

BOE TECHNOLOGY GROUP CO., LTD.

INTERIM REPORT 2006

(Overseas Version)

Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: BOE - B

Stock Code: 200725

Aug. 24, 2006

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SECTION I. IMPORTANT NOTICE

The Board of Directors, the Supervisory Committee, and all the directors, supervisors and senior executives of BOE Technology Group Co., Ltd (hereinafter referred to as the Company) hereby assure that there are no false records, misleading statements or significant omissions in this report, and they would shoulder any individual as well as joint responsibility concerning to the authenticity, accuracy and completeness of the contents. This Interim Report has been compiled in both Chinese and English. Should there be any ambiguity in the meanings of the two versions, the Chinese one shall prevail.

All the directors have attended the Board meeting.

Chairman of the Board and concurrently CEO Mr. Wang Dongsheng, President Mr. Chen Yanshun, COO Mr. B.D.Choi, CFO Mr. Wang Yanjun, and Chief Accounting Officer and concurrently Head of Plan & Financial Dept. Ms. Sun Yun hereby confirm that the Financial Report enclosed in the Interim Report is true and complete.

This Interim Report 2006 of the Company has been compiled in accordance with the international accounting standards, and has not been audited.

SECTION II. COMPANY PROFILE

I. Company information

1. Legal Name of the Company:

In Chinese: 京东方科技集团股份有限公司

Short Form in Chinese: 京东方

In English: BOE TECHNOLOGY GROUP CO., LTD.

Short Form in English: BOE

2. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form for A-share: G BOE

Stock Code for A-share: 000725

Short Form for B-share: BOE - B

Stock Code for B-share: 200725

3. Registered Address: No. 10, Jiuxianqiao Road, Chaoyang District, Beijing

Office Address: No. 10, Jiuxianqiao Road, Chaoyang District, Beijing

Postcode: 100016

Internet Website: <http://www.boe.com.cn>

E-mail: web.master@boe.com.cn

4. Legal Representative: Wang Dongsheng

5. Secretary of the Board of Directors: Zhong Huifeng

Securities Affairs Representative: Zhang Shitong

Tel.: 010 – 64318888 ext.

Fax: 010 – 64366264

E-mail: hfzhong@boe.com.cn, boecapital@boe.com.cn

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

6. Place for the Preparation and Storage of the Interim Report: Secretariat of the Board of Directors of the Company

Internet Website Designated by CSRC for Publishing the Interim Report:
<http://www.cninfo.com.cn>

Newspapers Chosen by the Company for Disclosing the Information: Securities Times, China Securities Journal, Shanghai Securities News, and Hong Kong Ta Kung Pao

II. Major financial data and indexes:

Table 1

Unit: RMB'000

Item	Jun. 30, 2006	Dec. 31, 2005	Increase/decrease at the end of the report period compared with that at the beginning of the year (%)
Current assets	5,180,804	6,339,376	-18.28
Current liabilities	8,164,285	6,579,213	24.09
Total assets	19,848,463	21,524,766	-7.79
Shareholders' equity (excluding minority interests)	2,227,153	3,967,616	-43.87
Net assets per share (RMB/share)	1.01	1.81	-44.20

Table 2

Unit: RMB'000

Item	Jan. – Jun. 2006	Jan. – Jun. 2005	Increase/decrease in the report period year-on-year (%)
Net profit	-1,723,502	-965,736	-78.47%
Earnings per share	-0.78	-0.66	-
Return on equity (%)	-77.39%	-24.68%	-
Net cash flow arising out of operating activities	-1,809	-414,864	-

Notes:

1. The aforesaid diluted data of the half year 2005 have been calculated with the total share capital of 1,463,797,200 shares, while those of the year 2005 and the half year 2006 have all been calculated with the total share capital of 2,195,695,800 shares at the end of the report period.

2. Difference of net profit calculated under CAS and IAS respectively

Unit: RMB'000

	Net profit	Net assets
Net gains and losses according to the consolidated accounting statements compiled in conformity with the CAS:	-1,264,346	1,608,063
Adjustments:	-	-
1. Recognition and amortization of goodwill	54,488	117,566
2. Recognition and amortization of negative goodwill	-7,426	88,936
3. Government subsidies	-	-3,242
4. Capitalization of and depreciation reserves withdrawn for borrowing expense	-2,256	30,929
5. Capitalization of and depreciation reserves withdrawn for R&D expense	-5,137	195,314

6. Sales of parts of the subsidiaries' equity	-	141,620
7. Employees' bonus and welfare fund	-3,410	-
8. Amortization of the loan ancillary expense	-5,343	10,349
9. Gains and losses arising out of equity dilution	-	-73,750
10. Convertible bonds calculated according to the equity method	-	111,357
11. Unconfirmed investment losses	-490,072	-
12. Others	-	11
Net gains and losses according to the accounting statements compiled according to the International Financial Report Standards	-1,723,502	2,227,153

SECTION III. CHANGES IN SHARE CAPITAL AND PARTICULARS

ABOUT SHARES HELD BY MAIN SHAREHOLDERS

I. The structure of the Company's share capital remained unchanged:

Unit: share

	Before the change	Increase/decrease during the change (+, -)						After the change
		Rationed share	Bonus shares	Additional issuance	Capitalization of public reserve	Others	Subtotal	
I. Shares subject to moratorium	818101748							818101748
1. Shares held by the State								
2. Shares held by State-owned legal person	808894300							808894300
3. Shares held by other domestic investors	8957848							8957848
Including:								
Shares held by domestic legal person	8814200							8814200
Shares held by domestic natural persons (shares held by senior executives)	143648							143648
4. Shares held by foreign investors	249600							249600
Including:								
Shares held by foreign legal person								
Shares held by foreign natural person (shares held by senior executives)	249600							249600
II. Shares not subject to moratorium	1377594052							1377594052

1. RMB ordinary shares	262293652						262293652
2. Domestically listed foreign-funded shares	1115300400						1115300400
3. Overseas listed foreign-funded shares							
4. Others							
III. Total shares	2195695800						2195695800

II. Ended Jun. 30, 2006, the Company had totally 71,294 shareholders, including 30,614 B-share shareholders.

III. Particulars about the top ten shareholders by Jun. 30, 2006:

No	Name of shareholder	Shares held at the period-end (share)	Proportion	Increase/Decrease in this report period (share)	Nature of equity	Shares pledged, frozen or entrusted
1	BEIJING BOE INVESTMENT AND DEVELOPMENT CO., LTD	720197300	32.8%	0	State-owned share	Naught
2	FIELDS PACIFIC LIMITED	135000000	6.15%	0	B-share	Unknown
3	BEIJING DONGDIAN INDUSTRIAL DEVELOPMENT COMPANY	82290200	3.75%	0	State-owned share	Naught
4	SHANGHAI (HONG KONG) WANGUO SECURITIES	40350575	1.84%	+6929132	B-share	Unknown
5	EMERGING MARKETS GROWTH FUND INC	33554952	1.53%	0	B-share	Unknown
6	GUOTAI JUNAN SECURITIES HONG KONG LIMITED	29667730	1.35%	+13663196	B-share	Unknown
7	CAPITAL INTERNATIONAL EMERGING MARKETS FUND	15629925	0.71%	0	B-share	Unknown
8	HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	13052680	0.59%	Unknown	B-share	Unknown
9	HUANG YING BIN	11761065	0.54%	Unknown	B-share	Unknown
10	SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C	10799343	0.49%	Unknown	B-share	Unknown

Notes: In the report period, the controlling shareholder of the Company is still Beijing BOE Investment & Development Co., Ltd., Beijing Electronics Holding Company Limited, Beijing Intelligence Technology Development Co., Ltd. and Nippon Marubeni Corporation respectively holds 56.25%, 33.75% and 10% equity of Beijing BOE Investment & Development Co., Ltd., so Beijing Electronics Holding Company Limited is the actual controller of the Company. Beijing Dongdian Industrial Development Company is a wholly owned subsidiary of Beijing Electronics Holding Company Limited, thus, there exists associated relationship between Beijing BOE Investment & Development Co., Ltd. and Beijing Dongdian Industrial Development Company.

IV. Ended Jun. 30, 2006, shares held by the top ten shareholders holding shares not subject to moratorium

No.	Name of shareholders	Circulation shares held at the period-end (share)	Proportion	Type of shares (A-share, B-share, H-share and other)
1	FIELDS PACIFIC LIMITED	135000000	6.15%	B
2	SHANGHAI (HONG KONG) WANGUO SECURITIES	40350575	1.84%	B
3	EMERGING MARKETS GROWTH FUND INC	33554952	1.53%	B
4	GUOTAI JUNAN SECURITIES HONG KONG LIMITED	29667730	1.35%	B
5	CAPITAL INTERNATIONAL EMERGING MARKETS FUND	15629925	0.71%	B
6	HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	13052680	0.59%	B
7	HUANG YING BIN	11761065	0.54%	B
8	SUN HUNG KAI INVESTMENT SERVICES LTD-CUSTOMERS A/C	10799343	0.49%	B
9	CITIC CAPITAL SECURITIES LIMITED	10394249	0.47%	B
10	BARINGS (IRELAND) SA THE ATLANTIS CHINA FUND PLC	10000000	0.46%	B

Note: It is not known to the Company whether there is any associated relationship among the top ten shareholders holding shares not subject to moratorium.

V. Shares held by the shareholder holding shares subject to moratorium by Jun. 30, 2006 as well as the trading moratorium

No.	Name of shareholders holding shares subject to moratorium	shares subject to moratorium held (share)	Time for listing and trading	Shares newly increased for listing and trading	Trading moratorium
1	Beijing BOE Investment and Development Co., Ltd	720,197,300	After G+12 months	36,009,865 shares	The BOE legal person shares held by this company shall not be traded or transferred within 12 months since the acquisition of the listing right at the A-share market. After the expiration of the aforesaid commitment, the originally non-circulating shares sold through listing and trading at the Stock Exchange shall not exceed 5% of the total shares of BOE within 12 months, and not exceed 10% within 24 months.
			After G+24 months	36,009,865 shares	
			After G+36 months	648,177,570 shares	

2	Beijing Dongdian Industrial Development Company	82,290,200	After G+12 months	82,290,200 shares	The BOE legal person shares held by this company shall not be traded or transferred within 12 months since the acquisition of the listing right at the A-share market.
3	Beijing Yixin Micro-Display Technology Development Center	8,814,200	After G+12 months	8,814,200 shares	The BOE legal person shares held by this company shall not be traded or transferred within 12 months since the acquisition of the listing right at the A-share market.
4	Beijing Kinescope General Factory	6,406,800	After G+12 months	6,406,800 shares	The BOE legal person shares held by this company shall not be traded or transferred within 12 months since the acquisition of the listing right at the A-share market.

Note: G refers to Nov. 30, 2005.

SECTION IV. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

I. There is no change in the shares held by directors, supervisors and senior executives of the Company.

No.	Name	Post	Shares held by the end of the report period (share)
1	Wang Dongsheng	Chairman of the Board, Chairman of Executive Committee, CEO	24921
2	Liang Xinqing	Vice Chairman of the Board	9969
3	Jiang Yukun	Director	14953
4	Zhao Caiyong	Director	24921
5	B.D.Choi	Executive Director, COO	249600
6	Mu Chengyuan	Supervisor	2492
7	Xu Yan	Employee Supervisor	14953
8	Wang Yanjun	CFO	9968
9	Song Ying	Vice President	24921
10	Cao Hong	Vice President	4984
11	Han Guojian	Vice President	9968

No other director, supervisor or senior executive held any stock of the Company in the report period.

II. Particulars about change in directors, supervisors and senior executives

As examined and approved by the 23rd meeting of the 4th Board of Directors (Apr. 25, 2006) and the Shareholders' General Meeting 2005 (May 29, 2006), Mr. Sen Guang

resigned from the post of director of the Company, while Mr. Hatta Ken-ichi was elected as director of the 4th Board of Directors.

As examined and approved by the 7th meeting of the 4th Supervisory Committee (Apr. 25, 2006) and the Shareholders' General Meeting 2005 (May 29, 2006), the convener of the Supervisory Committee Mr. Xia Zhenzhi resigned from the post of the convener of the Supervisory Committee, and Mr. Wu Wenxue and Ms. Chen Ping were elected as supervisors of the Company.

As examined and approved by the 8th meeting of the 4th Supervisory Committee held on May 29, 2006, Mr. Wu Xuewen was elected as convener of the 4th Supervisory Committee of the Company, and Mr. Mu Chengyuan was elected as secretary of the Supervisory Committee.

As examined and approved by the 24th meeting of the 4th Board of Directors on May 31, 2006, Mr. Jiang Yukun resigned from the position of Deputy Chairman of the Board, while Mr. Liang Xinqing was elected as Deputy Chairman of the Board and stopped being the President of the Company; Mr. Chen Yanshun was elected as President of the Company and stopped being the Executive Vice President and Secretary of the Board; Mr. Lin Rongzhen was elected as Vice President of the Company and stopped being the Chief Technical Officer; Mr. Li Zhenlie was elected as Chief Technical Officer; and Mr. Zhong Huifeng was elected as Secretary of the Board.

SECTION V. DISCUSSION AND ANALYSIS OF THE MANAGEMENT

I. Main business scope and overall operation

The Company has located its main operations in the display area, and right now it has seven display-related business groups, namely TFT-LCD, monitor and plat-panel TV, professional display system, mobile display system, display application system, precision electronic parts and materials and CRT, involving display parts and materials, display articles, monitors / plat-panel TVs and application terminal products.

In the report period, the sales revenue of the Company amounted to RMB 4,286,365, up by 78.66% year-on-year as calculated upon the same bases (deducting the consolidation of Beijing Orient Top Victory Electronics Co., Ltd); however, due to the influence of market competition of the liquid crystal industry in the upper half year 2006, the prices of the Company's main products have decreased by large margins. Apart from this, due to insufficient production scale, the operation costs of the production lines are high, and the bargain power of raw materials is low, with the low localized support of the upper-stream parts and components, resulting in the high production costs. In a word, the business situation during the upper half year is rather grim, and the losses have amounted to RMB 1,723,502.

1. Particulars about main operations

Main operations classified according to products

Unit: RMB'000

Product	Sales revenue	Sales cost	Gross profit ratio (%)	Increase or decrease of the sales revenue year-on-year (%)	Increase or decrease of the sales cost year-on-year (%)	Increase or decrease of the gross profit ratio year-on-year (%)
TFT-LCD	3,639,446	4,793,413	-31.71%	77.52%	88.59%	-32.26%
Small-size displays	319,835	263,325	17.67%	-0.46%	0.11%	-2.57%
Other operations	542,137	459,557	15.23%	29.46%	37.83%	-25.25%
Counteracting among different branches	-215,053	-205,884	-	-	-	-
Total	4,286,365	5,310,411	-23.89%	-0.82%	22.88%	-275.38%

The sales revenue of the TFT-LCD devices has increased by 77.52% year-on-year, mainly because of the production capacity increase brought by the mass production of Beijing TFT-LCD 5G line in June 2005 and full production in September.

Main operations classified according to regions

Unit: RMB'000

Regions	Sales revenue	Increase or decrease of the sales revenue year-on-year (%)
Domestic sales	978,863	-65.06
Export sales		
- Other Asian countries	3,788,533	146.42
- Europe	330,443	280.49
- America	157,838	-67.44
Counteract	-969,312	-
Total	4,286,365	-0.82

2. Particulars about customers

The sales revenue from the top five customers has amounted to RMB 1,658,039,686.17 (RMB 1,691,052,710.62 during January to June 2005), taking up 38.68% of the total sales revenue of the Company (January to June 2005: 39.13%).

II. Analyses on the main operations and the operation

(I) Analyses on the profitability of the main operations

In the report period, the main operations of the Company have not changed. The profitability of the main operations has decreased by a large margin compared with the same period of last year, and so has the net profit of the Company.

During the upper half year 2006, under the influence of the competition in the TFT-LCD market, the prices of the main products of the TFT-LCD business have dropped, resulting in the huge sum of losses. Especially in the 2nd quarter 2006, the prices of TFT-LCD products slumped by large margins. Take the 17" products as an example. At the beginning of 2006, the price was about USD 140, but at the end of

June 2006, it went down to as low as USD 105.

The South Korea subsidiary of the Company BOE-Hydis Technology Co., Ltd (hereinafter referred to as BOE-HYDIS) had issued enterprise bonds totaling KRW 200 billion in the upper half year 2005, and the finance expense of the report period has increased compared with that of the same period last year due to different interest terms.

Construction of the TFT-LCD 5G line of the Company's subsidiary Beijing BOE Optoelectronics Technology Co., Ltd had been completed in August 2005 and the relevant finance expense of the construction period from January to June 2005 had been capitalized, while in the report period that has been recorded in the gains and losses of the period, resulting in the increase of finance expense.

(II) Analyses on the operation of the Company in the upper half year

Although the market situation is grim, none of our employees has given up before difficulties. On the contrary, they have united and strived together and have made amazing achievements.

In the negative market in the 1st half of 2006, the TFT-LCD 5G production line of the Company has maintained steady operation. The stability of its production line techniques and product quality has improved a lot, and the yield rate has been kept between 92% and 94%, which is one of the best levels in this industry. The product R&D capacity of the Company has also advanced remarkably, and the 5G line has developed some new products, including the 19" wide-screen products, 20", 26" and 32" products, etc, laying a solid foundation for the future development of the Company's TFT-LCD business.

The Company has stepped up the production expansion of the TFT-LCD 5G line, and the installation and debugging work for part of the equipment have been finished, laying the bases for the official launch of production in the 2nd half year.

In the report period, the Company has vigorously promoted the supply localization of the upper-stream parts and components for TFT-LCD 5G line. Corning of America, the glass substrate manufacturer has declared to settle in Beijing in Apr. 2006, and this would surely help the Company to cut the product costs of the TFT-LCD 5G line in the future and advance the competitiveness of the products.

The Company has officially launched the construction of the production bases for small-size and mobile products. At the beginning of 2006, the Company started the plan on the construction of Hebei Gu'an Base for small-size and mobile products, and this project has been going on smoothly up to now.

(III) General analyses on the financial status of the report period

Table 1:

Unit: RMB'000

Financial index	January to June 2006	January to June 2005	Increase or decrease margin (%)
Sales revenue	4,286,365	4,321,711	-0.82
Sales gross profit	-1,024,046	-275,055	-272.31
Net profit	-1,723,502	-965,736	-78.47
Net increase of cash and cash equivalents	-570,271	2,958,872	-

Table 2:

Unit: RMB'000

Financial index	Jun. 30 2006	Dec. 31 2005	Increase or decrease margin (%)
Total assets	19,848,463	21,524,766	-7.79
Fixed assets	10,833,469	11,330,272	-4.38
Inventories	1,815,637	1,919,901	-5.43
Current liabilities	8,164,285	6,579,213	24.09
Shareholders' equity	2,227,153	3,967,616	-43.87

III. Investments in the report period

1. The Company has neither raised any proceeds in the report period, nor has any proceeds raised in previous periods and lasting into the report period.

2. Important investments with non-raised proceeds

Unit: RMB'0000

Name of the project	Investment in the report period	Accumulated investment into the project	Progress of the project
TFT-LCD 5G production line	12,973	844,645	Completed
TFT-LCD production equipment	3,594	33,210	Completed
New workshop at Loufeng	2,650	2,650	Not completed yet
Investment in BOE (Hebei) Mobile Display Technology Co., Ltd	12,031	12,031	Completed
Investment increase for Zhejiang BOE Display Technology Co., Ltd	5,000	5,000	Completed
Investment increase for BOE-Hydis Technology Co., Ltd	4,021	4,021	Completed
Total	40,269	901,557	-

IV. There are no changes of accounting policies or accounting estimations, or any correction of significant accounting errors in the report period.

V. Explanation on the prediction of continuing losses of the operation during January to September 2006

Since the prices of TFT-LCD products have slumped by large margins, it is predicted that the accumulated net profit made from the beginning of the year to the end of the next report period will still be loss even though the environment of the global TFT-LCD market has become stable. The Company cannot predict the exact amount of losses yet. However, as the market revives and the measures adopted by the Company are put into practice, the Company will try to minimize the losses as much as possible. It is suggested that investors watch out for investment risks.

SECTION VI. SIGNIFICANT EVENTS

I. Corporate governance

According to the Company Law of the People's Republic of China, the Securities Law

of the People's Republic of China and the Code of Corporate Governance for Listed Companies in China as well as the regulatory rules newly issued by the China Securities Regulatory Commission, the Company has further strengthened the standardization of operation and detailed the internal management system.

To improve the administration structure, the Company has revised the Articles of Association, the Rules of Procedure of the Shareholders' General Meeting, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Supervisory Committee.

II. Profit distribution plan 2005 and its implementation

As audited by KPMG Huazhen Certified Public Accountants, the Company has made a loss of RMB 1,587,087,256. The Board of Directors has decided not to distribute any profit for the year 2005, or to capitalize any public reserves into share capital.

III. No profit shall be distributed and no public reserves shall be capitalized into share capital in the interim of 2006.

IV. There are no new significant lawsuits or arbitrations in the report period.

V. Significant purchase or sales of assets or reorganization of assets in the report period

The 24th meeting of the 4th Board of Directors of the Company (May 31, 2006) examined and approved the Proposal on Integrating Beijing FineICs Co., Ltd, which stated that the Company and its subordinate subsidiary BOE Hydix should transfer all the equity of Beijing FineICs Co., Ltd held by them to Teralane Semiconductor Inc. (hereinafter referred to as TLS), and as consideration, TLS should pay the Company USD 3 million and 5 million TLS shares (i.e. USD 1.5 million) and pay BOE Hydix 5 million TLS shares (i.e. USD 1.5 million). Apart from these, TLS also promised to purchase or introduce a third party to purchase the 5 million TLS shares held by BOE Hydix. Right now, the relevant parties are going through the share transfer procedures.

VI. Significant related transactions in the report period

The Shareholders' General Meeting 2005 has examined and approved the Proposal on the Regular Related Transactions 2006, and the implementation of the proposal in the report period is as follows:

Unit: RMB'0000

Transaction type	Related unit	Transaction item	Estimated transaction amount in 2006	Amount of the upper half year 2006
Sales	TPV Technology Limited	LCD devices	483,000	44,207
	Beijing Matsushita Color CRT Co., Ltd	Metal parts	8,000	2,522
	BOE Hyundai (Beijing) LCD Inc.	Cell phone display module	1,200	694
	Subtotal		492,200	47,423
Purchase	Nippon Marubeni Corporation	Color Filter, edging machine	200,000	49,654

	TPV Technology Limited	Monitors	-	-
	BOE Hyundai (Beijing) LCD Inc.	Cell phone display module	2,000	1,057
	Beijing Nippon Tanshi Co., Ltd	Datawire	300	78
	Subtotal		202,300	50,789
House rent	Beijing Nissin Electronic Precision Parts Co., Ltd	Rent income	130	76
	Beijing Nippon Tanshi Co., Ltd	Rent income	220	104
	Beijing Orient Mosler Intelligence Technology Co., Ltd	Rent income	50	23
	Subtotal		400	203
Power	Beijing Nissin Electronic Precision Parts Co., Ltd	Power income	190	129
	Beijing Nippon Tanshi Co., Ltd	Power income	70	26
	Beijing Matsushita Color CRT Co., Ltd	Power income	800	303
	TPV Technology Limited	Power income	500	283
	BOE Hyundai (Beijing) LCD Inc.	Power income	800	105
	Subtotal		2,360	846
Guarantee charges	Beijing Electronics Holding Company Limited	Payment for guarantee charges	600	200
Total			697,860	99,461

VII. Significant contracts and their implementation

1. Guarantees in the report period

(i) External guarantee

The highest amount of the loan guarantees provided by Zhejiang BOE for Zhejiang Huanyu Construction Group Co., Ltd has totaled RMB 40,000,000. On Jun. 30, 2006, the balance of these guarantee loans amounted to RMB 35,887,880.

(ii) Internal guarantee

The Company has provided a total amount of RMB 574,385,481 for the loan of Zhejiang BOE amounting to RMB 135,000,000, the loan of Vacuum Electrical Appliances amounting to RMB 4,000,000 and the loan of BOEOT amounting to RMB 6,006,632,000 (BOEOT has provided its fixed assets with total net value of RMB 7,195,508,996 as mortgage).

On Jun. 30, 2006, Zhejiang BOE provided guarantee for the loan of RMB 9,500,000 obtained by Shaoxing BOE.

On Jun. 30, 2006, Suzhou Chatani provided guarantee for the loan of RMB 41,700,000 and the line of trade finance amounting to RMB 3,557,930 obtained by its

shareholding subsidiary Beijing BOE.

2. The Company has not entrusted others with finance management.

3. For details on the loans by the end of the report period of the Company, please refer to the Notes to the Accounting Statements.

IX. Commitments made by the Company or shareholders holding over 5% shares of the Company in the report period

1. Commitments on the share merger reform

All the non-circulating shareholders of the Company have promised not to trade or transfer any shares of the Company before Nov. 29, 2006. Apart from this, the controlling shareholder of the Company BOE Investment has further promised that, after the expiration of the aforesaid commitment, the originally non-circulating shares of the Company sold by it through listing and trading at the Stock Exchange shall not exceed 5% of the Company's total shares within 12 months, and not exceed 10% of the Company's total shares within 24 months.

2. For details on the commitments made by the Company, please refer to the relevant content on commitments in the Notes to the Accounting Statements.

3. In the report period, the Company and shareholders holding over 5% of the Company's shares have made no other commitments.

X. In the report period, neither the Company nor the Board or its directors have been inspected or have received any administrative punishment or notice of criticism from the CSRC, or had been criticized publicly by the Shenzhen Stock Exchange. And no judiciary compulsive measures have been taken against relevant people of the Board or the management team of the Company.

XI. Other important events

1. On Jan. 1, 2006, the Company signed a Framework Agreement on Panel Order with TPV Technology Limited, which stated that TPV Technology Limited shall continue to purchase panels for TFT-LCD monitor use and TV use in the coming three years, and the estimated highest purchase amounts of 2006, 2007 and 2008 shall be USD 600,000,000, USD 700,000,000 and USD 1,000,000,000 respectively. This agreement has only set the highest transaction amount of each year, but has not set the relevant prices. At the time of the actual purchase and sales of TFT-LCD panels by TPV Technology Limited and the Company, the two parties shall take the market price at the time of each TFT-LCD panel transaction as reference and sign a separate contract to set all the details of each purchase.

2. On Feb. 6, 2006, the 17th meeting of the 4th Board of Directors of the Company examined and approved the Proposal on Increasing Investment in BOE-Hydis Technology Co., Ltd. It was decided that the Company shall increase investment in BOE-Hydis by USD 5 million in order to strengthen the operation capacity of BOE-Hydis, advance the competitiveness of the small-size flat-panel display industry and expand the industry scale.

3. On Mar. 14, 2006, the 20th meeting of the 4th Board of Directors examined and approved the Proposal on the Increasing Investment in Zhejiang BOE Display Technology Co., Ltd and the Construction of Cold-Cathode Fluorescent Lamp (CCFL) Project, which stated that the Company shall increase its investment in Zhejiang BOE

Display Technology Co., Ltd by RMB 50 million for the construction of the 1st phase of the CCFL project. After the investment increases, the equity proportion of Zhejiang BOE held by the Company would increase to 69.3% from the original 60%.

4. On Apr. 21, 2006, the 22nd meeting of the 4th Board of Directors of the Company examined and approved the Proposal on Investing in and Holding Shares of Shenzhen Julong Optoelectronic Co., Ltd, which stated that the Company shall increase its investment in Shenzhen Julong Optoelectronic Co., Ltd by RMB 8 million. After the investment increase, the equity proportion of Shenzhen Julong Optoelectronic Co., Ltd held by the Company would be 40%.

5. On Apr. 25, 2006, the 23rd meeting of the 4th Board of Directors of the Company examined and approved the Proposal on Adjusting the Investment Mode for the Project of the Mobile Display System Industrialization. To step up the investment and construction of the project of the mobile display system industrialization, the Company made some adjustments to the original investment mode according to the needs of the project. The Company shall establish a new company with BOE-Hydis in the Gu'an Economic Development Zone of Langfang, Hebei. The new company is named BOE (Hebei) Mobile Display Technology Co., Ltd, and boasts a registered capital of USD 20 million, with 75% of the shares held by the Company and 25% of the shares held by BOE-Hydis. This new company shall take charge of the investment and construction of the project of mobile display system industrialization, and the total investment and investment plan remain the same.

6. The 13th meeting of the 4th Board of Directors of the Company examined and approved the Proposal on Transferring the Equity of Star City Land held by the Company. On Aug. 29, 2005, the Company signed the Equity Transfer Agreement and the Agreement on Credits and Liabilities with Harper & Harper Investment Consultation (Beijing) Co., Ltd (hereinafter referred to as Harper Investment), Jade Dragon Capital AG (hereinafter referred to as JD Company), Harper & Harper Ltd, Hong Kong Xujing Investment Co., Ltd, Singapore Dianli Technologies Private Co., Ltd and Beijing Xingcheng Property Co., Ltd (hereinafter referred to as Star City Property). According to these Agreements, the Company would transfer its 40 percent equity in Star City Property to Harper Investment (or any assignee designated by it) at the price of RMB 60 million.

Since Harper Investment had failed to pay the BOE the transfer fund at the time as stipulated in the Agreements, the Company had decided to terminate these Agreements.

7. On Jan. 14, 2004, Beijing BOE Property Co., Ltd (hereinafter referred to as "BOE Property") and Beijing Zhongye Anshunda Metallurgical Corporation (hereinafter referred to as Zhongye Anshunda) signed a Framework Agreement on Reorganizing the Beijing Zhongjin Shunda Property Co., Ltd (hereinafter referred to as Zhongjin Property). According to the agreement, BOE Property and Zhongye Anshunda would hold 60 percent and 40 percent of Zhongjin Property's equity after the reorganization respectively. BOE Property had finished the relevant reorganization procedures of capital injection, etc as according to the agreement, but Zhongye Anshunda had failed to finish the capital injection as planned due to the pledge of land. The Company had

appealed to the court for the preservation of the investment fund in this project.

On Dec. 20, 2005, Beijing Municipal High People's Court issued the Final Judgment (2005) GMZZ No. 1020, which ruled that this Framework Agreement and relevant supplementary agreements be terminated, and that Zhongye Anshunda return the investment fund injected by the Company in this project.

In January 2006, Zhongye Anshunda did not pay the investment fund and the court entered the execution stage. The value of the land and housing property of Zhongye Company was assessed and an auction was held for the sequestered objects on Aug. 4, 2006. By the disclosure day of this report, the execution after the auction is still under way.

8. By the end of the report period, the net assets of the Company's subsidiary BOE Hydis has become minus due to successive operation losses. According to the Reply to the Problem of Consolidated Statements of Insolvent Companies issued by the Ministry of Finance, the Company has recorded the long-term equity investment in this company as zero in domestic report, while the share of the unconfirmed losses has been listed as "unconfirmed investment losses" in the consolidated balance sheet and the consolidated income statement. In the report period, the Company's "unconfirmed investment losses" from BOE Hydis amounted to RMB 490,073,074.

By Jun. 30, 2006, the balance of the syndicated loan obtained by BOE Hydis with its own assets as mortgages amounted to KRW 873.24 million and USD 50.23 million (about RMB 1.1287 billion after conversion), of which KRW 124.74 million and USD 7.17 million should be repaid on Jul. 24, 2006 (extended to Aug. 24, 2006 as agreed by the syndicate). However, since the operation of BOE Hydis has not turned good and there was lack of capital, the syndicated loan due could not be repaid on time. Right now, the Company has taken measures like operation reform, etc and is negotiating with the syndicate, so as to improve the current situation.

Since the BOE Hydis has taken its own assets as mortgages for the syndicated loan and no guarantee has been provided by the Company, the aforesaid event will not exert any significant influence upon the finance of the Company.

XII. Events after the Balance Sheet Date

1. On Jul. 17, 2006, TPV Technology Limited carried out its share plan, and its total share capital increased to 1,923,471,954 shares. The shares of TPV Technology Limited held by the Company remained the same, so the proportion of the equity held by the Company decreased from the original 22.26% to 22.06%. The Company is still the principal shareholder of TPV Technology Limited.

2. As examined and approved by the 21st meeting of the 4th Board of Directors (Apr. 18, 2006) and the 1st Provisional Shareholders' General Meeting 2006 (May 19, 2006), the Company planned to issue no more than 1.5 billion A shares by issuing to directed targets non-publicly, and the proceeds to be raised shall be used in the following aspects: (1) increasing investment in Beijing BOE Optoelectronics Technology Co., Ltd for the technological transformation of the Beijing TFT-LCD 5G production line, so as to expand the production capacity of the Beijing TFT-LCD 5G production line from 60,000 pieces of glass substrate per month to 85,000 pieces of glass substrate per month; (2) investing the production line project of color filter for large-size TFT-LCD,

which shall have a production capacity of 85,000 pieces of color filter per month and provide close supply of color filter for the Beijing TFT-LCD 5G production line. The application of 2006 non-public share issuance of the Company has been approved by the ZJFXZ [2006] Document No. 36 issued by the China Securities Regulatory Commission.

SECTION VII. FINANCIAL REPORT (UNAUDITED)

- (I) Accounting statements (attachment)
- (II) Notes to the accounting statement (attachment)

SECTION VIII. DOCUMENTS AVAILABLE FOR REFERENCE

- (I) Text of Interim Report with the signature of the Chairman of the Board;
- (II) Text of the Financial Report with the signatures and seals of the legal representative, the CFO and the person in charge of accounting organs;
- (III) Originals of all documents of the Company ever disclosed publicly in the newspapers designated by the CSRC as well as the originals of all the public notices.
- (IV) Articles of Association of the Company.

**Board of Directors of
BOE Technology Group Co., Ltd**
Aug. 24, 2006

BOE Technology Group Co., Ltd.
Consolidated balance sheet
As at 30 June 2006

<i>(Expressed in Renminbi)</i>	30 June 2006		31 December 2005	
	2006	2006	2005	2005
Assets				
Non-current assets				
Property, plant and equipment	10,833,469		11,330,272	
Construction in progress	287,661		285,244	
Investment properties	110,127		113,121	
Intangible assets	433,314		449,850	
Land use right	92,775		103,332	
Investment in associates	2,853,436		2,820,463	
Other investments	5,500		10,661	
Deferred tax assets	-		1,940	
Other long-term assets	51,377		70,507	
		14,667,659		15,185,390
Current assets				
Inventories	1,815,637		1,919,901	
Trade receivables and payment in advance	1,854,758		2,338,795	
Convertible bond –current part	-		-	
Cash and cash equivalents	1,510,409		2,080,680	
		5,180,804		6,339,376
Total assets		19,848,463		21,524,766
Shareholder's equity and liabilities				
Shareholder's equity				
Share capital	2,195,696		2,195,696	
Share premium	1,553,927		1,552,913	
Reserves	662,215		680,190	
Retained profits	-2,184,685		-461,183	
		2,227,153		3,967,616
Minority interests		226,917		233,881
Non-current liabilities				
Bank loans	8,032,546		9,569,710	
Deferred tax liabilities	-		588	
Employee benefits	26,952		17,280	
Other long-term liabilities	1,170,610		1,156,478	
		9,230,108		10,744,056
Current liabilities				
Trade payables and other payables	2,734,034		2,742,275	
Tax payable	12,994		23,211	

Bank loan	5,376,890		3,762,956	
Reserve	40,367		50,771	
		8,164,285		6,579,213
Total liabilities		17,394,393		17,323,269
Total shareholder's equity and liabilities		19,848,463		21,524,766

BOE Technology Group Co., Ltd.
Consolidated income statement
January to June 2006

	Ended 30 June	
	2006	2005
Turnover	4,286,365	4,321,711
Cost of sales	-5,310,411	-4,596,766
Gross (loss)/profit	-1,024,046	-275,055
Other operating profit	105,422	-8,850
Distribution expenses	-104,039	-136,716
Administrative expenses	-505,803	-413,692
(Loss)/profit from operations	-1,528,466	-834,313
Net financing costs	-371,643	-175,191
Share of profits of associates	140,125	106,015
(Loss)/profit before tax	-1,759,984	-903,489
Income tax	-3,649	-40,430
Total profit	-1,763,633	-943,919
Among which:		
Equity belonging to the Group	-1,723,502	-965,736
Minority interests	-40,131	21,817

BOE Technology Group Co., Ltd.
Consolidated statement of changes in equity
January to June 2006

	Share capital	Share premium	Reserve	Retained profits	Total equity
January 1 2006	2,195,696	1,552,913	680,190	-461,183	3,967,616

Share capital transferred from capital reserve	-	-	-	-	-
Share premium	-	-1,014	-	-	1,014
Currency translation differences	-	-	-17,975	-	-17,975
Profit/loss for the year	-	-	-	-1,763,632	-1,763,632
Profits attributable to minority interests	-	-	-	40,130	40,130
Dividend for the year	-	-	-	-	-
Capital contributions from minority interests	-	-	-	-	-
Distributions to minority interests	-	-	-	-	-
30 June 2006	<u>2,195,696</u>	<u>1,553,927</u>	<u>662,215</u>	<u>-2,184,685</u>	<u>2,227,153</u>

BOE Technology Group Co., Ltd.
Consolidated cash flow statement
January to June 2006

<i>(Expressed in Renminbi)</i>	
Cash flows from operating activities	
Net profit	-1,723,502
Adjustments for:	
Gain/loss of minority shareholders	-40,130
Income tax	3,649
Depreciation expense	916,200
Amortization expense	23,253
Impairment provisions	256,703
Loss from disposal of fix assets	30,266
Financial expense	351,901
Share of profits before tax of associates	-140,125
Change in working capital:	
Inventories	-148,897
Trade and other receivables	562,110
Annuity and post employment benefit	7,240
Trade payables	-106,352
Net cash inflow from operating activities	-7,684
Interest income received	19,742
Income tax paid	-13,867

Net cash flow from operating activities	-1,809
Cash flows from investing activities	
Net cash outflow due from investment in subsidiaries	-8,000
Acquisitions of property, plant and equipment	-412,266
Acquisitions of intangible assets	8,321
Acquisitions of available-for-sale investments	-
Acquisitions of associate	-
Acquisitions of long-term bond investment	-
Cash inflow due from disposal of subsidiaries	2,787
dividends and bond interest income received	115,151
Withdrawing long-term bond investment	-
Other investing activities	-
Cash inflow from sale of property, plant and equipment	1,919
Net cash flow from investing activities	-292,088
Cash flows from financing activities	
Cash inflow from issue of convertible bonds	-
Cash received due from absorbing investment	-
Additional loan	1,455,057
Cash inflow from other financing activities	-
Repaying loan	-1,326,763
Dividend paid to shareholders of the Group	-
Dividend paid to minority shareholders	-
Interest expenditure	-391,656
Cash outflow for other financing activities	-7,940
Net cash flow from financing activities	-271,302
Effect of exchange rate changes	-5,072
Increase/(decrease) in cash and cash equivalents	-570,271
Balance of cash and cash equivalents at the year-begin	2,080,680
Balance of cash and cash equivalents at the period-end	1,510,409

Notes to the financial statements
For the year ended 30 June 2006
(Expressed in Renminbi)

1 Background of the Company

BOE Technology Group Company Limited (the “Company”) was founded on 9 April 1993 in the People’s Republic of China (the “PRC”) as a joint stock limited company as part of the restructuring of Beijing Electronic Tube Factory (“BETF”). On the same date, the relevant business undertakings of BETF together with the related assets and liabilities were taken over by the Company. The Company and its subsidiaries are collectively referred to as the Group.

The parent company of the Group is Beijing Orient Investment and Development Company Limited (“BOID”), which is a state-owned enterprise registered in Beijing, the PRC.

The Group manufactures and sells electronic products, invests in enterprises engaged in the manufacture of electronic products and provides property management services to properties it owns.

The Company has its primary listing on the Shenzhen Stock Exchange issuing its first B shares on 10 June 1997, with further offerings of A shares on the Shenzhen Stock Exchange in 12 January 2001 and B shares on 16 January 2004 respectively.

2 Basis of preparation

The current liabilities of the Group is more RMB2,983,480,803 than the current assets as at 30 June 2006. The current liabilities of the Group comprise mainly of bank loan. Up to 29 August 2006, the Group has successfully renewed bank loan of RMB642,000,000. At the same time, on 18 April 2006, the board of directors has approved a private placement of 1,500 million A shares to certain specified persons and this proceeding has been approved by China Securities Regulatory Commission with [2006] No.36 document. All the issuance is in under. In addition, the group will adopt measures including the asset structure improvement and stock asset realization to accelerate fund turnover. Accordingly, the financial statements of the Group should be prepared on a going concern basis.

3 Summary of significant accounting policies

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International. A summary of the significant accounting policies adopted in the preparations of the financial statements is set out below.

(b) Basis of preparation

The consolidated financial statements for the year ended 30 June 2006 comprise the Company and its subsidiaries. The financial statements are presented in Renminbi

("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is historical cost.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factor that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date of that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) *Foreign currency*

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to RMB at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except those eligible for capitalisation as construction in progress.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the transactions.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to RMB at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to RMB at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(e) *Property, plant and equipment*

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(iv) Depreciation

Depreciation is charged to income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, after taking into account its estimated residual value. The estimated useful lives are as follows:

	Years	Estimated residual value as a percentage of costs
Buildings	20 to 40 years	3%-10%
Plant, machinery and equipment	2 to 15 years	3%-10%
Motor vehicles	2 to 10 years	0%-10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) *Intangible assets*

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. It represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent assets and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses .

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Technology rights	8-20 years
Patent	5-10 years
Computer software	3-10 years

(g) *Investments*

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost, where appropriate, of each asset over its estimated useful life ranging from 20 to 40 years on a straight-line basis, after taking into account its estimated residual value.

(h) *Construction in progress*

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges and exchange differences on the designated financial instruments during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(i) *Trade and other receivables*

Trade and other receivables are stated less impairment losses for bad and doubtful debts.

(j) *Lease prepayments*

Lease prepayments represent land use rights paid to the PRC's governmental authorities. Land use rights are carried at cost less impairment losses and are amortised on a straight-line basis over the respective periods of the rights.

(k) Inventories

Inventories, other than spare parts, tools and ancillary materials, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is calculated using the weighted average cost formula and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts, tools and ancillary materials are stated at cost less provision for obsolescence.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(m) Impairment

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- intangible assets;
- lease prepayments;
- investment properties;
- other investments; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(n) Dividends

Dividends are recognised as a liability in the period which they are declared.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(p) Employees benefits

Obligations for contributions to defined contribution retirement schemes are recognised as an expense in the income statement as incurred.

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the relevant statutory requirement is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by the fair value of any related assets.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities for uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) *Trade and other payables*

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) *Revenue recognition*

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) Government grant

An unconditional government grant is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

(iv) Dividend income

Dividend income from other investments is recognised when the shareholder's right to receive the payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) *Expenses*

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Net financing costs

Net financing costs comprise interest expenses on borrowings calculated using the effective interest rate method, interest receivable on bank deposits, dividend income, foreign

exchange gains and losses, and gains and losses on derivative financial instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

(u) *Income tax*

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(v) *Borrowing costs*

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) *Related parties*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

4 Turnover

Turnover represents the aggregate of the invoiced value of goods sold and services rendered, after allowances for goods returned and deduction of any trade discounts, and excludes value added tax or other sales taxes.

5 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments.

Inter-segment pricing is determined on an arm's length basis.

(i) Business segments

The Group comprises the following main business segments:

- Thin Film Transistor-Liquid Crystal Display ("TFT-LCD") business;
- Small-size-Liquid Crystal Display ("SLCD") business
- Others include Precision Electronic Components and materials and other business lines.

(ii) Geographical segments

The Group's two major business segments are managed on a worldwide basis, but operate in four main geographical areas.

PRC is the home country of the Group which is also the main operating country. Other Asia region mainly covers the production and sales activity of TFT-LCD and STN-CTSN.

European region and American region mainly covers the sales activity of TFT-LCD.

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

Business segments

	Jan.-Jun. 2006		Jan.-Jun. 2005	
	Income from main operations	Cost of main operations	Income from main operations	Cost of main operations
	RMB ' 000	RMB ' 000	RMB ' 000	RMB ' 000
LCD terminal products business	-	-	1,922,554	1,839,447
TFT-LCD business	3,639,446	4,793,413	2,050,208	2,541,720
SLCD business	319,835	263,325	321,297	263,029
Other business	542,137	459,557	418,763	333,424
Elimination	<u>(215,053)</u>	<u>(205,884)</u>	<u>(391,111)</u>	<u>(380,854)</u>
Total	<u>4,286,365</u>	<u>5,310,411</u>	<u>4,321,711</u>	<u>4,596,766</u>

Geographical segments

	Jan.-Jun. 2006		Jan.-Jun. 2005	
	Income from main operations	Cost of main operations	Income from main operations	Cost of main operations
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	978,863	966,542	2,801,526	2,999,367
Other Asian region	3,788,533	4,790,099	1,537,430	1,559,607
European region	330,443	340,123	86,847	82,953
American region	157,838	173,790	484,785	499,016
Other countries	-	-	172,231	206,674
Elimination	<u>(969,312)</u>	<u>(960,143)</u>	<u>(761,108)</u>	<u>(750,851)</u>
Total	<u>4,286,365</u>	<u>5,310,411</u>	<u>4,321,711</u>	<u>4,596,766</u>

6 Other operating income/(expenses)

	January - June 2006 RMB'000
Sales of scrap	1,230
Properties lease	3,974
Mould development and transfer	2,112
Sales of LCD	2,986
Government grant	66,538
Income from penalty and reparations	3,966
Income from transfer of Golf Club's membership	23,283
Other	1,333
	<u>105,422</u>

7 Financial expense

	January - June 2006 RMB'000	January - June 2005 RMB'000
Interests expenses	457,632	262,014
Less: Interests income	(19,742)	(32,010)
Exchange loss	97,305	43,084
Less: exchange income	(165,667)	(100,851)
Other	2,115	2,954
	<u>371,643</u>	<u>175,191</u>

Financial expense is higher, which was due to increase of interest expense on bonds issued by BOE-Hydis in April 2005 and increase of interest expense on syndicated loan borrowed by BOEOT for the development of production lines of the 5th Generation TFT-LCD products.

8 Property, plant and equipment

	Buildings RMB'000	machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1 January 2006	2,586,326	11,333,082	27,787	13,947,195
Increase for the period	78,180	232,058	962	311,200
Transfer from construction in progress	-	200,525	-	200,525
Decrease for the period	(6,616)	(11,019)	(2,125)	(19,760)
At 30 June 2006	2,657,890	11,754,646	26,624	14,439,160
Accumulated depreciations and impairment losses:				
At 1 January 2006	322,442	2,282,238	12,243	2,616,923
Increase for the period	126,605	864,851	1,584	993,040
Decrease for the period	(354)	(3,086)	(832)	(4,272)
At 30 June 2006	448,693	3,144,003	12,995	3,605,691
Net book value:				
At 30 June 2006	<u>2,209,197</u>	<u>8,610,643</u>	<u>13,629</u>	<u>10,833,469</u>
At 1 January 2006	<u>2,263,884</u>	<u>9,050,844</u>	<u>15,544</u>	<u>11,330,272</u>

Ended 30 June 2006, buildings and machinery equipments with a net value of fixed assets of RMB 9,623,723,672 were used as mortgage of short-term loan, loan due within one year and long-term loan.

9 Construction in progress

	30 June 2006 RMB'000	31 December 2005 RMB'000
At 1 January 2006	285,244	5,065,349
Increase for the period	207,767	3,052,018
Transfer to fixed assets	493,011	8,117,367
Transfer to intangible assets	(200,525)	(7,682,540)
Decrease for the period	-	(118,787)
Impairment losses	(4,825)	-
Disposal of a subsidiary	-	(19,932)
Effect of movements in foreign exchange	-	(10,981)
At 30 June 2006	<u>287,661</u>	<u>285,244</u>

10 Intangible assets

	Goodwill	Computer software	Technology	Patent	Total
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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2006	43,394	162,881	289,284	26,432	521,991
Increase for the period		8,080	191	49	8,320
Transfer from construction in progress					-
Disposals for the period					-
At 30 June 2006	43,394	170,961	289,475	26,481	530,311
Accumulated amortization and Impairment losses :					-
At 1 January 2006	-	19,965	38,605	13,571	72,141
Amortisation for the period		9,054	12,384	3,418	24,856
Impairment losses Releasing as disposals					-
At 30 June 2006	-	29,019	50,989	16,989	96,997
Net book value:					
At 30 June 2006	<u>43,394</u>	<u>141,942</u>	<u>238,486</u>	<u>9,492</u>	<u>433,314</u>
At 1 January 2006	<u>43,394</u>	<u>142,916</u>	<u>250,679</u>	<u>12,861</u>	<u>449,850</u>

Ended 30 June 2006, patent with net value of intangible assets worth RMB 591,157 was used as loan mortgage.

11 Investment properties

	30 June 2006 RMB'000
Cost:	
At 1 January 2006	132,098
Increase for the period	
At 30 June 2006	132,098
Accumulated depreciation:	
At 1 January 2006	18,977
Depreciation withdrawn for the period	2,994
At 30 June 2006	21,971
Net book value:	
At 30 June 2006	<u>110,127</u>
At 1 January 2006	<u>113,121</u>

12 Interest in associates

	30 June 2006 RMB'000	31 December 2005 RMB'000
Long-term equity investment		
Balance as at the period-begin	2,820,463	2,209,700
Add: incremental investment	8,000	324,283
Amount adjusted as per equity method	139,787	401,766
Less: dividend in cash	(114,814)	(115,286)
Decrease for the period	-	-
Balance as at the period-end	2,853,436	2,820,463
Less: impairment provisions	-	-
Balance as at the period-begin	-	-

Balance as at the period-end	-	-
Book value	-	-
Book value as at the period-end	<u>2,853,436</u>	<u>2,820,463</u>
Book value as at the period-begin	<u>2,820,463</u>	<u>2,209,700</u>

13 Inventories

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Raw materials	598,561	673,543
Work in progress	204,652	281,143
Finished goods	990,191	940,658
Low-valued consumables and packing materials	<u>22,233</u>	<u>24,557</u>
	<u>1,815,637</u>	<u>1,919,901</u>

The inventories were stated at cost less net value after impairment provisions, RMB 466, 569,782 were withdrawn as impairment provision for inventories.

Ended 30 June 2006, the inventories with net book value of RMB 429,487,696 were used as mortgage of short-term loan and long-term loan.

14 Trade receivables

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Accounts receivable	1,268,057	1,775,056
Bills receivable	135,650	101,238
Other receivables	317,488	354,948
Payment in advance	100,516	95,975
Allowance receivable	21,206	163
Prepaid expenses	11,841	11,415
	<u>1,854,758</u>	<u>2,338,795</u>

15 Deposits with banks and cash and cash equivalents

Included in deposit with banks and cash and cash equivalents are foreign currency capital:

	30 June 2006	31 December 2005
United States Dollars	USD 41,714	USD 54,102
Hong Kong Dollars	HKD 14,029	HKD 13,720
Korean Won	KRW 8,465,254	KRW 63,992,986
Japanese Yen	Yen 1,252,971	Yen 3,380,464
Taiwan Dollars	TWD60,032	-

16 Trade payables

	30 June 2006	31 December 2005
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	RMB'000	RMB'000
Accounts payable	2,117,811	2,166,670
Bills payable	54,103	90,324
Deposit received	45,465	25,273
wages payable	18,352	33,955
Welfare payable	32,860	25,154
Dividends payable	7,749	6,712
Accrued others payments	1,339	1,314
Others payable	340,604	271,809
Accrued expenses	115,751	121,064
	<u>2,734,034</u>	<u>2,742,275</u>

17 Provisions

	30 June 2006 RMB'000	31 December 2005 RMB'000
After-sales service fees	38,459	44,503
Compensated absence	1,908	6,268
	<u>40,367</u>	<u>50,771</u>

- (a) After-sales service fees
The after-sales service fees expected by the Group is mainly warranty providing for products sold. The said projected liabilities are withdrawn based on the actual occurred amount of warranty over the past years and the actual sales and the reasonable estimation.
- (b) Compensated absences
BOE-Hydis calculated the expected cost of additional compensated absences based on the unused employee's vacation that has accumulated at the balance sheet dates.

18 Bank and other loans

At 30 June 2006, bank and other loans were repayable as follows

	30 June 2006 RMB'000	31 December 2005 RMB'000
Current loan within one year	5,376,890	3,762,956
Non-current loan over two years	8,032,546	9,569,710
total	<u>13,409,436</u>	<u>13,332,666</u>

Bank loans and other loans were stated as per currency sort as follows:

	30 June 2006 RMB'000	31 December 2005 RMB'000
Current portion of bank and other loans		
- denominated in RMB	3,003,240	2,704,704
- denominated in USD	1,148,868	483,424
- denominated in Yen	235,541	363,299
- denominated in KRW	937,121	168,529
- discounted commercial notes	52,120	43,000
Sub-total (current portion)	<u>5,376,890</u>	<u>3,762,956</u>

Non-current portion of bank and other loans		
- denominated in RMB	2,867,036	3,800,636
- denominated in USD	3,666,184	3,732,448
- denominated in KRW	1,499,326	2,036,626
Sub-total (non-current portion)	<u>8,032,546</u>	<u>9,569,710</u>
total	<u>13,409,436</u>	<u>13,332,666</u>

19 Employee benefits

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Post employment benefits	26,952	17,280
total	<u>26,952</u>	<u>17,280</u>

As at 30 June 2006, the post employment benefit is that BOE-Hydis withdraws the post employment benefits to its employees and directors with more than one year of service. The employees and directors 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 when they left their position.

20 Other long-term liabilities

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Long-term construction loan	316,023	300,456
Trust capital loan	421,740	410,657
Deferred income	62,237	88,887
Long-term bills payable	314,117	299,939
Others	<u>56,493</u>	<u>56,539</u>
	<u>1,170,610</u>	<u>1,156,478</u>

(a) Long-term construction loan

The Company, BOEOT and Beijing Economic-Technological Investment & Development Corporation ("BETIDC") has signed the Workshop Construction Consignment Agreement (the "Agreement") and the Workshop Purchase Contract (the "Contract") in 2003, according to the Agreement and the Contract, BETIDC would invest a total of RMB350,000,000 (2004: RMB350,000,000) for the construction of the special workshop used by BOEOT and has the ownership of the said workshop, BOEOT is required to acquire from BETIDC the special workshop within five years from the date of the Agreement. In July 2004, the Company, BOEOT and BETIDC signed the Contract Cancel Agreement, and mutually agreed to cancel the aforesaid Agreement. The Company has undertaken to repay the RMB350,000,000 to BETIDC before 22 October 2008, and Beijing Electronics Holding Company Limited ("BEH"), the controlling shareholder of the Company, undertook jointly liability guarantee.

(b) Trust capital loan

Beijing Economic Technological Investment & Development Corporation ("BETIDC") provided capital of RMB 450,000,000 to the Company in 2004 in order to support the project of the production lines of the 5th Generation TFT-LCD products. The Company would invest in BOEOT with the said capital, and would hold the relevant equity of BOEOT on behalf of BETIDC which the related benefits derived from the equity interests in BOEOT (including but not limited to the entitlement to dividends, the right to share the results of BOEOT and right to exercise the voting right) still belongs to the Company. The Company is required to purchase from BETIDC its interest in BOEOT for RMB450,000,000 within three years from the receipt of the above investment capital sum. If the Company fails to make such purchase within the specified period, Beijing Technology Zone Committee has the right to dispose its interest in BOEOT in the market.

(c) **Deferred income**

Deferred income represents the difference between the amount of trust capital loan and long-term construction loans and the fair values of these loans. The deferred income will be amortised and is recognised as interest income over the respective loan period.

(d) Long-term bills payable

Long-term bills payable mainly includes long-term acceptance bill issued when BOE-Hydis purchased TFT-LCD business from Hyundai LCD Technology Co., Ltd. on 23 January 2003. The relevant bills took the partial properties, machinery and equipments as mortgage and have expired on 22 January 2008.

21 Share capital

	30 June 2006		31 December 2005	
	Number of Shares '000	RMB'000	Number of Shares '000	RMB'000
Subject to moratorium				
State-owned legal person share	808,895	808,895	808,895	808,895
Raised legal person share	8,814	8,814	8,814	8,814
No subject to moratorium				
A-share	262,437	262,437	262,437	262,437
B-share	1,115,550	1,115,550	1,115,550	1,115,550
	<u>2,195,696</u>	<u>2,195,696</u>	<u>2,195,696</u>	<u>2,195,696</u>

22 Reserves

	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionar y surplus reserve	Translation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
at 1 January 2006	4,970	140,088	69,334	284,701	181,097	680,190
Transfer for the year						-
Currency translation differences – amount arising in the year					(17,975)	(17,975)
Transfer-out for the year						-
at 30 June 2006	<u>4,970</u>	<u>140,088</u>	<u>69,334</u>	<u>284,701</u>	<u>163,122</u>	<u>662,215</u>

23 Related party transactions

<u>Name of related enterprises</u>	<u>relationship with the Company</u>
Beijing Electronics Holding Company Limited	the actual controller of the Company
Beijing Intelligent Kechuang Technology Development Co., Ltd.	shareholder of parent company
Marubeni Corporation	shareholder of parent company
Beijing BOE Investment & Dvelopment Co., Ltd.	parent company
Beijing Dongdian Industrial Development Co.	controlled by the same terminal controlling company
Star City Land	affiliated company of the Company
Nissin Electronics	affiliated company of the Company
Nittan Electronics	affiliated company of the Company
Mosler	affiliated company of the Company

Beijing Matsushita
 Top Victory Technology
 Julong photoelectricity

affiliated company of the Company
 affiliated company of the Company
 affiliated company of the Company

(a) Significant transactions with related parties

	January - June 2006	January - June 2005
	RMB'000	RMB'000
Related transaction with related parties existing the controlling relationship		
Purchasing of commodities		
Guarantee expense paid	2,000	11,125
Related transaction with related parties without controlling relationship		
Sales of commodities	474,274	1,033,859
Among which:		
Hyundai LCD	6,939	57,131
Top Victory Technology	442,071	948,094
Other	25,264	28,634
Service revenue	9,418	6,393
Rental income	2,082	1,846
Purchasing of commodities	507,914	586,954
Among which:		
Hyundai LCD	10,573	116,448
Top Victory Technology	-	121,887
Marubeni	496,540	348,619
Other	801	-
Receiving/paying bounty	-	(4,669)
Receiving labor service	662	22,938
Housing rental expense paid	566	8,500

(b) Significant balances with related parties

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Bills receivables	43,000	43,000
Accounts receivables	114,998	336,145
Among which:		
Hyundai LCD	-	42,586
Top Victory Technology	100,269	278,885
Beijing Matsushita	10,107	12,217
Other	4,622	2,457
Other receivables	32,259	36,141
Among which:		
Star City Land	30,047	30,047
Other	2,212	6,094
Trade payables	(76,034)	(104,910)

Among which: Hyundai LCD	-	(41,823)
Marubeni	(75,809)	(63,078)
Other	(225)	(9)
Other payables	(240)	(200)
Accrued expenses	(290)	(180)

24 Commitments

(a) Capital commitments

	30 June 2006	31 December 2005
	RMB'000	RMB'000
Contract signed	150,914	186,035
Contract approved but without signature	11,599	92,775
Total	162,513	278,810

(b) Operating lease commitments

Leases as lessee

BOE-Hydis has entered into a lease agreement in respect of a piece of land for a term of 30 years. Non-cancellable operating lease rentals are payable as follows:

	The Group	
	30 June 2006	31 December 2005
	RMB'000	RMB'000
Less than one year	23,282	28,403
Between one year and five years	77,191	61,442
More than five years	342,346	334,851
Total	442,819	424,696

25 Contingent liabilities

(a) Guarantee

(i) External guarantee

Zhejiang BOE provided the highest loan guarantee of RMB 40,000,000 for Zhejiang Huanyu Construction Group Co., Ltd.. Ended 30 June 2006, the actual balance of the said loan guarantee was RMB 35,887,880 with the guarantee term from 23 August 2006 to 18 February 2009.

(ii) Internal guarantee

The Company provided the loan guarantee for the loan amounting to RMB 135,000,000 of Zhejiang, the loan amounting to RMB 4,000,000 of Vacuum Electric. As the same time, the company provided the loan guarantee amounting to RMB 574,385,481 for the loan amounting to RMB 6,006,632,000 of BOEOT (Meanwhile, BOEOT took fixed assets with total net value of RMB 7,195,508,996 as mortgage.)

Ended 30 June 2006, Zhejiang BOE provided loan guarantee of RMB 9,500,000 for Shaoxing BOE.

Ended 30 June 2006, Suzhou BOE CHATANI provided guarantee for loan of RMB 41,700,000 and trade financing quantum of RMB 3,557,930 to its controlling subsidiary, Beijing CHATANI.

(b) Potential litigation

BOE-Hydis was given notifications from Sharp Corporation, LG Philips LCD and Honeywell International Incorporation and Honeywell Intellectual Properties Incorporation, 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 liabilities which may result has been made.

26 Principal subsidiaries, associates and jointly controlled entities

The particulars of the Group's principal subsidiaries at 31 December 2005 are as follows:

Name of company	Place and date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Consolidated subsidiaries					
Zhejiang BOE Display Technology Co., Ltd. (1)	PRC 8 July 1993	RMB129,194,000	69%	-	Research, development, manufacture and sale of monitors and related parts
Beijing BOE Vacuum Electronics Co., Ltd.	PRC 14 September 1998	RMB35,000,000	55%	-	Manufacture and sale of vacuum electronic products
BOE Semi-conductor Co., Ltd.	PRC 29 May 1992	RMB15,000,000	63%	-	Manufacture and sale of semi-conductor products
Beijing Software and System Integrated Co., Ltd.	PRC 6 May 1999	RMB20,000,000	100%	-	Research and development of network and telecommunications
Beijing Orient Heng Tong Property Centre	PRC 22 August 1997	RMB9,931,700	100%	-	Leasing of commercial facilities
Suzhou BOE Chagu Electronics Co., Ltd.	PRC 26 March 2002	USD8,552,000	75%	-	Development, manufacture and sale of back-light products and related services
BOE Hyundai LCD (Beijing) Display Technology Co., Ltd.	PRC 20 May 2002	USD5,000,000	75%	-	Development, manufacture and sale of related parts of LCD products
BOE-Hydis Technology Co., Ltd. (2)	Korea 28 November 2002	KRW91,197,000,000	100%	-	Development, manufacture and sale of TFT-LCD products and related services
Beijing BOE Optoelectronics Technology Co., Ltd.	PRC 9 June 2003	USD500,000,000	75%	25%	Development, manufacture and sale of TFT-LCD products and related services
BOE Land Co., Ltd.	PRC 28 April 1994	RMB55,420,000	70%	-	Leasing of commercial facilities
Beijing BOE Chatani Electronics Co., Ltd	PRC 22 March 2005	RMB37,244,000	1%	75%	Development, manufacture and sale of flat screen display products
Beijing Fangyi Integrated Circuits Co., Limited	PRC 19 May 2005	USD5,000,000	75%	25%	Development, manufacture and sale of Integrated Circuits products

BOE (Hebei) Mobile Display Technology Co., Ltd. (3)	PRC 7 April 2006	USD20,000,000	75%	25%	Production of flat screen display products used in mobile display system, sales of self-production product and related services
BOE-Hydis Japan Holding Company	Japan 1 October 2001	YEN10,000,000	-	100%	Sales distributor of BOE-Hydis in Japan
BOE-Hydis America Inc.	United States 1 September 2002	USD302,500	-	100%	Sales distributor of BOE-Hydis in United States
Shenzhen BOE Intelligent Display Technology Co., Ltd	PRC 23 December 1998	RMB20,000,000	-	41%	Development, manufacture and sale of LED products
Shaoxing BOE Ueno Electronics Apparatus Company Limited	PRC 19 November 1999	RMB27,000,000	-	41%	Manufacture and sale of electronics products
FineICs Co., Ltd (4)	Korea 7 December 2004	KRW910,000,000	-	55%	Design, development and sales for the IC products
BOE TFT-LCD Europe Gmbh (4)	Germany 6 July 2005	EURO500,000	-	100%	Sales distributor of BOE-Hydis in Germany
Unconsolidated subsidiaries					
BOE Technology Incorporation	USA 31 October 2000	USD200,000	100%	-	Research, development, manufacture and sale of high technology electronic infrastructure products
Beijing BOE Digital Technology Co., Ltd.	PRC 5 March 2001	USD10,000,000	75%	-	Research, development, manufacture and sale of digital cameras and other digital visual wireless transfer platform
BOE Optoelectronics Holding Company Ltd	British Virgin Island 7 January 2003	USD100,000	100%	-	Design, manufacture and trading of electronics information technology products and investing activities
BOE Optoelectronics Technology Co., Ltd	Bermuda 15 March 2004	HKD100,000	-	100%	Investment holding
BOE Optoelectronics Investment Co., Ltd	Malta 29 April 2004	USD10,000	-	100%	Investment holding
Associates					
Beijing Star City Real Estate Development Co., Ltd.	PRC 11 October 1995	RMB66,400,000	40%	-	Properties development
Beijing Nissin Electronics Precision Component Co., Ltd	PRC 1 April 1996	USD7,100,000	40%	-	Manufacture and sales of electronics tubes and related spare parts
Beijing Nittan Electronic Co., Ltd	PRC 24 June 1996	USD2,000,000	40%	-	Manufacture and sales of terminals, connectors and stampers
Beijing Orient Mosler Security Technology System Co., Ltd.	PRC 7 September 1998	USD1,300,000	35%	-	Manufacture and sales of security and protection system and products
Beijing Matsushita Color CRT Co., Ltd.	PRC 8 September 1987	RMB1,240,754,049	30%	-	Manufacture and sales of color picture tubes and color display tubes

TPV Technology Limited	Bermuda 12 January 1998	USD19,153,769	22.16%	-	Manufacture and sale of color computer monitors and LCD products
Shenzhen Julong Photoelectricity Co., Ltd (5)	PRC 1 November 1993	RMB20,000,000	-	-	Development and manufacture of mechanical integrated products, satellite communication equipment, computer software and automatic instruments

Jointly controlled entities

Beijing Asahi Glass Electronics Co., Ltd.	PRC 16 November 1993	RMB61,576,840	50%	-	Manufacture and sales of electronic products
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(1) In accordance with the resolutions of the 20th meeting of the 4th Board of Directors, the Company has completed the increase of its equity interests in ZJBOE by RMB 50 million in March 2006, and Shaoxing Tianyuan Certified Public Accountants issued the capital verification report. After the capital injection, the equity interest held by BOE at ZJBOE has increased to 69.3%.

(2) In accordance with the resolutions of the 19th meeting of the 4th Board of Directors, the Company has completed the increase of its equity interests in BOE-Hydis by USD 5 million (converting into RMB 40.21 million) on 24 March 2006.

(3) In accordance with the resolutions of the 23rd meeting of the 4th Board of Directors, the Company and BOE-Hydis jointly invested to set up BOE (Hebei) Mobile Display Technology Co., Ltd. (BOEHB), and took the business license of BOEHB, thus, the Company would bring it into the consolidated scope.

(4) FineICs Co., Ltd and BOE TFT-LCD EUROPE GMBH were established by BOE-Hydis as its controlling subsidiary in 2004 and 2005 respectively, thus, the Company would bring them into the consolidated scope in the current period.

(5) In accordance with the resolutions of the 22nd meeting of the 4th Board of Directors, the Company invested RMB 8 million in Shenzhen Julong Photoelectricity Co., Ltd. in April 2006, accounting for 40% of equity interests. Shenzhen Hengdafeng Certified Public Accountants issued the capital verification report.

27 Other significant events

(a) BOE Land Co., Ltd. ("BOE Land") signed a Framework Agreement on Restructuring of Beijing Zhongjin Shun Da Land Corporation ("ZJ Land") with Beijing Zhong Ye An Shun Da Metallurgy Corporation ("ZYASD") on 14 January 2004. Pursuant to the regulations in the said agreement, BOE Land and ZYASD would respectively hold 60% and 40% equity of ZJ Land after restructuring. BOE Land has completed the relevant reorganization procedure such as the capital injection in line with the said agreement, while ZYASD failed to make the capital injection according to plan. The Company has applied for preservation to the Court with the investment payment related with the project.

On 20 December 2005, Beijing Municipal Higher People's Court made the ultimate judgment with (2005) GMZZ No. 1020 document, which relieved the said Framework agreement and the relevant supplemental agreement, and asked for ZYASD must repay the investment payment related with the said project to the Company.

In January 2006, ZYASD did not refund the said investment payment, the Court entered into execution phase, conducted the price assessment for land and properties under the name of ZYASD, and held the auction on sealing up object on 4 August 2006. As at this reporting date, the execution after auction was under progress.

(b) The Company examined and passes the proposal on integrating Beijing Fangyi Integrated Circuits Co., Limited ("Beijing Fangyi") in the 24th meeting of the 4th Board of Directors on 31 May 2006, which the Company and BOE Hydis Technology Co., Ltd. ("BOE Hydis", a subsidiary of the Company) respectively transfer its equity interest in Beijing Fangyi to Teralane Semiconductor Inc. ("TLS"), as the consideration, TLS paid cash of USD 3 million and 5,000,000 shares of TLS (converting into USD 1.5 million) to the Company, and paid 5,000,000 shares of TLS (converting into USD 1.5 million) to BOE Hydis. Meanwhile, TLS undertook to purchase or introduce the third party for purchasing 5,000,000 shares of TLS held by BOE Hydis before 15 December 2006. As at the reporting date, the corresponding equity transfer procedure was under progress.

(c) Hyundai LCD Inc., an subsidiary associated company of the Company, went bankrupt because of operating losses, and was taken over by the Bank in March 2006, after this, the Company transferred its 31.28% equity interest of 39.11% in Hyundai LCD. Inc to the Bank, thus, the Company only reserved 7.83% of the relevant equity. On 25 July 2006, Hyundai LCD Inc. applied for the legal management to the Court according to the regulations of Korean laws, the Bank exited. Ended the financial reporting date, the reorganization work was still under progress.

28 Post balance sheet events

1. On 17 July 2006, the application on private placement of A shares to specified persons examined and passed in the 21st meeting of the 4th Board of Directors of the Company has been approved by China Securities Regulatory Committee with ZJFXZ [2006] No. 36 document.

2. Zhejiang BOE signed the Agreement on Equity Transfer of Shenzhen BOE Intelligent Display Technology Co., Ltd. and Disposal of Creditor's Rights owned by Zhejiang BOE Display Technology Co., Ltd. with Shenzhen Ri Shun Sheng Trade Co., Ltd. on 31 July 2006, according to the said agreement, Zhejiang BOE transferred its 59.8% equity interest in Shenzhen BOE and creditor's rights worth RMB 7.5893 million to Shenzhen Ri Shun Sheng Trade Co., Ltd. with the transfer payment amounting to RMB 10 million, meanwhile, Shenzhen Ri Shun Sheng Trade Co., Ltd. agreed to pay RMB 2 million, RMB 3 million and RMB 5 million respectively on 31 July 2006, 8 August 2006 and 31 August 2006. As at financial reporting date, Zhejiang BOE has received the transfer payment of equity and creditor's rights amounting to RMB 5 million from Shenzhen Ri Shun Sheng Trade Co., Ltd. at the appointed time of the contract.

3. In order to promote products market development of the Group and perfect establishment of the global marketing system taking customers as core, the Group planned to newly set up marketing network. At present, the said matter is under transaction in succession.

4. Ended 30 June 2006, the balance of syndicated loan of BOE-Hydis was KRW 87.324 billion and USD 50.23 million (converting into RMB 1128.7 million), among which, BOE-Hydis should repay KRW 12.474 billion and USD 7.17 million (converting into RMB 166.01 million) on 24 July 2006. Whereas, BOE-Hydis did not take a favorable turn in respect of operation, resulting into funds lack, thus, BOE-Hydis unable to refund on the date promised by the Loan Agreement. As negotiated between BOE-Hydis and syndication, the syndication agreed to defer to 24 August 2006 for repaying. At present, BOE-Hydis was adopting the actively measures to improve cash flow status. The assets of BOE-Hydis were pledged for the aforesaid loan, while BOE did not provide any guarantee, thus, the Company considered that no influence happened on the Company due to the said matter.

5. TPV has carried out a share option scheme and share capital of TPV adds up to 1,929,147,954 on 15 August 2006. The group process the number of stock didn't change during the report period and rate of shareholder is 22.00%. The group is still the biggest shareholder up to now.

Differences between financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) and PRC Accounting Rules and Regulations (“PRC GAAP”)

	<i>Net profit</i>	<i>Net assets</i>
	RMB'000	RMB'000
<i>Net (Loss)/profit of the Company in consolidated statement under PRC GAAP</i>	(1,264,346)	1,608,063
Adjustments:	-	-
1. Recognition and amortisation of positive goodwill	54,488	117,566
2. Recognition and amortisation of negative goodwill	(7,426)	88,936
3. Government grant	-	(3,242)
4. Capitalised general borrowing costs and depreciation withdrawn	(2,256)	30,929
5. Capitalised R&D costs and depreciation withdrawn	(5,137)	195,314
6. Disposal of subsidiary	-	141,620
7. Appropriation of staff bonus and welfare fund	(3,410)	-
8. Amortisation of loans arrangement fee	(5,343)	10,349
9. Dilution gain on interest in associate	-	(73,750)
10. Convertible debentures	-	111,357
11. Unconfirmed investment loss	(490,072)	-
12. Others	-	11
<i>Net (Loss)/profit of the Company in consolidated statement under IFRSs</i>	(1,723,502)	2,227,153

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- Under IFRSs, positive goodwill should be recorded at an amount equal to the cost less the accumulative impairment loss after initial confirmation. Under PRC GAAP, positive goodwill should be amortised in the income statement based on the relevant amortisation period.
- Under IFRSs, negative goodwill should be amortised in the income statement based on the relevant amortisation period over the previous years. Along with the Group adopts new IFRSs, negative goodwill is recognised as other income one-off when incurred. The Group has retroactively adjusted the amounts over the past years in accordance with the relevant requirements of new IFRSs. Under PRC GAAP, negative goodwill is amortised in the income statement based on the relevant amortisation period.
- Under IFRSs, government grant is recognised as other income in the income statement. Under the PRC GAAP, government grant is booked as capital reserve.
- Under IFRSs, general borrowing costs can be capitalised. Under the PRC GAAP, general borrowing costs are charged to the income statement when incurred.
- Under IFRSs, R&D costs can be capitalised when accorded with the certain conditions. Under PRC GAAP, R&D costs are charged to the income statement when incurred.
- Under PRC GAAP, in the non-monetary transactions, the book value of assets received is recognised at an amount equal to the carrying value of the assets surrendered. Under IFRSs, the book value of assets surrendered is recognised with the fair value, balance of

value is recorded into gain/loss. The amount represents the difference treatment on disposal of subsidiary post balance sheet under PRC GAAP and IFRSs.

7. Under IFRSs, appropriation of staff bonus and welfare fund is recorded into the current expense. Under PRC GAAP, appropriation of staff bonus and welfare fund is recognised as profit distribution.
8. Under IFRSs, the loans arrangement fee is amortised in the income statement based on the loan period. Under PRC GAAP, the loans arrangement fee was charged to the income statement when incurred.
9. Under IFRSs, the change in equity enjoyed by original investor in the investee unit happened owing to new shares issued by the said investee, gain/loss from the relevant equity diluted is recognised in the income statement when incurred. Under PRC GAAP, gain/loss from the relevant equity diluted is recognised in shareholders' equity when incurred.
10. The amount represents the GAAP differences on the equity accounting of TPV which has issued convertible debentures in 2005. Under IFRS, the equity portion of the convertible debentures is recognised in shareholders' equity. Under PRC GAAP, the equity portion is recognised in liability.
11. Under IFRSs, when subsidiary company went bankruptcy and went on operating, parent company continually accounted as per equity method and brings it into consolidated statement. Under PRC GAAP, for insolvent subsidiary company, parent company accounted long-term investment as per equity method till zero, and listed the excess loss of subsidiary company in the income statement and balance sheet as unconfirmed investment loss.