.09%	-2.49%
Business of display devices -Thin film transistor liquid	5,673,909	4,561,763	19.61%	-	-	-
Business of small-sized display device	2,006,577	1,713,598	14.61%	15.42%	24.22%	-29.25%
Other businesses	514,365	389,841	24.21%	13.33%	13.19%	0.37%
Counteracting	-160,670	-161,225	-	-	-	-
Others	11,180,106	9,452,729	15.46%	133.77%	128.14%	16.33%

Formation of income from main operations classified according to areas

(Unit: RMB000)

	Sales		Total asset		Expense	
	2003	2002	2003	2002	2003	2002
China main land	4,819,366	2,089,709	6,082,407	5,625,647	331,327	709,568
Korea	1,475,971	506,144	5,282,140	893,756	3,286,213	30,045
Taiwan	1,049,462	-	349,625	-	902	-
US	952,761	691,978	43,676	22,348	-	-
Germany	848,566	545,950	116,014	237,543	-	-
Other EU countries	498,578	682,676	-	-	-	-
Other countries in Asia	337,536	129,832	166,588	-	458	-
Other countries	1,197,866	136,298	-	-	-	-
	11,180,106	4,782,587	12,040,450	6,779,294	3,618,900	739,613

(3) Main suppliers and customers

The Company's purchase amount from the top five suppliers occupied 39% in total annual purchase amount.

The Company's sales amount to the top five customers occupied 32% in total sales

amount.

(4) Great changes in profit structure, main operations and structure and explanation on reasons

Since the Company entered into the field of TFT-LCD business in Jan. 2003, the business volume of TFT-LCD business reached over 50% in main operations of the Company. BOE-Hydis Technology Co., Ltd., a subsidiary in Korea, was listed into the consolidated scope of the Company.

(5) In the report period, there was no great change in profitability capability (gross profit ratio) of main operations of the Company.

(6) In the report period, the Company had no any other operating activity impacting material influence on the profit.

(7) Problems and difficulties from the operation and their solutions

The recovery of global economy and strengthening of Chinese economy effectively stimulated the increase in demand at home and abroad. While LCD industry has brought economic benefits for the Company in an objective way, the Company still faced many challenges in such aspects as very great difference between brand access cause and the Company's requirements for strategy, relatively slow enhancement in the Company's management capability compared with the enterprise's rapid development, demand for capital facing industrial development and how to further optimise the Company's financial structure etc. Aiming at these problems, the Company would adapt itself to the market through continuing to enlarge the input and adjusting the strategy in proper time, realize the rapid response of management team through implementing engineering of "Thousands of hundred of talents" and adjusting the management structure and realize the multi-channel capital sources through establishing strategic association and making use of overseas capital market.

3. Investment in the report period

(1) Use of the increased capitals and results

In the report period, investment of use of the proceeds raised through previous shares offering continuing to the report period

Unit: RMB'0000

Names of investment projects committed	Committed amount of investment	Planned and committed amount of investment with excessively raised proceeds	Actual amount of investment in the report period	Total actual expenditure ended Dec. 31, 2003	Progress of projects

Innovation project in development technology of municipal traffic “All-in-one Card” system in Beijing	10,000	-	1,712	7,511	Not completed
Brand access cause operating project	-	11,200	3,702	9,345	Not completed
Purchase of TFT-LCD business project of Korean Hydis Technology Inc.		13,574.43	13,574.43	13,574.43	Completed

In the report period, reasons, procedures and disclosures of changes in the projects invested with the raised proceeds

Annual Shareholders’ General Meeting 2002 of the Company held on May 30, 2003 considered and passed Proposal on Changing and Adjusting Use of the Raised Proceeds in Partial Projects. The Company changed the use of the rest raised proceeds amounting to RMB 10.34 million in “BOE E-commerce project” to supplement the running capital of the Company; All of the rest raised proceeds amounting to RMB 910,000 in “Technical reconstruction project of terminal production lines for special computers” accomplished and the rest RMB 1.79 million in “Technical reconstruction project of production lines in mobile computers” was adjusted to supplement the Company’s running capital. For details, please refer to Public Notice on Resolutions of Annual Shareholders’ General Meeting 2002 of BOE Technology Group Co., Ltd. published on Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News dated May 31, 2003.

Projects’ progress and their earnings

Beijing urban traffic “All-in-one card” project: It plans to be invested the raised proceeds amounting to RMB 100 million while RMB 75.11 million has been invested. The engineering construction burdens by the Company has partly been accomplished basically and Beijing urban traffic “All-in-one card” system was put into operation in Line No. 121 in bus and Line No. 13 in metro in Dec. 2003.

Brand access cause operating project: It planned to be invested the raised proceeds amounting to RMB 112 million while RMB 93.45 million has been invested and used in the marketing and construction of market channels for digital products with “BOE” brand and IT service.

Purchase of TFT-LCD business project of Korean Hydis Technology Inc.: After examined and approved by the 2nd Extraordinary Shareholders’ General Meeting of 2002, the Company changed and adjusted the application of partial raised proceeds of A share additionally issuing in public amounting to RMB 135,744,300 and converted to put into this purchase project. BOE-Hydis Technology Co., Ltd., an affiliated company of the

Company, accomplished the acquisition of TFT-LCD business assets in Jan. 2003, thus the TFT-LCD became the main contribution for profit in the report period.

(1) Investment with the proceeds not raised through shares offering

Unit: RMB'0000

Projects	Investment amount in the report period	Accumulative investment amount	Progress of projects
Purchase of 3.49% equity from Hyundai LCD Inc.	556	556	Completed
Jointly establishing Beijing BOE Photoelectric Technology Co., Ltd.	6208	6208	Investment amount in the 1 st phase
Purchase of 26.36% equity from Top Victory Technology	111142	111142	Completed
Jointly establishing BOE Hyundai LCD Inc.	620.7	3103.8	Investment amount in the 2 nd phase
Reconstruction of VFD production lines	10247	24521	Developed as scheduled
Engineering of main body of factories	1308	1308	Developed as scheduled
Engineering of clear factories	1233	1233	Developed as scheduled

4. Financial position and operating results of the Company

(1) Analysis to financial position and operating results

(Unit: RMB000)

Financial indexes	Dec. 31, 2003	Dec. 31, 2002	Increase/decrease margin
Total assets	12 , 040 , 450	6 , 779 , 294	77 . 6%
Long-term liabilities	2 , 230 , 674	3 , 787 , 375	77 . 3%
Current liabilities	6 , 715 , 094	357 , 667	523 . 67%
	In 2003	In 2002	Increase/decrease margin
Profit from main operations	1 , 727 , 377	635 , 551	171 . 79%
Investment earnings	665 , 837	215 , 287	209 . 28%
Shareholders' equity	411 , 234	79 , 000	420 . 55%

Increase in total assets is due to the annexing subsidiary BOE-Hydis and increase in net profit in the period.

Increase in long-term liabilities was due to raising money through the loans in order to hold the stock shares of Top Victory Electronics Co, Ltd.

Increase in current liabilities is due to the annexing subsidiary BOE- Hydys

Increase in sales gross profit, profits from operations and net profit was due to consolidation of business income from BOE- Hydys, an affiliated subsidiary of the Company.

(2) Explanations on changes of ranges of combinations compared with last annual report

In the report period, BOE-Hydys and Suzhou BOE CHATANI Co.Ltd have been covered in the range of accounting statement.

5. There was no material change in productive and operating environment and macro-policies and regulations of the Company, impacting material influence on the Company's financial position and operating results.

6. Routine work of the Board of Directors

(1) Meetings and resolutions of the Board of Directors in the report period:

On Apr. 18, 2003, the 11th Meeting of the 3rd Board of Directors of the Company was held, where Work Report of the Board of Directors 2002, Financial Settlement Report 2002, Profit Distribution Preplan 2002, Annual Report and its Summary 2002, Proposal on Limit of Loans and External Guarantees, Proposal on the Board's Authorizing Chairman of the Board to Exercise Duties, Proposal on Change in Post Holding of Partial Senior Executives, Proposal on Committee Composing in Special Committee of the Board of Directors, Proposal on Transferring its Partial Equity of Beijing BOE Mobile Technology Co., Ltd., Proposal on Transferring its Equity of Beijing BOE Land Co., Ltd. and Authorizing Partial Assets of the Company to Beijing BOE Land Co., Ltd. for Operation, Independent Director System, Detailed Rules on Implementation of Auditing Committee of the Board of Directors, Detailed Rules on Implementation of Nominating, Salary and Remuneration and Assessment Committees of the Board of Directors and Proposal on Holding Annual Shareholders' General Meeting 2002 were considered and passed.

On Apr. 28, 2003, the 12th Meeting of the 3rd Board of Directors was held, where the 1st Quarterly Report 2003 of the Company was considered and passed.

On May 13, 2003, the 13th Meeting of the 3rd Board of Directors was held, where Proposal on the Company's Compliance with the Condition for Issuing and Listing of B Shares, Proposal on Increasing Investment to Issue Domestically Listed Foreign Shares (B Shares), Report on Feasibility in Use of the Proceeds Raised Through Issuing of Domestically Listed Foreign Shares (B Shares), Preplan on Disposal of Retained Earnings Before Issuing of Domestically Listed Foreign Shares (B Shares), Preplan on Appropriating Encouragement Funds of the Company for Year 2002 and Examining Opinion on Resolution of the Controlling Shareholder and the Supervisory Committee of the Company on Increasing Consideration Issues in Annual Shareholders' General Meeting 2002 were considered and passed.

On July 22, 2003, the 14th Meeting of the 3rd Board of Directors of the Company was held, where Proposal on Acquiring Partial Equity of Top Victory Technology Co., Ltd. was

considered and passed.

On Aug. 21, 2003, the 15th Meeting of the 3rd Board of Directors was held, where Semi-annual Report 2003 of the Company, Proposal on Transferring Xingke Building of the Company, Proposal of the Company on Paying the Rest Funds for Purchasing Land Use Right and Proposal of the Company on Transferring its Equity of Beijing Matsushita Lightening Co., Ltd. was considered and passed.

On Aug. 29, 2003, the 16th Meeting of 3rd Board of Directors of the Company was held, where Proposal on Change in Post Holding of Directors in the Board and Appointment of Senior Executives, Proposal on Amending Detailed Rules on Implementation of Special Committee in the Board and Adjusting Committeemen Composing of Special Committee and Proposal on Holding the 1st Provisional Shareholders' General Meeting 2003 were considered and passed.

On Oct. 29, 2003, the 17th Meeting of the 3rd Board of Directors of the Company was held, where the 3rd Quarterly Report 2003 of the Company and Management System on Investors' Relationships of the Company were considered and passed.

On Nov. 21, 2003, the 18th Meeting of the 3rd Board of Directors was held, where Proposal of the Company on Holding the 2nd Provisional Shareholders' General Meeting 2003.

(2) Implementation on profit distribution plan in the report period:

1. The profit distribution plan in 2002: Capitalization with capital reserve to all its shareholders at the rate of 2 shares capitalized for every 10 shares based on total share capital amounting to 549,554,000 shares on Dec. 31, 2002.

2. Implementation: The Company published Public Notice on Implementation of Capitalizing Reserve into Share Capital of the Company in 2002 on Ta Kung Pao, Securities Times, China Securities and Shanghai Securities News dated Jun. 4, 2003 and confirmed that the equity registration date for A Shares and B Shares was on Jun. 9, 2003 and the ex-right date was Jun. 10, 2003. After the capitalization, the total share capital of the Company was changed from 549,554,000 shares into 659,464,800 shares.

7. The profit distribution preplan and preplan on capitalizing capital reserve into share capital

As audited by PricewaterhouseCoopers Zhongtian CPAs Co., Ltd., the Company realized net profit amounting to RMB403,185,267 in 2003. According to the provisions in the Articles of Association of the Company, after 10% of the net profit being appropriating as statutory reserve amounting to RMB 40,235,748, 5% of the net profit being appropriating as statutory welfare funds amounting to RMB 20,117,874 and 25% of the net profit being appropriating as discretionary surplus reserve amounting to RMB 100,589,369 and after appropriated employee bonus and welfare funds amounting to RMB 827,729 being deducted, plus the accumulative retained earnings in previous years amounting to RMB 192,962, 577, the actual profit available for distribution to shareholders was

RMB434,377,061 in 2003.

Based on total share capital of the Company amounting to 659,464,800 shares on Dec. 31, 2003, capitalizing 5 additional shares with cash RMB0.10 every 10 shares to all its shareholders.

The said distribution preplan should be implemented subject to consideration and approval of Shareholders' General Meeting.

8. Special explanation and independent opinion of independent directors on the Company's external guarantees

According to Rules on Administration of Listed Companies, Guide Opinion on Establishing Independent Director System in Listed Companies, Circular on Standardizing Listed Companies' Capital Current with Related Parties, External Guarantees and Other Several Problems the Articles of Association and other relevant regulations (Hereinafter referred to as Circular), we have conducted serious inspection on the Company's external guarantees in 2003.

In our opinion, the Company has conducted clearing and neatening on external guarantees and has stopped contracts as scheduled strictly in compliance with the provisions in Circular and has strengthened the control on external guarantees. Ended the end of the report period, Zhejiang BOE LCD Inc., the controlling subsidiary of the Company, provided guarantee amounting to RMB 3,000,000 to Shaoxing Tongli Tool Co., Ltd. after considered and passed by the Board of Directors.

After checking, the Company shall put forward proposal relevant to amending the Articles of Association in Annual Shareholders' General Meeting according to the provisions in Circular with contents involved in details measures such as examination of external guarantees, limit of external guarantees and anti-guarantees etc..

CHAPTER VIII. REPORT OF THE SUPERVISORY COMMITTEE

1. Meetings of the Supervisory Committee and their resolutions

On Apr. 18, 2003, the Company held the 7th meeting of the 3rd Supervisory Committee, which examined and approved Work Report of the Supervisory Committee in 2002, Financial Settlement Report in 2002, Profit Distribution Preplan for 2002, Annual Report 2002 and Summary, Proposal on Adjusting Usage of Raised Capital of Partial Items and Explanation on Usage of the Last Raised Capital.

On Apr. 29, 2003, the Company held the 8th meeting of the 3rd Supervisory Committee, which examined and approved the 1st Quarterly Report of 2003 of the Company.

On May 12, 2003, the Company held the 9th meeting of the 3rd Supervisory Committee, which examined and approved Proposal on Increasing Examined Items in Annual Shareholders' General Meeting 2002.

On Aug. 21, 2003, the Company held the 10th meeting of the 3rd Supervisory Committee, which examined and approved Semiannual Report 2003 of the Company.

On Oct. 29, 2003, the Company held the 10th meeting of the 3rd Supervisory Committee,

which examined and approved the 3rd Quarterly Report of 2003 of the Company.

2. Independent opinion of the Supervisory Committee

In the report year, the Supervisory Committee supervised over the validity when the directors and senior executives of the Company executed the duties in the Company strictly according to relevant laws, regulations, Articles of Association of the Company and Procedure Rule for the Supervisory Committee, checked relevant financial report of the Company, put forward to new proposal before holding Annual Shareholders' General Meeting 2002 and specially examined the usage of the raised capital of the Company. Aiming for the work of the Company in this year, the Supervisory Committee expressed the independent opinion as follows:

(1) The Board of Directors, directors and other senior executives of the Company carried on the work strictly according to laws, regulations and Articles of Association of the Company and there was no behavior of damaging the interest of the Company and the shareholders.

(2) The Company truly and completely issued financial statement strictly according to relevant accounting laws, regulations and rules, standardized the internal control system in a systemic way, established and perfected the financial system of the Company.

(3) Taking the maximum of the interest of the shareholders and the Company as springboard, the Company consistently perfected the construction of the Company's administration structure, actually implemented every resolution of the Shareholders' General Meeting, did a large amount of work with effect in respect of urging the maximum of the fortune of the shareholders.

(4) The related transactions involved by the Company was strictly in accordance with the market rule and obeyed the principle of fairness and justness. There existed no situation of damaging the interest of minority shareholders and the Company made information disclosure for the significant related transactions in time and engaged financial consultant to issue consultant's opinion and the independent directors also expressed the independent opinion.

(5) The appointing and removing of senior executives of the Company was in accordance with relevant laws, regulations and the meet of stratagem development of the Company.

(6) The raised capital of the Company was put in strictly according to the promised items and the increase of used items and change of usage of the raised capital all implemented relevant law procedures.

(7) The relevant purchase behaviors of significant assets of the Company were made the feasibility research of the items. The Company engaged relevant experts to examine them and implemented relevant procedures of submitting and authorization in compliance with the systemic regulations of external investment and guaranteed the investment was scientific.

CHAPTER IX. SIGNIFICANT EVENTS

1. Lawsuits and arbitrations of the Company in the report period

The Korean subsidiary of the Company, BOE-Hydis Technology Co., Ltd. received the notification of Sharp Corporation, LG · Philips LCD and Guardian Industries who announced the Company infringed some patent right of them and counterclaimed the use expense. The investigation of the event was still in process and it was difficult to assess the result of potential lawsuit temporarily, so the Company has not appropriated any provision for liabilities caused by the event in the consolidated statement.

2. Purchase of assets in the report period.

(1) Brief introduction and progress of purchased assets

The Korean subsidiary of the Company, BOE-Hydis Technology Co., Ltd. finished purchase of TFT-LCD business of HYDIS on Jan. 22, 2003. Through this purchase of asset, the Company obtained the comprehensive intellectual property right of TFT-LCD and the global market share and marketing networks of TFT-LCD and it effectively improved the core competition ability of the Company in display product field. According to the development stratagem of display industry of the Company, the Company is actively pushing the construction of TFT-LCD industry base in Beijing.

The Company signed Agreement of Equity Trade of Top Victory Technology Co., Ltd. with FIELDS PACIFIC LIMITED (hereinafter referred to as FPL) and Mr. Pan Fangren (the wholly owner of FPL). The Company purchased 26.36% (amounting to 356,033,783 shares) of the issued common shares of Top Victory Technology Co., Ltd. held by FPL as the price of HKD 2.95 per share and the total purchase amount was HKD 1,050,299,659.85. The equity purchase was finished equity transaction before Dec. 31, 2003.

(II) Influence of asset purchase on the Company

The Company obtained the core technology and global market resource of TFT-LCD by means of purchasing TFT-LCD business abroad and realized the stratagem distribution and industry reorganization of the Company in display industry field through the strategic purchase of equity of Top Victory Technology Co., Ltd.. The flat board display industry with the core of TFT-LCD has become one of the most important businesses of the Company.

3. Significant related transaction

In Apr. 2003, the Company signed Equity Transfer Contract with Beijing Electronics Town Co., Ltd. (its controlling shareholder is Beijing Electronics Holding Co., Ltd.), signed Contract of Entrusting Operation with Beijing BOE Land Co., Ltd. (hereinafter referred to as BOE Land). The Company transferred 70% equity of BOE Land as the price of RMB 38.80 million (pricing based on the assessed property price) to Beijing Electronics Town Co., Ltd. and entrusted BOE Land to operate the assets locating in “BOE Digital Rose Garden” and “BOE Small Back-light Project Zone” including the kinetic energy appliances such as water, electronics, gas and heat and construction in progress such as house and land amounting to RMB 241,780,000.

In July 2003, the Company signed Contract of Real Estate Trade and Transfer Contract of Affiliated Equipments with BOE Land. The Company transferred land use right, house

property right and the affiliated equipments of Xingke Building as the assessed price amounting to RMB 82,699,939.00 to BOE Land.

The above transactions are still in process of disposal.

4. Current credit and liabilities and guarantee between the Company and related parties

Please refer to “32 Relationship with related parties and transactions” in auditor’s report for the details.

5. Significant contract and implementation

(1) In the report period, the Company has no significant guarantee.

(2) In the report period, the Company has no assets that were entrusted others to manage.

6. There existed no commitment of the Company and the shareholders holding more than 5% equity in the report period.

7. The domestic and overseas Certified Public Accountants engaged by the Company have no change in the report period.

The domestic and overseas Certified Public Accountants engaged by the Company have no change in the report period with the details:

The domestic Certified Public Accountants: PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd.

The overseas Certified Public Accountants: PricewaterhouseCoopers China Co., Ltd.

The above Certified Public Accountants have provided audit service for the Company for six years from the date of initially signing audit business agreement with the Company on Dec. 31, 1997 to now.

In the report period, the total amount of the remuneration that the Company paid to the above Certified Public Accountants was RMB 2 million and the travel business expense in the process of proving service was undertaken by by the PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd.

8. Alternation of CPA carried with signature

By the end of report period, the service term of CPA carried with signature auditing financial report of the Company falls short of five years and there existed no alternation of CPA carried with signature.

9. In the report period, the Company, the Board of Directors and its directors have neither been checked, given administrative punishment or public criticism by CSRC and nor been publicly condemned by Stock Exchange.

10. Items after the period

(1) According to Reply of Beijing Commerce Bureau on Equity Transfer of Beijing · Matsushita Lighting Co., Ltd. as Foreign Enterprise with JSZZ [2004] NO. 16 issued by Beijing Commerce Bureau on Jan. 9, 2004, the Company transferred 30% equity of Beijing · Matsushita Lighting Co., Ltd. held by the Company to Matsushita Electric Industrial Co., Ltd. of Japan and the transfer price was RMB 62,400,000 (on the basis of the assessed value).

(2) According to ZJGSZ [2000] NO. 197 of CSRC, the internal employees’ share issued by the Company was listed and circulated since. 12 Jan. 2004.

(3) As authorized by CSRC (ZJFXZ [2004] NO.2), the Company issued 316,400,000 shares of B-share to increase capital from Jan. 13, 2004 to Jan. 15, 2004 and the issuance price was HKD 6.32 per share. After deducting relevant issuance expense, the net amount of raised capital from this reissued B share was HKD 1,922,072,431 (converted into RMB 2,048,160,383). On Apr. 16, 2004, the reissued B shares were listed and circulated.

(4) On Mar. 30, 2004, the Company held the 1st Provisional Shareholders' General Meeting in 2004, which examined and approved to list "repaying the bank loan for the payment for purchase of partial equity of Top Victory Technology Co., Ltd. amounting to USD 85 million (about RMB 702.95 million)" and "repaying bank loan of RMB 416.08 million" into the use of the surplus raised capital from this reissued B shares.

CHAPTER X. FINANCIAL REPORT

I. Accounting statements (refer to the attached statement)

II. Appendix of accounting statements (refer to the attachment)

CHAPTER XI. DOCUMENTS FOR REFERENCE

1. Accounting statements carried with the personal signatures and seals of legal representative, chief financial supervisor and person in charge of handling accounting affairs;

2. Original of Auditors' Report carried with the seal of Certified Public Accountants as well as personal signatures and seals of certified public accountants;

3. Originals of all documents and manuscripts of Public Notices/Announcements of the Company disclosed in public on the newspapers designated by CSRC in the report period.

**Board of Directors of
BOE TECHNOLOGY GROUP CO., LTD.
April 23, 2004**

BOE TECHNOLOGY GROUP CO., LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

Report of the auditors

To the shareholders of BOE Technology Group Co., Ltd.

We have audited the accompanying consolidated balance sheet of BOE Technology Group Co., Ltd. (the Company) and its subsidiaries (the Group) as of 31 December 2003 and the related consolidated income and cash flow statements for the year then ended. These financial statements set out on pages 2 to 45 are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects, the financial position of the Group as of 31 December 2003 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.

23 April 2004

**BOE TECHNOLOGY GROUP CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

(all amounts in RMB thousands)	Notes	Year ended 31 December	
		2003	2002
Sales	1	11,180,106	4,782,587
Cost of sales	1	(9,452,729)	(4,147,036)
Gross profit		1,727,377	635,551
Other operating income		39,745	18,979
Distribution costs		(288,021)	(160,302)
Administrative expenses		(792,720)	(274,640)
Other operating expenses		(20,544)	(4,301)
Profit from operations	2	665,837	215,287
Finance costs - net	3	(235,550)	(65,542)
Group profit before tax		430,287	149,745
Available-for-sale investments - losses		(11,047)	(5,761)
Share of result of associates before tax		100,092	72,922
Profit before tax		519,332	216,906
Income tax expenses	5	(30,003)	(51,356)
Group profit before minority interest		489,329	165,550
Minority interests	29	(78,095)	(86,550)
Net profit		411,234	79,000
Basic earnings per share	6	Rmb0.62	Rmb0.12

The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

(all amounts in RMB thousands)	Notes	As at 31 December			
		2003	2003	2002	2002
ASSETS					
Non-current assets					
Property, plant and equipment	8	4,221,901		1,326,218	
Investment Property	9	14,780		17,430	
Intangible assets	10	41,438		96,924	
Land use rights	11	109,797		100,266	
Investments in associates	12	1,901,399		741,841	
Available-for-sale investments	13	66,474		93,200	
Held-to-maturity investments		173		22	
Deferred tax assets	23	10,759		3,753	
Other assets	14	125,547		15,664	
			6,492,268		2,395,318
Current assets					
Inventories	15	1,248,919		560,402	
Receivables and prepayments	16	2,247,804		1,529,348	
Cash and cash equivalents	18	2,051,459		2,294,226	
			5,548,182		4,383,976
Total assets			12,040,450		6,779,294
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary shares	28	659,465		549,554	
Share premium		1,040,984		1,150,895	
Other reserves	30	423,166		280,767	
Retained earnings		445,465		195,174	
			2,569,080		2,176,390
Minority interests	29		525,602		457,862
Non-current liabilities					
Borrowings	20	1,766,291		268,804	
Deferred tax liabilities	23	8,383		9,523	
Post-employment benefit obligations	24	14,643		6,428	
Other liabilities	22	441,357		72,912	
			2,230,674		357,667
Current liabilities					
Trade and other payables	19	2,426,082		1,481,219	
Current tax liabilities		13,530		28,751	
Borrowings	20	4,249,483		2,263,875	
Provisions	25	25,999		13,530	

The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

	<u>6,715,094</u>	<u>3,787,375</u>
Total liabilities	<u>8,945,768</u>	<u>4,145,042</u>
Total equity and liabilities	<u>12,040,450</u>	<u>6,779,294</u>

The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

BOE TECHNOLOGY GROUP CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

(all amounts in RMB thousands)	Notes	Ordinary shares	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2002		549,554	1,150,895	235,871	176,690	2,113,010
Addition of capital reserves		-	-	4,412	-	4,412
Dividends relating to 2001	7	-	-	-	(27,478)	(27,478)
Net profit		-	-	-	79,000	79,000
Currency translation differences				7,446	-	7,446
Provision of general reserves	30	-	-	33,038	(33,038)	-
Balance at 31 December 2002/ 1 January 2003		549,554	1,150,895	280,767	195,174	2,176,390
Conversion of share premium to ordinary shares	28	109,911	(109,911)	-	-	-
Net profit		-	-	-	411,234	411,234
Currency translation differences	30	-	-	(18,544)	-	(18,544)
Provision of general reserves	30	-	-	160,943	(160,943)	-
Balance at 31 December 2003		659,465	1,040,984	423,166	445,465	2,569,080

The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

BOE TECHNOLOGY GROUP CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

(all amounts in RMB thousands)	Notes	Year ended 31 December	
		2003	2002
Cash flows from operating activities			
Net profit		411,234	79,000
Adjustments for:			
Minority interests	29	78,095	86,550
Tax	5	18,889	47,189
Depreciation	8,9	615,248	136,756
Amortisation	2	23,968	22,091
Impairment charge and write off	2	109,756	28,358
Loss on sale of property, plant and equipment	2	6,475	188
Finance costs	3	211,824	64,644
Share of result before tax of associates	12	(100,092)	(72,922)
Changes in working capital:			
Inventories		(381,001)	(152,479)
Trade and other receivables		(129,678)	(748,400)
Pensions and other retirement benefits		8,215	6,428
Payables		(183,185)	712,276
Cash generated from operations		689,748	209,679
Interest received	2	39,651	8,629
Tax paid		(20,193)	(25,669)
Net cash from operating activities		709,206	192,639
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(2,433,235)	(526,396)
Purchase of property, plant and equipment		(643,878)	(255,880)
Purchase of intangible assets		(15,505)	(34,170)
Purchase of available-for-sale investments		(84)	(25,171)
Purchase of association		(1,174,623)	(11,443)
Disposal of subsidiary, net of cash disposed		1,389	2,704
Proceeds from sale of property, plant and machinery		15,716	179
Dividends received		20,442	3,733
Net cash used in investing activities		(4,229,778)	(846,444)
Cash flows from financing activities			
Proceeds from convertible bonds		-	130,720
Proceeds from minority interest		-	134,512
Proceeds from borrowings		8,811,082	3,332,947
Proceeds from other financial activities		104,413	
Repayments of borrowings		(5,352,148)	(1,787,367)
Dividends paid to group shareholders		(13,434)	(42,487)
Dividends paid to minority interests		(3,864)	(7,840)
Interest paid		(216,241)	(80,359)
Payment for other financing activities		(34,019)	(17,795)
Net cash from financing activities		3,295,789	1,662,331
Effects of exchange rate changes		(17,984)	16,502
Increase/(Decrease) In cash and cash equivalents		(242,767)	1,025,028
Cash and cash equivalent at beginning of year		2,294,226	1,207,639

The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

Cash and cash equivalent at end of year	18	<u>2,051,459</u>	<u>2,232,667</u>
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The accounting policies on pages 7 to 17 and the notes on pages 18 to 45 form an integral part of these consolidated financial statements.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

GENERAL INFORMATION

BOE Technology Group Co., Ltd. (the Company) was founded in 1993 in Beijing, the People's Republic of China (PRC). It was reorganized into a joint stock limited company in 1997 and is registered in Beijing. The Company and its subsidiaries are collectively referred to as the Group.

The Group manufactures and sells electronic products, invests in enterprises engaged in the manufacturing of electronic products and provides property management services to properties it owns. The Group has operations in more than five countries and employs over 10,007 employees (2002: 6,386).

The parent company of the Group is Beijing Orient Investment and Development Co., Ltd., which is a state-owned enterprise registered in Beijing, PRC.

The Company has its primary listing on the Shenzhen Stock Exchange issuing B shares in 1997, with further offerings of A Shares on the Shenzhen Stock Exchange in 2000.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

A Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). This basis of accounting differs from that used in the preparation of the Group's statutory financial statements (“PRC statutory financial statements”). The financial statements of the Company and its subsidiaries comprising the Group have been prepared in accordance with the relevant accounting principles and regulations applicable to them. Appropriate adjustments have been made to these financial statements to conform with IFRS.

The consolidated financial statements have been prepared under the historical cost convention except those disclosed in the accounting policies below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

In 2001, the Group adopted IAS 39 Financial Instruments: Recognition and Measurement and IAS 40 Investment Property. The financial effects of adopting these standards were reported in the previous year's consolidated financial statements.

B Group accounting

(1) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note F for the accounting policy on goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

ACCOUNTING POLICIES (continued)

B Group accounting (continued)

(2) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not to recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(3) Joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

C Foreign currency translation

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Renminbi, which is the measurement currency of the parent.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the revaluation reserve in equity.

ACCOUNTING POLICIES (continued)

C Foreign currency translation (continued)

(3) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 December. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

D Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Cost includes its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Cost incurred to construct property, plant and equipment over one year is recorded as construction in progress and transferred to property, plant and equipment when the construction is ready for intended use.

Depreciation is calculated on the straight-line method to write off the cost of each asset, to their residual values over their estimated useful life as follows:

Buildings	20-40 years
Plant and machinery	2-15 years
Motor vehicles	2-10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

ACCOUNTING POLICIES (continued)

E Investment property

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is treated as a long-term investment and is stated at historical cost less depreciation and impairment. Depreciation is calculated on the straight-line method to write off the cost of each property, to their residual values over their estimated useful lives ranging from 20 to 40 years.

F Intangible assets

(1) Goodwill (Negative goodwill)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share in the net assets of the acquired subsidiary/associated at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is amortised using the straight-line method over its estimated useful life, not exceeding 20 years.

At each balance sheet date, the Group assesses whether there is any indication of impairments. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Negative goodwill represents the excess of fair value of the Group's share of the net assets acquired over cost of acquisition. Negative goodwill is presented in the same balance sheet classifications as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised as income over 10 years which is the remaining weighted-average useful life of the identifiable acquired depreciable/amortisable assets; the portion of negative goodwill in excess of the fair values of the acquired identifiable non-monetary assets is recognised as income immediately.

(2) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

straight-line basis over the period of its expected benefit, not exceeding five years.

ACCOUNTING POLICIES (continued)

F Intangible assets (continued)

(3) Computer software development cost

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefits exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

(4) Technology rights

Technology rights are confidential techniques or experience that has been applied to productions or operation. Expenditure on acquired technology rights is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 10 years.

(5) Other intangible assets

Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 10 years. Intangible assets are not revalued.

G Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

ACCOUNTING POLICIES (continued)

H Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as 3 months; during the year the Group did not hold any investments in this category. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Unrealised gain and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

I Land use rights

Land use rights are the rights granted to the Group to develop, use and/or operate on a parcel of land within a pre-approved period of time. Upfront lump sum usage fees prepaid are recorded as land use rights, which are amortised on the straight-line basis over the pre-approved period, normally 50 years.

J Leases

(1) A Group company is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the assets or the lease term.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

ACCOUNTING POLICIES (continued)

J Leases (continued)

(1) A Group company is the lessee (continued)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(2) A Group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

K Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

L Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

M Loan to employee

Loans provided to employees for their welfare such as housing are recognised as loans to employees. Long-term loans are initially recognised at fair value and subsequently carried at amortised cost using the effective yield method. The fair value on initial recognition is based on discounted cash flows using a discount rate based on the borrowing rate which the directors expect would be available to the borrower.

N Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

ACCOUNTING POLICIES (continued)

O Share capital

- (1) Ordinary shares are classified as equity.
- (2) Incremental external costs directly attributable to the issue of new shares, other than in connection with business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

P Borrowings

Borrowings are recognised initially at the proceeds is received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

When convertible bonds are issued by the Group's subsidiary, the fair value of the convertible bonds is determined using a market interest rate for an equivalent non-convertible bond; this amount is carried as liabilities on the amortised cost basis until extinguished on conversion or maturity of the bonds.

Q Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

R Employee benefits

The Group participates in defined contribution employee benefits plans by respective local governments. Under the plans, the Group's contribution is based on defined percentage of salaries and wages subject to certain salary ceilings. Contributions to the plans are charged to the income statement as incurred.

BOE Hydis Technology Co., Ltd. ("BOE-Hydis") and Hyundai LCD, Inc. ("Hyundai LCD"), subsidiaries of the Company incorporated in the Republic of Korea, provide post-employment benefits to their employees and directors

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

according to the statutory requirement. The subsidiaries' employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment depending on their length of service and rate of pay at the time of termination, regardless of the reason for termination.

ACCOUNTING POLICIES (continued)

R Employee benefits (continued)

The defined benefit plan costs are assessed using the projected unit credit method: the cost of providing benefits is charged to the income statement so as to spread the regular cost over the service lives of employees. The defined benefit obligation is measured at the present value of the estimated future cash outflows using discount rates determined based on high quality fixed interest corporate bonds or Korean government bonds. Actuarial gains and losses are recognised over the average remaining service lives of employees.

S Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(1) **Warranty**

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical data of the level of repairs and replacements.

(2) **Employee compensated absences entitlement**

Employee compensated absences entitlement is provided by Hyundai LCD Inc. and BOE-Hydis to their employees. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

T Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as other liabilities and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Other government grants are recognized as income upon receipt.

ACCOUNTING POLICIES (continued)

U Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

V Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

W Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

X Business combination

Business combinations which are acquisitions are accounted for by using the purchase method of accounting. Cost of acquisition is the amount of cash or cash equivalent paid and fair value of the other purchase consideration given by the Company plus any cost directly attributable to the acquisition. All acquired assets and liabilities are initially recognized at fair value. Any excess, at the date of the exchange transaction, of the Company's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is recognised as negative goodwill and is amortised over the weighed-average useful life of the non-monetary assets acquired or recognised as income when the future losses identified in the acquirer's plans occur.

Y Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Financial Risk Management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The overall responsibility for the implementation of the Group's financial risk management policies lies with the Board of Directors.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Korean Won (KRW). BOE-Hydis uses forward contracts to buy or sell KRW to hedge their exposure to foreign exchange risk.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest bearing assets. However, the Group has borrowings bearing variable interest rates and does not use interest rate swaps as cash flow hedges of future interest payments.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances.

The carrying amount of receivables and cash represent the Group's maximum exposure to credit risk. In respect of receivables and cash, the Group has policies in place to ensure that customers and counterparties and banks with whom the Group maintains its cash are of suitable credit standing.

(iv) Liquidity risk

The Group ensures that it maintains sufficient cash which is available to meet its liquidity requirements.

(2) Accounting for derivative financial instruments

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair value.

Changes in the fair value of any derivative instruments are recognised immediately in the income statement.

(3) Fair value estimation

The carrying amounts of the following financial assets and financial liabilities approximate to their fair value at the balance sheet date: cash, notes receivables, trade receivables and payables, other receivables and payables, and borrowings.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

1 Segment information

In 2002, the Group's risks and rates of return were derived predominantly from the fact that it operated in different countries or geographical areas. Therefore, the geographical segmentation was adopted as primary format.

However, in 2003, the Group commenced new business in providing different products and service. And, the Group's risks and rates of return were affected predominantly by the difference in the business segment. Therefore, business segments are adopted as its primary segment reporting format and geographical segments as its secondary reporting format.

For management purposes, the Group is organized on a worldwide basis into three major operating divisions - Cathode Radial Tube (CRT) business, Thin Film Transistor-Liquid Crystal Display (TFT-LCD) business and Digital Product and Service (DPS) business. Other operations include Precision Electronic Components & Materials business and so on. The divisions are the basis on which the Group reports its primary segment information.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

1 Segment information (continued)

Primary reporting format – business segments

	CRT/LCD		TFT -LCD		DPS		Others		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
REVENUE												
External sales	3,145,925	2,602,247	5,520,455	-	2,006,577	1,738,470	507,149	441,870	-	-		
Inter-segment sales	-	-	153,454	-			7,216	12,007	(160,670)	(12,007)		
Total revenue	<u>3,145,925</u>	<u>2,602,247</u>	<u>5,673,909</u>		<u>2,006,577</u>	<u>1,738,470</u>	<u>514,365</u>	<u>453,877</u>	<u>(160,670)</u>	<u>(12,007)</u>	<u>11,180,106</u>	<u>4,782,587</u>
COST												
External cost	(2,797,211)	(2,427,048)	(4,558,085)	-	(1,707,592)	(1,375,586)	(389,841)	(344,402)	-	-		
Inter-segment sales	(151,540)	(8,059)	(3,678)	-	(6,007)	(3,948)			161,225	12,007		
Total cost	<u>(2,948,751)</u>	<u>(2,435,107)</u>	<u>(4,561,763)</u>		<u>(1,713,599)</u>	<u>(1,379,534)</u>	<u>(389,841)</u>	<u>(344,402)</u>	<u>161,225</u>	<u>12,007</u>	<u>(9,452,729)</u>	<u>(4,147,036)</u>
RESULT												
Segment result	<u>95,830</u>	<u>90,047</u>	<u>671,294</u>		<u>83,535</u>	<u>179,278</u>	<u>(184,822)</u>	<u>(54,038)</u>			<u>665,837</u>	<u>215,287</u>
Profit from operations											665,837	215,287
Finance costs – net											(235,550)	(65,542)
Available-for-sale investments-gains							(11,047)	(5,761)			(11,047)	(5,761)
Share of results of associates before tax							100,092	72,922			100,092	72,922
Profit before tax											519,332	216,906
Income tax expense											(30,003)	(51,356)
Profit from ordinary activities after tax											489,329	165,550
Extraordinary item												
Group profit before minority interests											489,329	165,550
Minority interests							(78,095)	(86,550)			(78,095)	(86,550)
Net profit											<u>411,234</u>	<u>79,000</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

1 Segment information (continued)

Primary reporting format – business segments (continued)

	CRT/LCD		TFT -LCD		DPs		Others		Elimination		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
OTHER INFORMATION												
Segment assets	1,550,768	1,394,784	5,069,685		1,925,246	1,753,516	1,826,933	2,974,946	(233,581)	(85,793)	10,139,051	6,037,453
Investment in equity method associates							1,901,399	741,841			1,901,399	741,841
Consolidated total assets											12,040,450	6,779,294
Segment liabilities	1,044,285	963,500	3,235,061		1,476,926	1,339,361	3,423,761	1,927,974	(234,265)	(85,793)	8,945,768	4,145,042
Consolidated total liabilities											8,945,768	4,145,042
OTHER SEGMENT ITEMS												
Capital expenditure	71,615	70,654	3,229,508	-	147,401	427,659	170,376	241,330	-	-	3,618,900	739,613
Depreciation	28,255	25,838	449,322	-	90,567	85,782	47,104	23,320	-	-	615,248	134,940
Amortisation	9,683	7,626	(5,864)	-	4,563	2,214	5,318	4,298	-	-	13,699	15,955
Impairment charge	-	-	572	-	-	-	12,333	2,412	-	-	12,905	2,412

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

1 Segment information (continued)

Secondary reporting format – geographical segments

Although the Group's three major business segments are managed on a worldwide basis, they operate in seven main geographical areas.

PRC is the home country of the parent company which is also the main operating company. The areas of operation cover all the three activities.

The Republic of Korea – sales activities of TFT-LCD and DPS.

Taiwan – sales activities of TFT-LCD.

Germany – sales activities of DPS and CRT.

The United States of America (U.S.A.) – sales activities of TFT-LCD, DPS and CRT.

	Sales		Total assets		Capital expenditure	
	2003	2002	2003	2002	2003	2002
PRC Mainland	4,819,366	2,089,709	6,082,407	5,625,647	331,327	709,568
Republic of Korea	1,475,971	506,144	5,282,140	893,756	3,286,213	30,045
Taiwan	1,049,462	-	349,625	-	902	-
U.S.A.	952,761	691,978	43,676	22,348	-	-
Germany	848,566	545,950	116,014	237,543	-	-
Other European countries	498,578	682,676	-	-	-	-
Other Asian countries areas	337,536	129,832	166,588	-	458	-
Other countries	1,197,866	136,298	-	-	-	-
	<u>11,180,106</u>	<u>4,782,587</u>	<u>12,040,450</u>	<u>6,779,294</u>	<u>3,618,900</u>	<u>739,613</u>

With the exception of PRC and Republic of Korea, no other individual country or area contributed more the 10% of consolidated sales or assets.

Sales are based on the country or area in which the customer is located. Total assets and capital expenditure are where the assets are located.

Analysis of sales by category	2003	2002
Sales of goods	11,137,926	4,772,985
Others	42,180	9,602
	<u>11,180,106</u>	<u>4,782,587</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

2 Profit from operations

The following items have been included in arriving at profit from operations:

	2003	2002
Depreciation on property, plant and equipment (Note 8)		
- owned assets	604,473	134,247
- owned assets, leased out under operating lease	2,949	-
- leased assets under finance lease	7,195	-
Impairment of property, plant and equipment (Note 8)	12,333	2,412
Net loss on disposal of property, plant and equipment	6,475	188
Net loss on disposal of intangible assets (Note 10)	12,975	-
Amortization of intangible assets		
- goodwill (included in "Other operating expenses")(Note 10)	2,585	2,625
- negative goodwill (included in "Administrative expense") (Note 10)	(9,373)	-
- other intangible assets (included in "Administrative expenses") (Note 10)	17,496	11,513
Impairment charge and write off for intangible assets (Note 10)	572	-
Amortization of leasehold improvement and long-term advance payment	10,269	2,863
Repairs and maintenance expenditure on property, plant and equipment	97,903	6,842
Research and development expenditure	246,745	57,549
Inventory		
- costs of inventories recognised as expense (included in "Cost of sales")	7,883,265	3,964,589
- provision for obsolete and slow-moving inventories	51,973	5,153
Receivables and prepayments		
- impairment charge for bad and doubtful debts	22,191	16,714
- reversal of bad and doubtful debts	(6,454)	-
Government grant	(11,451)	(7,925)
Investment property		
- rental income	(31,475)	(22,473)
- operating expense	22,270	14,532
Staff costs (Note 4)	740,771	251,048
Impairment of available-for-sale investments (Note 13)	9,711	4,079
Operating lease expense		
- Amortisation of land use rights (Note 11)	2,991	1,817
- Operating lease expense	14,600	748
Warranty cost (Note 25)	25,402	16,058
Net fair value loss on forward contracts (Note 3, 17)	16,282	-

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

3	Finance costs – net	
	2003	2002
Interest expense		
- Bank borrowings	226,996	73,273
- Convertible bonds (Note 21)	10,968	10,569
- Long-term notes payable	12,880	-
- Finance lease	631	-
Interest income	(39,651)	(19,198)
Net foreign exchange transaction losses	11,109	790
Net fair value loss on forward contracts (Note 17)	16,282	-
Net gain on forward contract transactions	(6,358)	-
Others	2,693	108
	<u>235,550</u>	<u>65,542</u>

4	Staff costs	
	2003	2002
Wages and salaries	633,588	212,779
Retirement benefit obligations (Note 24)	37,503	10,970
Social security costs	34,260	-
Welfare	35,420	27,299
	<u>740,771</u>	<u>251,048</u>

The average number of employees in 2003 was 10,007 (2002: 6,386), of whom 450 (2002: 230) were part-time.

5	Income tax expenses	
	2003	2002
Current tax	26,977	41,419
Deferred tax (Note 23)	(8,088)	5,770
Share of tax of associates (Note 12)	11,114	4,167
	<u>30,003</u>	<u>51,356</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the Company is as follows:

Profit before tax	<u>519,332</u>	<u>216,906</u>
Tax calculated at a tax rate of 15% (2002: 15%)	77,900	32,536
Effect of different tax rates	81,327	11,623
Income not subject to tax	(14,194)	(5,218)
Expense not deductible for tax purposes	37,915	16,435
Income tax effect of tax exemption	(166,272)	-
Unrecognised deferred tax assets	14,696	-
Income tax effect of utilisation of previously unrecognised tax losses of foreign subsidiaries	(1,369)	(4,020)
Tax charge	<u>30,003</u>	<u>51,356</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

5 Income tax expenses (continued)

The Company is subject to a preferential income tax rate of 15% (2002: 15%) as an enterprise with new technology in Beijing New Technology Development Zone. As approved by the tax bureau, some of the Company's subsidiaries are also subject to preferential income tax rates ranging from zero to 15% (2002: zero to 15%). Except for Hyundai LCD, whose income tax rate is 29.7%, and the above mentioned subsidiaries, other subsidiaries of the Company are subject to an income tax rate of 33%.

6 Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2003	2002
Net profit attributable to shareholders	411,234	79,000
Weighted average number of ordinary shares in issue (thousands)	659,465	659,465
Basic earnings per share	<u>Rmb0.62</u>	<u>Rmb0.12</u>

The weighted average number of ordinary shares in issue in 2002 was adjusted to reflect the conversion of share premium to ordinary shares with a 10 to 2 ratio in 2003.

7 Dividend per share

At the Annual General Meeting on 23 April 2004, a dividend in respect of 2003 of Rmb0.01 per share amounting to a total dividend of Rmb9,758,648 is to be proposed to all shareholders (including those shareholders of the B shares issued on 16 January 2004). These financial statements do not reflect the dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2004. No dividend was declared in respect of 2002, while Rmb27,477,700 was declared in respect of 2001.

8 Property, plant and equipment

	Buildings	Plant & machinery	Motor vehicles	Construction in Process	Total
Year ended 31 December 2003					
Opening net book amount	464,243	730,897	8,372	122,706	1,326,218
Exchange difference	-	(1,238)	(2)	(65)	(1,305)
Acquisition of business unit (Note 31)	1,072,361	1,939,961	332	50,030	3,062,684
Other additions	17,174	182,110	3,453	306,147	508,884
Disposals	(17,731)	(7,021)	(115)	-	(24,867)
Transfer from CIP	14,525	131,844	461	(146,830)	-
Other deduction of CIP	-	-	-	(22,763)	(22,763)
Depreciation charge (Note 2)	(86,520)	(525,362)	(2,735)	-	(614,617)
Impairment charge (Note 2)	-	(12,333)	-	-	(12,333)
Closing net book amount	<u>1,464,052</u>	<u>2,438,858</u>	<u>9,766</u>	<u>309,225</u>	<u>4,221,901</u>
At 31 December 2003					
Cost after impairment charge	1,575,092	3,258,667	19,743	309,225	5,162,727
Accumulated depreciation	(111,040)	(819,809)	(9,977)	-	(940,826)

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

Net book amount	<u>1,464,052</u>	<u>2,438,858</u>	<u>9,766</u>	<u>309,225</u>	<u>4,221,901</u>
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**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

8 Property, plant and equipment (continued)

As of 31 December 2003, buildings with net book amount of Rmb1,153,860,373 (2002: Rmb63,293,792), plant and machinery with net book amount of Rmb1,743,807,696 (2002: Rmb237,008,289), construction in progress with book amount of Rmb18,955,865 (2002: nil) are pledged as collateral for the Group's current and non-current bank borrowings (Note 20).

The Group is in the process of obtaining formal title certificate for the building with net book amount of Rmb17,259,529 (2002: Rmb17,641,798).

The Company invested buildings with net book amount of Rmb2,450,098 to BOE Land Co., Ltd.

Bank borrowing cost of Rmb1,052,644 arising from financing specifically for the construction of property, plant and equipment was capitalised during the year and are included in "other additions" in the table above. A capitalisation rate of 5.76% (2002: 5.49%) was used representing the borrowing cost of the loan used to finance the projects.

The impairment charge of Rmb12,333,333 in 2003 for plant and machinery is related to other business segment.

Lease assets, where the Group is a lessee under a finance lease, comprise machinery:

	2003	2002
Cost	19,640	-
Accumulated depreciation	(6,933)	-
Net book amount	<u>12,707</u>	-

Lease assets, where the Group is a lessor under an operating lease, comprise machinery and motor vehicles:

	2003	2002
Cost	46,218	-
Accumulated depreciation	(24,644)	-
Net book amount	<u>21,574</u>	-

9 Investment property

	2003	2002
At beginning of year	17,430	18,122
Depreciation charge	(631)	(692)
Disposal	(2,019)	-
At the end of year	<u>14,780</u>	<u>17,430</u>
Cost	21,436	24,276
Accumulated amortisation	(6,656)	(6,846)
Net book amount	<u>14,780</u>	<u>17,430</u>

Investment property is not measured at fair value as it is not practicable within constraints of timeliness or costs to determine its fair value with sufficient reliability. There is no active market for similar property in the same location and condition and alternative estimates of fair value are not readily available.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

10

Intangible assets

	Goodwill	Negative Goodwill	Technology rights	Software	Patent	Others	Total
Year ended 31 December 2003							
Opening net book amount	47,625	-	48,917	-	369	13	96,924
Additions	-	(2,171)	37,559	4,624	4,199	5	44,216
Acquisition of business unit (Note 31)	-	(93,733)	-	16,919	2,392	-	(74,422)
Impairment charge	-	-	-	-	(572)	-	(572)
Disposal	-	-	(12,975)	-	-	-	(12,975)
Amortisation charge (Note 2)	(2,585)	9,373	(14,934)	(2,310)	(1,271)	(6)	(11,733)
Closing net book amount	45,040	(86,531)	58,567	19,233	5,117	12	41,438
At 31 December 2003							
Cost	51,929	(95,904)	94,284	21,543	6,448	23	78,323
Accumulated amortisation	(6,889)	9,373	(35,717)	(2,310)	(1,331)	(11)	(36,885)
Net book amount	45,040	(86,531)	58,567	19,233	5,117	12	41,438

As of 31 December 2003, technology rights with net book amount of Rmb1,203,072 (2002: nil) are pledged as collateral for Group's non-current bank borrowings (Note 20).

11

Land use rights

	2003	2002
Opening net book amount	100,266	80,250
Additions	17,803	21,833
Amortisation charge (Note 2)	(2,991)	(1,817)
Transfer out	(5,281)	-
Closing net book amount	109,797	100,266
Cost	116,489	103,967
Accumulated amortisation	(6,692)	(3,701)
Net book amount	109,797	100,266

As of 31 December 2003, land use rights, with net book amount of Rmb10,583,053 (2002: nil) and Rmb4,610,000 (2002: Rmb6,189,173), are pledged as collateral for Group's current and non-current bank borrowings, respectively (Note 20).

The Company invested certain land use right with net book value of Rmb5,281,377 to BOE Land Co., Ltd. as investment.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

12

Investments in associates

	2003	2002
At beginning of year	741,841	691,792
Addition	1,111,418	22,459
Disposal or transfer to investments in subsidiaries	(20,989)	(37,499)
Share of results before tax	100,092	72,922
Share of tax of associates (Note 5)	(11,114)	(4,167)
Share of results after tax	<u>88,978</u>	<u>68,755</u>
Dividend received	(20,442)	(3,600)
Other movement	593	(66)
At end of year	<u>1,901,399</u>	<u>741,841</u>

Addition in 2003 represents the purchase of 26.36% shares of TPV Technology Limited ("TPV"), a Hong Kong and Singapore listed company incorporated in Bermuda.

On 6 August 2003, the Company entered into Share Purchase Agreement with Field Pacific Limited ("FPL") to acquire 26.36% ordinary shares of TPV for a total consideration of HK\$1,050,299,660. Total number of shares acquired is 356,033,783 with a purchase price of HK\$2.95 per share.

On 20 November 2003, the share certificates of FPL were cancelled and the new share certificate was issued to the Company. According to the approvals from National Development and Innovation Committee, State Administration of Foreign Exchanges Beijing office and the Business Department of P.R.C., and the shareholders of the Company, the share transfer was completed on 30 December 2003.

After deducting the interim dividend of HK\$8,544,707, which belonged to the Company according to the Share Purchase Agreements, payments with a total amount of HKD 1,041,754,953 were remitted to FPL on or before 17 December 2003. As of 31 December 2003, the net assets of TPV are Rmb2,562,317,339 and the goodwill from the acquisition is Rmb436,048,447.

Particulars of associates are set out in Note 33.

13

Available-for-sale investments

	2003	2002
At beginning of year	93,200	101,096
Transfer to investment in subsidiaries	(25,514)	(25,327)
Acquisition of subsidiaries	-	25,514
Additions	8,499	607
Disposal	-	(4,611)
Impairment loss (Note 2)	(9,711)	(4,079)
At end of year	<u>66,474</u>	<u>93,200</u>
Non-current	<u>66,474</u>	<u>93,200</u>

Available-for-sale investments, comprising primarily investments in unconsolidated subsidiaries and other equity investments, are measured at cost less impairment, as it is not practicable to determine their fair value with sufficient reliability.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

13 Available-for-sale investments (continued)

Transfer to investment in subsidiaries represents investments in Suzhou BOE Chagu Electronics Co., Ltd. and BOE-Hydis, which began their formal operation and have been consolidated by the Group in 2003.

As of 31 December 2003, the Group made full impairment provision for its investment in Beijing BOE Digital Technology Co., Ltd., a subsidiary in liquidation period, as its investment cannot be recovered.

14 Other non-current assets

	2003	2002
Long-term loans to employees	6,737	1,228
Long-term receivable from sale of investment in associate	15,656	-
Long-term restricted cash	34,019	715
Club debentures	20,579	-
Leasehold improvement	27,473	12,453
Planned assets in retirement benefit obligation (Note 24)	2,501	-
Unregistered patents	8,676	-
Others	9,906	1,268
	<u>125,547</u>	<u>15,664</u>

The current portion of the above loans and receivables is set out in Note 16. All long term loans and receivables are due within 7 years from the balance sheet date. The carrying value of long-term loans and receivables approximates their fair value, which is based on discounted cash flows using an effective interest rate of 1.0% to 6.54%.

The restricted cash is subject to BOE-Hydis' s withdrawal restriction in relation to checking accounts and the interest payment of syndicate loan (Note 20) and long term notes payables (Note 22).

15 Inventories

	2003	2002
Raw materials (at cost)	696,120	272,407
Work in progress (at cost)	294,512	174,395
Finished goods (at cost)	310,322	122,934
Provision for obsolete and slow-moving inventories	(52,035)	(9,334)
	<u>1,248,919</u>	<u>560,402</u>

As of 31 December 2003 , the inventory amounting to Rmb365,913,708 owned by BOE-Hydis is pledged as collateral for syndicate loan (Note 20).

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

16	Receivables and prepayments	2003	2002
	Notes receivable	154,184	83,253
	Trade receivables	1,896,521	1,074,284
	Less: Provision for impairment of trade receivables	(29,449)	(15,542)
	Trade receivables - net	<u>1,867,072</u>	<u>1,058,742</u>
	Other receivables	182,373	364,397
	Less: Provision for impairment of other receivables	(1,441)	(10,675)
	Other receivables - net	<u>180,932</u>	<u>353,722</u>
	Short-term receivable from sale of investment in associate	3,263	-
	Short term loans to employees	4,105	-
	Prepayments	26,978	28,898
	Prepaid expense	11,078	4,733
	Forward foreign exchange contracts (Note 17)	192	-
		<u>2,247,804</u>	<u>1,529,348</u>

As of 31 December 2003, trade receivables amounting to Rmb114,278,853 (2002: nil) and notes receivable amounting to Rmb34,215,000 (2002: nil) are pledged as collateral for Group's current bank borrowings (Note 20).

17	Financial instruments	2003	2002
	Forward foreign exchange contracts		
	- with positive fair values (Note 16)	192	-
	- with negative fair values (Note 19)	(16,474)	-
		<u> </u>	<u> </u>

The forward foreign exchange contracts were designated for fair value hedge. The outstanding forward exchange contracts with financial institutions, for selling, are as follows:

Contract amount	Financial Institution	Contract Rate (KRW:USD)	Due date
US\$10,000,000	Woori Bank	1155.48	February 17, 2004
US\$10,000,000	Woori Bank	1157.00	March 15, 2004
US\$10,000,000	Woori Bank	1159.10	April 16, 2004
US\$10,000,000	Woori Bank	1187.75	April 20, 2004
US\$10,000,000	Woori Bank	1189.10	May 20, 2004
US\$20,000,000	Woori Bank	1221.10	September 30, 2004
US\$10,000,000	Woori Bank	1223.90	October 29, 2004
US\$10,000,000	Woori Bank	1224.50	November 29, 2004
US\$10,000,000	Bank of China	1161.30	May 14, 2004

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

18	Cash and cash equivalents	2003	2002
	Cash at bank and in hand	835,037	763,463
	Short term bank deposits	1,216,422	1,530,763
		<u>2,051,459</u>	<u>2,294,226</u>

The average effective interest rate on short-term bank deposits was 0.72% (2002:0.99%).

Time deposit amounting to Rmb59,019,750, owned by BOE-Hydis and Hyundai LCD, is pledged as collateral for bank borrowings (Note 20). Meanwhile, the two subsidiaries issued certain blank checks and notes to banks as the collateral for current and non-current bank borrowings, amounting to Rmb144,837,804 and Rmb406,785,461, respectively (Note 20).

For the purpose of the cash flow statement, the cash and cash equivalents comprise the following:

	2003	2002
Cash and bank balances	2,051,459	2,294,226
Less: Restricted deposits for Letter of Credit	(6,261)	(43,764)
Term deposits with original maturity of more than 3 months which cannot be withdraw on demand	(14,582)	(17,795)
Pledged bank deposits	(59,020)	-
	<u>1,971,596</u>	<u>2,232,667</u>

19	Trade and other payables	2003	2002
	Trade payables	1,803,654	1,099,598
	Notes payable	19,550	20,835
	Accrued expenses	142,612	83,264
	Advances to suppliers	25,901	16,790
	Wages and welfare payables	37,064	25,999
	Dividends payable	25,870	30,243
	Other payables	340,589	185,230
	Other tax liabilities	14,368	5,837
	Forward exchange contracts (Note 17)	16,474	-
	Long term payable within one year	-	13,423
		<u>2,426,082</u>	<u>1,481,219</u>

20	Borrowings	2003	2002
	Current		
	Bank borrowings – secured	763,820	253,683
	Bank borrowings – unsecured	3,396,291	1,885,138
	Borrowings from joint venture's other shareholder	4,586	75,173
	Discounts on bank acceptance	14,000	-
	Convertible bonds (Note 21)	70,786	49,881
		<u>4,249,483</u>	<u>2,263,875</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

20 Borrowings (continued)

Non-current	2003	2002
Syndicate loan – secured	1,502,162	-
Bank borrowings – secured	35,035	-
Bank borrowings – unsecured	155,210	181,428
Convertible bonds (Note 21)	51,637	87,376
Finance lease liabilities	20,447	-
Others	1,800	-
	<u>1,766,291</u>	<u>268,804</u>

Maturity of non-current borrowings (excluding finance lease liabilities):

	2003	2002
Due between 1 and 2 years	260,624	197,377
Due between 2 and 5 years	1,485,220	71,427
	<u>1,745,844</u>	<u>268,804</u>

Finance lease liabilities – minimum lease payment:

	2003	2002
Later than 1 year and not later than 5 years	22,863	-
Future financial charge on financial lease	(2,416)	-
Present value of finance lease liabilities	<u>20,477</u>	-

As of 31 December 2003, borrowings are from banks and the other shareholder of the Group's joint venture.

The collaterals for secured current and non-current bank borrowings include buildings and machinery (Note 8), land use rights (Note 11), intangible assets (Note 10), restricted cash (Note 18,14), inventory (Note 15), trade receivables (Note 16), notes receivable (Note 16), blank checks and blank notes of Hyundai LCD and BOE-Hydis (Note 18).

BOE-Hydis entered into a financial covenant agreement and obtained syndicate loan amounting to Rmb1,502,162,039 from Korean Development Bank, Korean Exchange Bank, Woori Bank and Hyundai Marine and Fire Insurance Company. According to the agreement, BOE-Hydis should maintain certain financial ratios before the repayment of syndicate loan and the related interests (Note 27). The share certificate issued by BOE-Hydis to the Company was kept under Industrial and Commercial Bank of China, Seoul Branch's custody and the percentage of BOE's shares in BOE-Hydis shall not be lower than 51% at any event until the loan and related interest of BOE-Hydis are repaid. In respect of any of the shares or resulting from a split-up, revision or reclassification of any of the shares, or received in exchange for any of the shares, as a result of a merger, consolidation or otherwise, will be paid or delivered to and retained by Industrial and Commercial Bank of China, Seoul Branch.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

20 Borrowings (continued)

The exposure on the borrowings of the Group to interest rate changes and the periods in which the borrowings are repriced are as follows:

	6 months or less	more than 6 to 12 months	more than 1 to 5 years	Total
At 31 December, 2003	407,828	-	1,834,347	2,242,175

Current borrowings bear interest at rates ranging from 1.03% to 10% (2002: 5% to 8.5%). Non-current bank borrowings bear interest at rates ranging from 4.10% to 8.09% (2002: 5.49% to 6.03%).

21 Convertible bonds

As of 31 December 2003, details of convertible bonds are as follows:

No.	Coupon rate	Issuance date	Redemption date	Conversion rate (per share)	Face value			
					2003		2002	
KRW denominated, non-guaranteed:					KRW'000	RMB'000	KRW'000	RMB'000
1st	7%	12/31/2001	12/31/2003	KRW 5,000	-	-	6,600,000	46,059
2nd	7%	02/06/2002	02/06/2004	KRW 5,000	2,568,000	17,831	2,568,000	17,921
3rd	7%	02/08/2002	02/08/2004	KRW 5,000	2,200,000	15,276	2,200,000	15,353
4th	7%	04/24/2002	04/24/2004	KRW 5,000	-	-	250,000	1,745
5th	7%	12/31/2003	12/31/2004	KRW 5,000	4,800,000	33,330	-	-
					9,568,000	66,437	11,618,000	81,078
USD denominated, guaranteed:					USD	RMB'000	USD	RMB'000
5th	2%	11/26/2002	11/26/2005	KRW 15,000	5,800,000	48,006	5,800,000	48,008
					114,443		129,086	

The conversion right for the bonds denominated in KRW can be exercised 3 months after the issuance date, while that for the bonds denominated in USD can be exercised one day after the issuance date. The 4th series bonds have been redeemed before redemption date and the related losses amounting to Rmb20,518 are recognised in current year's income statement.

The convertible bonds are recognised in the balance sheet as follows:

	2003	2002
Liability at the beginning of the year	137,257	129,086
Interest expense (Note 3)	10,968	10,569
Interest paid	(10,971)	-
Redemption	(14,235)	-
Net foreign exchange transaction gains	(596)	(2,398)
Liability at end of year	122,423	137,257
Current (Note 20)	70,786	49,881
Non-current (Note 20)	51,637	87,376

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

	122,423	137,257
22 Other non-current liabilities		
	2003	2002
Long-term notes payable	307,747	-
Long-term payable for consignment construction	104,413	-
Government grants	17,975	9,520
Payable to holding company (Note 32)	-	49,113
Payable for acquiring an associate	8,032	11,672
Other liabilities	3,190	2,607
	<u>441,357</u>	<u>72,912</u>

Long-term Notes payable mainly include Long-term Promissory Notes issued by BOE-Hydis when acquiring the TFT-LCD business from Hyundai Display Technology Inc. and accrued interests. The principal and its accrued interests are due within 6 years from the balance sheet date.

The movement of long term notes payables is as follows:

Initial recognition on 23 January 2003 (Note 31)	323,933
Waiver for the uncollectable trade receivables	(29,066)
Interest expenses (Note 3)	<u>12,880</u>
At end of year	<u>307,747</u>

According to the Workshop Construction Consignment Agreement and other agreements signed among Beijing BOE Optoelectronics Technology Co., Ltd., the subsidiary of the Company, Beijing Economic-Technological Investment & Development Corporation ('BETIDC') and the Company, BETIDC invested Rmb150,000,000 and consigned BOE Optoelectronics Technology Co., Ltd. to construct the 5G TFT-LCD special workshop ("5G workshop"). According to the agreement, BETIDC has the ownership of the 5G workshop, while Optoelectronics Technology Co., Ltd. makes payment on BETIDC's behalf. As of 31 December 2003, the Company has received consignment construction fund amounting to Rmb150,000,000, of which Rmb45,586,684 was paid for the 5G workshop construction. The remaining balance of Rmb104,413,316 was included in long-term payables.

23 Deferred income taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using the effective tax rates of the Company and its subsidiaries.

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

	2003	2002
At beginning of year	5,770	-
Acquisition of business unit	(10)	-
Income statement charge (Note 5)	(8,088)	5,770
Exchange differences	(48)	-
At end of year	<u>(2,376)</u>	<u>5,770</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

23 Deferred income taxes (continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

	Reserve for research and development	Foreign currency exchange gain	Interest income	Others	Total
Deferred tax liabilities					
At 1 January 2003	10,363	2,343	40	-	12,746
Exchange differences	(52)	(12)	-	-	(64)
Income statement charge	191	80	(12)	409	668
At 31 December 2003	10,502	2,411	28	409	13,350

Deferred tax assets	Unapproved impairment loss	Accrued for royalty fee	Over-am- ortised intangible assets	Price protection	Unrealised income	Others	Total
At 1 January 2003	(874)	(2,116)	(763)	-	(1,475)	(1,748)	(6,976)
Exchange differences	-	-	-	-	7	9	16
Acquisition of business unit	-	-	-	-	-	(10)	(10)
Income statement charge	(1,274)	(1,926)	(2,857)	(828)	738	(2,609)	(8,756)
At 31 December 2003	(2,148)	(4,042)	(3,620)	(828)	(730)	(4,358)	(15,726)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2003	2002
Deferred tax assets	(10,759)	(3,753)
Deferred tax liabilities	8,383	9,523
	<u>(2,376)</u>	<u>5,770</u>

The amount shown in the balance sheet include the following:

	2003	2002
Deferred tax assets to be recovered after more than 12 months	(3,620)	(763)
Deferred tax liabilities to be settled after more than 12 months	9,273	8,823

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

24 Post-employment benefit obligations

The post-employment benefit obligations arise from benefit plans maintained by Hyundai LCD and BOE-Hydis. The amounts recognised in the balance sheet are determined as follows:

	2003	2002
Present value of funded obligations	70,680	12,096
Fair value of plan assets	(50,878)	(7,012)
	<u>19,802</u>	<u>5,084</u>
Present value of unfunded obligations	3,051	1,344
Unrecognised actuarial losses	(10,711)	-
Net liability	<u>12,142</u>	<u>6,428</u>

Employee benefit obligation assets and liability are offset when there is a legally enforceable right to use a surplus in one plan to settle obligation under other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously. The following amount, determined after appropriate offsetting, is shown in the consolidation balance sheet:

	2003	2002
Asset in the balance sheet (Note 14)	(2,501)	-
Liability in the balance sheet	14,643	6,428
	<u>12,142</u>	<u>6,428</u>

The amounts recognised in the income statement are as follows:

	2003	2002
Current service cost	35,277	10,970
Interest cost	2,216	-
Expected return on plan assets	(450)	-
Net actuarial losses recognised in year	460	-
Current, included in staff cost (Note 4)	<u>37,503</u>	<u>10,970</u>

Movement in the net liability recognised in the balance sheet:

	2003	2002
At beginning of year	6,428	-
Exchange differences	(33)	-
Liabilities acquired in business acquisition (Note 31)	13,236	4,874
Total expense - as shown above	37,503	10,970
Contributions paid	(44,992)	(9,416)
At end of year	<u>12,142</u>	<u>6,428</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

24 Post-employment benefit obligations (continued)

The principal actuarial assumptions used were as follows:

	2003	2002
Discount rate	6.13%	5.76%
Expected return on plan assets	6.30%	6.00%
Future salary increases	6.75%	6.00%

25 Provisions

	Warranty	Compensated absences	Total
At 1 January 2003	11,155	2,375	13,530
Exchange differences	(1)	(12)	(13)
Liabilities acquired in business acquisition (Note 31)	11,109	-	11,109
Additional provisions (Note 2)	25,402	3,099	28,501
Utilised during the year	(23,749)	(3,379)	(27,128)
At 31 December 2003	<u>23,916</u>	<u>2,083</u>	<u>25,999</u>

(1) Warranty

The Group gives warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of Rmb23,915,648 has been recognised at the year-end for expected warranty claims based on past experience of the level of repairs and returns.

(2) Compensated absences

The Group provides for the expected cost of compensated absences based on the amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

26 Contingent liabilities

(1) Guarantee

	2003	2002
Related parties	-	151,000
Third parties	3,000	92,000
	<u>3,000</u>	<u>243,000</u>

Above balances represent the credit facilities from banks which the Group has guaranteed for other enterprises.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

26 Contingent liabilities (continued)

(2) Potential litigation

BOE-Hydis was given notifications from Sharp Corporation, LG-Philips LCD and Guardian Industries, alleging infringement of certain patent rights and claiming royalties. The directors are of the opinion that while discovery is still ongoing, it is not possible to assess the outcome of the potential litigation for the time being and no provision for any liability that may result has been made in the consolidated financial statement.

27 Commitments

(1) Capital commitments

Capital expenditures contracted for at the end of balance sheet date but not recognised in the financial statements are as follows:

	2003	2002
Property, plant and equipment	1,099,217	89,111
Equity investment	-	1,241,595
Land use right	-	8,858
	<u>1,099,217</u>	<u>1,339,564</u>

(2) Operating lease commitments

BOE-Hydis has entered into an agreement with Hynix Semiconductor Inc. to rent land where manufacturing facilities of the company locate. The contract term is effective from January 22, 2003 to January 21, 2033. The future aggregate minimum lease payments under the non-cancellable operating leases of the land are as follows:

	2003	2002
Not later than 1 year	12,704	-
Later than 1 year and not later than 5 years	50,817	-
Later than 5 years	317,256	-
	<u>380,777</u>	<u>-</u>

(3) Financial covenant agreement

BOE-Hydis has entered into a financial covenant agreement in relation to the syndicated loan agreement under which BOE-Hydis should maintain certain financial ratio and has limitations on fundamental business change such as acquisition of any business or capital stock except for acquisition of normal operation assets. In addition, BOE-Hydis cannot declare dividends, and incur additional liabilities, except for the debt specially allowed by debtors (Note 20).

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

28

Ordinary shares

	2003	2002
	Number of shares	Number of shares
	('000)	('000)
Domestic non-listed shares of Rmb1 each		
A shares of Rmb1 each	408,065	340,054
B shares of Rmb1 each	72,000	60,000
	179,400	149,500
	<u>659,465</u>	<u>549,554</u>

All shares rank pari passu in all respects.

On 9 June 2003, the Company converted share premium with amount of Rmb109,910,800 to ordinary shares with a 10 to 2 ratio, as approved by the 2002 annual shareholders' meeting.

29

Minority interest

	2003	2002
At beginning of year		
Addition arising from new consolidated subsidiaries	457,862	252,245
Share of net profit of subsidiaries	8,389	74,133
Result of changes in subsidiary's shares	78,095	86,550
Translation reserves	(7,706)	49,187
Dividends paid	561	9,101
Disposal of subsidiaries	(12,925)	(9,505)
Others	1,326	(10,032)
At end of year	<u>525,602</u>	<u>457,862</u>

30

Other reserves

	Capital reserves	General reserves	Translation reserve	Total
Balance at 1 January 2002	558	235,313	-	235,871
Currency translation differences	-	-	-	-
- amount arising for the year	-	-	7,446	7,446
Addition of capital reserves	4,412	-	-	4,412
General reserves for the year	-	33,038	-	33,038
Balance at 31 December 2002/ 1 January 2003	<u>4,970</u>	<u>268,351</u>	<u>7,446</u>	<u>280,767</u>
Currency translation differences	-	-	-	-
- amount arising for the year	-	-	(18,544)	(18,544)
General reserves for the year	-	160,943	-	160,943
Balance at 31 December 2003	<u>4,970</u>	<u>429,294</u>	<u>(11,098)</u>	<u>423,166</u>

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

In accordance with the relevant PRC regulations, the Group appropriated 10% and 5% of statutory net profit to the statutory surplus reserve and statutory public welfare reserve. The Company also appropriated 25% of statutory net profit to the discretionary surplus reserve which has been approved by the Board of Directors.

31 Acquisition

On 19 November 2002, BOE-Hydis acquired TFT-LCD business from Hynix Semiconductor, Inc. The acquired business is the only operating business unit of BOE-Hydis, contributing revenue of Rmb5,662,703,058 and net profit of Rmb520,098,549 to the Group for current year, and its net assets as of 31 December 2003 is Rmb1,743,018,702.

Details of net assets acquired are as follows:

Purchase consideration	2,965,940
Fair value of net assets acquired	<u>(3,059,673)</u>
Negative goodwill	<u>(93,733)</u>

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalent	156,159
Property, plant and equipment (Note 8)	3,062,684
Intangible assets (Note 10)	19,312
Other non-current assets	33,317
Inventories	359,490
Trade and other receivables	537,114
Retirement benefit obligation (Note 24)	(13,236)
Non-current liabilities	(20,697)
Warrant provision (Note 25)	(11,109)
Trade and other payables	<u>(1,151,309)</u>
Fair value of net assets acquired	2,971,725
Negative goodwill (Note 10)	<u>(93,733)</u>
Total purchase consideration	2,877,992
Less: Long-term notes payable (Note 22)	(323,933)
Less: Cash and cash equivalent acquired	(156,159)
Cash outflow on acquisition	<u>2,397,900</u>

32 Related party transactions

The Company is controlled by Beijing Orient Investment and Development Co., Ltd. (registered in PRC), which owns 53% of the Company's share. The remaining 47% of the shares are widely held.

Beijing Orient Electronic Industry Development Co., Ltd. and Beijing Kinescope Factory are the subsidiaries of Beijing Electronics Holding Co., Ltd.. Beijing Orient Mould Factory is the subsidiary of Beijing Orient Investment and Development Co., Ltd. The relationship between the other related parties except abovementioned companies and the Company is set out in Note 33.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

32 Related party transactions (continued)

(1) Related party transactions

In the opinion of directors, the terms of these transactions follow commercial terms and conditions arranged in the ordinary course of the Company's business. The following transactions were carried out with related parties:

	2003	2002
Purchase of goods and services:		
BOE Land Co., Ltd.	22,853	-
Beijing BOE Digital Technology Co., Ltd.	3,167	-
Sales of goods and services:		
Beijing Matsushita Color CRT Co., Ltd.	86,993	85,211
Beijing Orient Mosler Security Technology System Co.,Ltd.	2,949	-
	2003	2002
Utility income:		
Beijing Matsushita Color CRT Co, Ltd.	-	8,966
Beijing Nissin Electronics Precision Component Co., Ltd.	-	768
Beijing Nittan Electronics Co., Ltd.	-	493
Rental income:		
Beijing Nissin Electronics Precision Component Co., Ltd.	203	1,121
Beijing Nittan Electronics Co., Ltd.	1,555	2,412
Beijing Orient Mould Factory	-	992
Beijing Orient Mosler Security Technology System Co., Ltd.	133	399
Rental income:		
Beijing Star City Real Estate Development Co., Ltd.	600	310
BOE Land Co., Ltd.	356	-
Guarantee:		
Beijing Orient Top Victory Electronics Co., Ltd.	41,740	96,000

(2) Related parties balances

Related party receivables and payables are as follows:

	2003	2002
Trade receivables due from:		
Beijing Matsushita Color CRT Co., Ltd.	9,971	17,072
TPV Technology Group	281,430	-
Beijing Orient Mosler Security Technology System Co.,Ltd.	2,105	-
Notes receivables due from:		
Beijing Matsushita Color CRT Co., Ltd.	24,096	17,796
Other receivables due from:		
Beijing Orient Electronic Industry Development Co., Ltd.	1,445	63,305
BOE Land Co., Ltd.	10,494	-
TPV Technology Group	15,823	-
Beijing Star City Real Estate Development Co., Ltd.	33,400	21,000

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

32 Related party transactions (continued)

(2) Related parties balances (continued)

	2003	2002
Other receivables due from (continued):		
Beijing Orient Investment and Development Co., Ltd.	-	7,080
Beijing Orient Mould Factory	-	3,342
Beijing BOE Digital Technology Co., Ltd.	5	3,968
Shenzhen Evergreat Industrial Co., Ltd.	374	1,048
Beijing Matsushita Color CRT Co., Ltd.	-	958
Trade payables due to:		
Beijing Oriental Software Co., Ltd.	-	1,020
TPV Technology Group	45,242	-
BOE Land Co., Ltd.	563	-
Other payables due to:		
BOE Land Co., Ltd.	3,314	-
TPV Technology Group	7,689	-
Beijing Kinescope Factory	-	62,037
Long-term payables within one year due to:		
Beijing Orient Investment and Development Co., Ltd.	-	13,423
Accrued Expense:		
TPV Technology Group	11,824	-
Other non-current liabilities due to:		
Beijing Orient Investment and Development Co., Ltd.	-	49,113

(3) Directors' remuneration

In 2003, the total remuneration of the directors was Rmb3,700,000 (2002: Rmb2,046,000).

33 Subsidiaries and associates

Except for BOE Technology Incorporation, which is incorporated in the United States of America with limited liability, Hyundai LCD and BOE-Hydis, which are incorporated in the Republic of Korea with limited liability, the following subsidiaries and associates are all incorporated in the PRC.

Subsidiaries

Name	Equity interest		Principal Activities	Notes
	2003	2002		
Beijing BOE Digital Technology Co., Ltd.	75%	75%	Research, development, manufacture and sales of digital camera and other digital visual wireless transfer platform	(1)
Beijing Software and System Integrated Co., Ltd.	100%	100%	Research and development of network and telecommunication	

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

Beijing Orient Top Victory Electronics Co., Ltd	45.21%	45.21%	Manufacture and sales of color computer and monitors	(2)
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33 Subsidiaries and associates (continued)

Subsidiaries (continued)

Name	Equity interest		Principal Activities	Notes
	2003	2002		
Zhejiang BOE Display Technology Co., Ltd.	60%	60%	Research, development, manufacture and sales of monitor and related parts	
Beijing BOE Vacuum Electronics Co., Ltd.	55%	55%	Manufacture and sales of vacuum electronic products	
Shenzhen BOE Intelligence Display Technology Co., Ltd.	59.8%	59.8%	Development of electronic intelligence system	
BOE Technology Incorporation	100%	100%	Research, development, manufacture and sales of high technology electronic information products	(1)
Beijing Orient Heng Tong Property Centre	100%	100%	Lease of commercial facilities	
Beijing BOE Mobile Technology Co., Ltd.	51%	51%	Research, development and manufacture of mobile technology products	
Beijing BOE Optoelectronics Technology Co., Ltd.	100%	-	Development, manufacture and sales of TFT-LCD products and related services	
Hyundai LCD, Inc.	48.5%	45%	Manufacture and sales of Liquid Crystal Display ("LCD") devices used in handset and electric goods	(3)
BOE Hyundai LCD (Beijing) Display Technology Co., Ltd.	100%	100%	Development, manufacture and sales of related parts of LCD products	
Suzhou BOE Chagu Electronics Co., Ltd.	75%	75%	Development, manufacture and sales of back-light products and related services	
BOE-Hydis Technology Co., Ltd.	100%	100%	Development, manufacture and sales of TFT-LCD products and related services	
BOE Semi-conductor Co., Ltd.	63%	63%	Manufacture and sales of semi-conductor products	
BOE Land Co., Ltd.	70%	70%	Development of manufacture buildings facilities and lease of commercial facilities	(1)

(1) As both the assets and operation results do not form a significant part of the Group, they are not consolidated in the financial statements.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

33 Subsidiaries and associates (continued)

Subsidiaries (continued)

- (2) According to the capital injection agreement, 8.7% of the voting right owned by Multi-Lines Investment Co., Ltd. had been consigned to the Company. Therefore, Beijing Orient Top Victory Electronics Co., Ltd. is consolidated in the financial statements.
- (3) As the majority of the members of the board of directors are appointed by the Company and according to the articles of association, control rests with the Company. Thus, Hyundai LCD is consolidated in the financial statements.

Associates

Name	Equity interest		Principal Activities
	2003	2002	
Beijing Matsushita Color CRT Co., Ltd.	30%	30%	Manufacture and sales of color picture tubes and color display tubes
Shenzhen Evergreat Industrial Co., Ltd.	40%	40%	Development and manufacture of mechanical integrated products, satellite communication equipment, computer software and automatic instruments
Beijing Nittan Electronics Co., Ltd.	40%	40%	Manufacture and sales of terminals, connectors and stampers
Beijing Nissin Electronics Precision Component Co., Ltd.	40%	40%	Manufacture and sales of electronics tubes and related spare parts
Beijing Huaxu Jinka Co., Ltd.	22%	21%	Manufacture and sales of IC card, magnetic card, laser card and related read-write equipment
Beijing Orient Mosler Security Technology System Co., Ltd.	35%	35%	Manufacture and sales of security and protection system and products
Beijing Matsushita Lighting Co., Ltd.	30%	30%	Manufacture and sales of lightings and related products
Beijing Oriental Software Co., Ltd.	30%	30%	Design, develop, manufacture of software, hardware and computer components; network integration
TPV Technology Limited	26.36%	-	Manufacture and sales of color computer monitors and LCD products
Changchun Lancer Photoelectron Co., Ltd.	-	8.5%	Development, design and manufacture of photoelectron products

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

34

Interest in joint ventures

The Group has a 50% interest in a joint venture, Beijing Asahi Glass Electronics Co., Ltd., which manufactures electronics products. The following amounts represent the Group's 50% share of the assets and liabilities, sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

	2003	2002
Property, plant and equipment	21,413	17,801
Intangible assets	2,690	3,315
Current assets	37,128	38,624
	<u>61,231</u>	<u>59,740</u>
Current liabilities	<u>(10,981)</u>	<u>(11,081)</u>
Net assets	<u>50,250</u>	<u>48,659</u>
Sales	<u>46,504</u>	<u>48,631</u>
Profit before tax	10,263	12,167
Income taxes	<u>(1,636)</u>	<u>(1,819)</u>
Profit after tax	<u>8,627</u>	<u>10,348</u>

The Group also has a 51% interest in a jointly controlled venture, Beijing BOE YAMATO Photoelectron Co., Ltd., which manufactures photoelectron product. The following amounts represent the Group's 51% share of the assets and liabilities, sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

	2003	2002
Property, plant and equipment	15,674	17,401
Intangible assets	6,711	4,693
Current assets	4,902	8,651
	<u>27,287</u>	<u>30,745</u>
Current liabilities	<u>(11,814)</u>	<u>(7,402)</u>
Net assets	<u>15,473</u>	<u>23,343</u>
Sales	<u>7,225</u>	<u>10,518</u>
Profit before tax	(7,870)	(1,954)
Income taxes	-	-
Profit after tax	<u>(7,870)</u>	<u>(1,954)</u>

There are no contingencies and commitments relating to the Group's interest in these joint ventures. The average number of employees in these joint ventures in 2003 was 532 (2002: 322).

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

35 Post balance sheet event

- (1) As approved by China Securities Regulatory Commission (Zheng Jian Fa [2004] No.2), the Company completed its second offering of 316,400,000 B shares on 16 January 2004. The offering price was HKD6.32 per share and the total proceeds received were HKD1,999,648,000. After deducting related issuance cost, the net proceeds were HKD1,922,072,431 (Rmb2,048,160,383), which has been verified by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. (PwC Yan Zi [2004] No.20).
- (2) At the Annual General Meeting on 23 April 2004, it was resolved that the capital reserves with amount of Rmb487,932,400 be converted to ordinary shares with a 10 to 5 ratio. The resolution has to be approved by the shareholders' meeting scheduled at the end of May 2004.
- (3) On 9 January 2004, the Company sold all of its 30% shares of Beijing Matsushita Lighting Co., Ltd. to its foreign shareholder for Rmb62,400,000. As of 31 December 2003, the net assets of Beijing Matsushita Lighting Co., Ltd. is Rmb106,675,622.

36 Approval of Financial Statements

On 23 April 2004, BOE Technology Group Co. Ltd.'s Board of Directors authorised these financial statements for issue.

**BOE TECHNOLOGY GROUP CO., LTD.
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts are expressed in RMB'000 unless otherwise stated)**

	Net assets	Net Profit
As reported under PRC GAAP	2,570,869	403,185
Adjustments to conform with IFRS		
- Difference in the amortisation of goodwill	(4,001)	(1,333)
- Appropriation of staff bonus and welfare funds	-	(828)
- Government grant	(3,014)	1,987
- Capitalization of certain development cost	8,676	8,676
- Difference in negative goodwill recognition from acquiring certain shares in a subsidiary	(2,171)	-
- Others	(1,279)	(453)
As reported under IFRS	<u>2,569,080</u>	<u>411,234</u>