



BOE TECHNOLOGY GROUP CO., LTD.

ANNUAL REPORT 2011

Important Notes

The Board of Directors, Supervisory Committee, as well as directors, supervisors and Senior Executives of BOE TECHNOLOGY GROUP CO., LTD. (hereinafter referred to as “the Company”) hereby confirm that there exists no omission, misstatement, or misleading information in this report, and accept, individually and collectively, the responsibility for the correctness, accuracy and completeness of the contents of this report.

Mr. Wang Dongsheng, Chairman of the Board, Mr. Chen Yanshun, President of the Company, Ms. Sun Yun, Chief Financial Officer of the Company, as well as Ms. Yang Xiaoping who is in charge of the Planning & Financing Department, hereby confirm that the Financial Statements enclosed in the Annual Report is true and complete.

Annual Report 2011 was prepared in accordance with the Accounting Standards for Business Enterprises and other relevant provisions. KPMG Huazhen Certified Public Accountants produced the standard Auditors' Report with unqualified opinion for the Company.

This report was prepared in both Chinese and English. Should there be any difference in interpretation between the Chinese version and English version, the Chinese version shall prevail.

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Chapter I Company Profile

1. Legal Name of the Company:

In Chinese: 京东方科技集团股份有限公司

In English: BOE TECHNOLOGY GROUP CO., LTD.

Abbr. in Chinese: 京东方

Abbr. in English: BOE

2. Legal Representative: Wang Dongsheng

3. Secretary of the Board of Directors: Feng Liqiong

Securities Affairs Representative: Liu Hongfeng

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

Tel: 010 – 64318888 ext.

Fax: 010 – 64366264

E-mail: fengliqiong@boe.com.cn, liuhongfeng@boe.com.cn

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

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

Post Code: 100015

The Company's Internet Website: <http://www.boe.com.cn>

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

5. Newspapers Designated for Information Disclosure:

Securities Times, China Securities Journal, Shanghai Securities News and Hong Kong Ta Kung Pao

Internet Website Designated from CSRC for Publishing the Annual

Report: <http://www.cninfo.com.cn>

The Annual Report is Prepared and Placed: The office of Secretary of the Board of Directors

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form for A-share: BOE-A

Stock Code for A-share: 000725

Short Form for B-share: BOE-B

Stock Code for B-share: 200725

7. Other Related Information:

Initial registration date: 9 Apr. 1993

Initial registration place: No.10, Jiuxianqiao Road, Chaoyang District, Beijing

Registrations date after the latest changing: 6 Dec. 2011

Registration place after the latest changing: No.10, Jiuxianqiao Road, Chaoyang District, Beijing

Registration number for enterprise corporate business license: 110000005012597

Registration number of taxation: JSZZi No.110105101101660

Organization Code: 10110166-0

Certified Public Accountants engaged by the Company:

Name: KPMG Huazhen Certified Public Accountants

Office Address: the 8th Floor, Office Tower E2, Oriental Plaza, No. 1 East Chang An Avenue, Beijing

Chapter II Summary of Financial Highlights and Business Highlights

I. Major accounting data of the year 2011

(Unit: RMB Yuan)

Item	Amount
Operating profit	156,906,033
Total profit	846,087,296
Net profit attributable to shareholders of the Company	560,866,477
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses	-3,871,227,843
Net cash flow from operating activities	-778,530,727

① Items of non-recurring gains and losses

(Unit: RMB Yuan)

Items of non-recurring gains and losses	Amount
Gains and losses from disposal of non-current assets	11,110,662
Government subsidies recorded into current gains and losses	666,446,749
Profits and losses arising from business combination when the combined cost is less than the recognized fair value of net assets of the combined company	2,295,47
Recovery of provision for impairment of accounts receivable that made independent impairment test	144,850
Gains/(losses) from changes in fair value of trading financial assets in hand	-67,794,013
Gains from disposal of trading financial assets	59,123,876
Investment income from disposal of long-term equity investment	3,648,147,580
Other long-term equity investment income	898,000,000
Other non-operating income and expenses	9,328,381
Less: Effect on taxation	123,905,218
Total	5,102,898,338
Of which: effect on non-recurring gains and losses attributable to shareholders of the Company	4,432,094,320
Effect on non-recurring gains and losses attributable to minority interest	670,804,018

② There was no difference between the financial statements prepared in line with CAS and the financial statements prepared in line with IFRS.

	CAS	IFRS
Net profit	693,677,317	693,677,317
Net assets	35,045,483,906	35,045,483,906
Explanation for differences	Naught	

II. Major accounting data and financial index over the past three years as at 31 Dec. 2011

1. Major accounting data

(Unit: RMB Yuan)

Items	2011	2010	Increase/decrease year-on-year (%)	2009
Operating revenue (Yuan)	12,741,413,562	8,025,290,848	58.77%	6,249,194,126
Total profit (Yuan)	846,087,296	-2,241,360,223	137.75%	-81,947,276
Net profit attributable to shareholders of the Company (Yuan)	560,866,477	-2,003,813,083	127.99%	49,680,328
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses (Yuan)	-3,871,227,843	-2,074,964,015	-86.57%	-1,189,472,397
Net cash flow arising from operating activities (Yuan)	-778,530,727	-1,053,315,294	26.09%	810,009,035
Items	31 Dec. 2011	31 Dec. 2010	Increase/decrease year-on-year (%)	31 Dec. 2009
Total assets (Yuan)	68,769,415,646	54,229,952,769	26.81%	30,613,980,480
Owners' equity attributable to shareholders of listed companies (Yuan)	25,585,892,264	24,955,013,046	2.53%	18,029,695,698
Share capital (share)	13,521,542,341	11,267,951,951	20.00%	8,282,902,447

2. Financial index

(Unit: RMB Yuan)

Items	2011	2010	Increase/decrease year-on-year (%)	2009
Basic earnings per share (RMB/share)	0.041	-0.202	120.30%	0.008
Diluted earnings per share (RMB/share)	0.041	-0.202	120.30%	0.008
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	-0.286	-0.209	-36.84%	-0.192
Fully diluted return on net assets (%)	2.19%	-8.03%	10.22%	0.28%
Weighted average return on net assets (%)	2.22%	-11.77%	13.99%	0.39%
Fully diluted return on net assets after deducting non-recurring gains and losses (%)	-15.13%	-8.31%	-6.82%	-6.60%
Weighted average return on net assets after deducting non-recurring gains and losses (%)	-15.31%	-12.19%	-3.12%	-9.28%
Net cash flow per share arising from operating activities (RMB/share)	-0.058	-0.093	37.63%	0.10
Items	31 Dec. 2011	31 Dec. 2010	Increase/decrease year-on-year (%)	31 Dec. 2009
Net assets per share attributable to shareholders of the Company (RMB/share)	1.89	2.21	-14.48%	2.18

3. Return on net assets and basic earnings per share as well as diluted earnings per share calculated in accordance with requirement of Rules for the Compilation and Submission of Information Disclosure by Companies That Public Offering Shares No. 9

Profit of 2011	Weighted average return on net assets	Earnings per share (Yuan)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the Company holding ordinary shares	2.22%	0.041	0.041
Net profit attributable to shareholders of the Company holding ordinary shares after deducting non-recurring gains and losses	-15.31%	-0.286	-0.286

Chapter III Changes in Share Capital and Particulars about Shareholders

I. Changes in share capital

1. Statement of changes in share capital as at the end of reporting period

(Unit: share)

Items	Before the change		Increase/ decrease (+, -)			After the change	
	Amount	Ratio	Issuance of new share (Note 1)	Other (Note 2)	Subtotal	Amount	Ratio
I. Shares subject to trading moratorium	4,235,114,922	37.59%	847,022,984	-2,988,000,000	-2,140,977,016	2,094,137,906	15.49%
1. Shares held by the State	330,000,000	2.93%	66,000,000	-396,000,000	-330,000,000	0	0.00%
2. Shares held by state-owned corporation	3,305,049,504	29.33%	661,009,901	-1,872,000,000	-1,210,990,099	2,094,059,405	15.49%
3. Shares held by other domestic investors	600,000,000	5.33%	120,000,000	-720,000,000	-600,000,000	0	0.00%
Including: Shares held by domestic non-stated corporation	600,000,000	5.33%	120,000,000	-720,000,000	-600,000,000	0	0.00%
Shares held by domestic natural person	0	0.00%	0	0	0	0	0.00%
4. Shares held by foreign investors	0	0.00%	0	0	0	0	0.00%
Including: Shares held by foreign corporation	0	0.00%	0	0	0	0	0.00%
Shares held by foreign natural person	0	0.00%	0	0	0	0	0.00%
5. Shares held by senior executives	65,418	0.00%	13,083	0	13,083	78,501	0.00%
II. Shares not subject to trading moratorium	7,032,837,029	62.41%	1,406,567,406	2,988,000,000	4,394,567,406	11,427,404,435	84.51%
1. RMB common shares	5,917,287,029	52.51%	1,183,457,406	2,988,000,000	4,171,457,406	10,088,744,435	74.61%
2. Domestically listed foreign shares	1,115,550,000	9.90%	223,110,000	0	223,110,000	1,338,660,000	9.90%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0.00%
4. Other	0	0.00%	0	0	0	0	0.00%
III. Total shares	11,267,951,951	100.00%	2,253,590,390	0	2,253,590,390	13,521,542,341	100.00%

Note: Details for change in shares of the Company:

(1) In the reporting period, the Shareholders' General Meeting for Y2010 of the Company reviewed and approved Pre-plan on Profit Distribution 2010 and Capitalization of Capital Reserve, that is, the Company distributed additional two shares for every ten shares held by shareholders of A shares and shareholders of B shares with capital reserve, of which based on total shares of 11,267,951,951 shares at 31 Dec. 2010. Now the preplan has been conducted and completed.

(2) In the reporting period, part of private issuance of shares of 2010 was released for listing on 26 Dec. 2011, of which totaling 2,988,000,000 shares.

Change in shares subject to trading moratorium

Name of shareholder	Shares subject to trading moratorium at year-begin	Shares released from trading moratorium in current year	Increased shares subject to trading moratorium in current year	Shares subject to trading moratorium at year-end	Reason	Date of releasing trading moratorium
Beijing Jiahui Dexin Investment Center (limited partnership)	500,000,000	600,000,000	100,000,000	0	Non-public issuance of shares	26 Dec. 2011
Beijing Industry Development & Investment Management	330,000,000	396,000,000	66,000,000	0	Non-public issuance of shares	26 Dec. 2011

Co., Ltd.						
Beijing Economic-Technological Investment & Development Corp.	700,000,000	840,000,000	140,000,000	0	Non-public issuance of shares	26 Dec. 2011
Being E-TOWN International Investment & Development Co., Ltd.	495,049,504	0	99,009,901	594,059,405	Non-public issuance of shares	Estimated to be 13 Dec. 2013
Hefei Lan Ke Investment Co., Ltd.	625,000,000	0	125,000,000	750,000,000	Non-public issuance of shares	Estimated to be 10 Jun. 2012
Hefei Xincheng State-Owned Assets Management Co., Ltd.	625,000,000	0	125,000,000	750,000,000	Non-public issuance of shares	Estimated to be 10 Jun. 2012
Hefei Rongke Project Investment Co., Ltd.	660,000,000	792,000,000	132,000,000	0	Non-public issuance of shares	26 Dec. 2011
Southwest Securities Co., Ltd.	200,000,000	240,000,000	40,000,000	0	Non-public issuance of shares	26 Dec. 2011
Sinotrans Air Transportation Development Co., Ltd.	100,000,000	120,000,000	20,000,000	0	Non-public issuance of shares	26 Dec. 2011
Wang Dongsheng	18,691	0	3,738	22,429	Director and senior executive	—
Liang Xinqing	7,477	0	1,495	8,972	Director	—
Han Guojian	7,476	0	1,495	8,971	Director and senior executive	—
Mu Chengyuan	1,869	0	374	2,243	Supervisor	—
Song Ying	18,691	0	3,738	22,429	Senior executive	—
Wang Yanjun	7,476	0	1,495	8,971	Senior executive	—
Sun Yun	3,738	0	748	4,486	Senior executive	—
Total	4,235,114,922	2,988,000,000	847,022,984	2,094,137,906	-	-

Note: In the reporting period, the Shareholders' General Meeting for Y2010 of the Company reviewed and approved Pre-plan on Profit Distribution 2010 and Capitalization of Capital Reserve, that is, the Company distributed additional two shares for every ten shares held by shareholders of A shares and shareholders of B shares with capital reserve, of which based on total shares of 11,267,951,951 shares at 31 Dec. 2010. Now the preplan has been conducted and completed.

2. Issuance and listing of securities

(1) As approved by CSRC with ZJXK [2009] No. 369 document, the Company completed non-public issuance of A-share totalling 5,000,000,000 shares at a price of 2.4 yuan/share in Jun. 2009. Therefore, the total share capital has increased to 8,282,902,447 shares from 3,282,902,447 shares. Newly additional shares had listing on Shenzhen Stock Exchange on 10 Jun. 2009.

(2) As approved by CSRC with ZJXK [2010] No. 1324 document, the Company completed the private issuance of A-share totalling 2,985,049,504 shares at a price of 3.03 yuan/share in Dec. 2010, the total share capital of the Company has increased to 11,267,951,951 shares from 8,282,902,447 shares. Newly additional shares had listing on Shenzhen Stock Exchange on 13 Dec. 2010.

(3) On 30 May 2011, the Company convened Shareholders' General Meeting for Y2010, of which reviewed and approved Pre-plan on Profit Distribution 2010 and Capitalization of Capital Reserve, that is, the Company distributed additional two shares for every ten shares held by shareholders of A

shares and shareholders of B shares with capital reserve, of which based on total shares of 11,267,951,951 shares at 31 Dec. 2010. Newly additional A shares had listing on 20 Jun. 2011 and newly additional B shares had listing on 23 Jun. 2011.

(4)The Company has no staff shares now.

II. About shareholders

1. Number of shareholders and shares held by shareholders

The top ten shareholders as at 31 Dec. 2011

(Unit: share)

Total number of shareholders as at the end of 2011	475,659 shares in total (Including 435,143 ones of A shares and 40,516 ones of B shares)		Total number of shareholders as at one month before the reporting day	486,752 shares in total (Including 446,254 ones of A shares and 40,498 ones of B shares)	
Particulars about shares held by top ten shareholders					
Name of shareholder	Nature of shareholders	Proportion (%)	Total shares	Shares subject to trading moratorium held	Share pledged or frozen
Being E-TOWN International Investment & Development Co., Ltd.	Stated-owned corporation	9.57%	1,294,059,406	594,059,405	647,029,502
Beijing BOE Investment & Development Co., Ltd.	Stated-owned corporation	6.37%	860,981,080	0	0
Beijing Economic-Technological Investment & Development Corp.	Stated-owned corporation	6.27%	847,650,000	0	350,000,000
Hefei Rongke Project Investment Co., Ltd.	Stated-owned corporation	5.86%	792,000,000	0	0
Hefei Lan Ke Investment Co., Ltd.	Stated-owned corporation	5.55%	750,000,000	750,000,000	0
Hefei Xincheng State-Owned Assets Management Co., Ltd.	Stated-owned corporation	5.55%	750,000,000	750,000,000	0
Beijing Jiahui Dexin Investment Center (limited partnership)	Domestic non-state-owned corporation	4.44%	600,000,000	0	60,000,000
Beijing Industry Development & Investment Management Co., Ltd.	State-owned share	3.27%	442,016,711	0	
Beijing Electronics Holdings Co., Ltd.	State-owned share	2.04%	275,303,883	0	168,418,605
Southwest Securities Co., Ltd.	State-owned corporation	1.80%	243,012,010	0	
Particulars about shares held by the top ten shareholders not subject to trading moratorium					
Name of shareholders		Shares not subject to trading moratorium held		Type of shares	
Beijing BOE Investment & Development Co., Ltd.		860,981,080		A-share	
Beijing Economic-Technological Investment & Development Corp.		847,650,000		A-share	
Hefei Rongke Project Investment Co., Ltd.		792,000,000		A-share	
Being E-TOWN International Investment & Development Co., Ltd.		700,000,001		A-share	
Beijing Jiahui Dexin Investment Center (limited partnership)		600,000,000		A-share	
Beijing Industry Development & Investment Management Co., Ltd.		442,016,711		A-share	
Beijing Electronics Holdings Co., Ltd.		275,303,883		A-share	
Southwest Securities Co., Ltd.		243,012,010		A-share	
Ke Xiping		164,000,000		A-share	

Sinotrans Air Transportation Development Co., Ltd.	120,000,000	A-share
Explanation on associated relationship among the top ten shareholders or action-in-concert	<p>1. Beijing Electronics Holdings Co., Ltd. holds 66.25% shares of Beijing BOE Investment & Development Co., Ltd. and is its controlling shareholder.</p> <p>2. When the Company completed private offering of shares in 2010, Beijing E-TOWN International Investment & Development Co., Ltd. transferred all shares directly held to Beijing BOE Investment & Development Co., Ltd. for management, then BOE Investment acquired the attached rights of the shares attributable to other shareholders in accordance with current effective laws and rules of the Company, excluding right of disposition such as transfer, donation, mortgage etc. and usufruct (including claim for profit distribution and claim for retained assets distribution).</p> <p>3. Except for relationship among the above shareholders, the Company is not aware of whether there is any associated relationship or not among top ten shareholders holding shares not subject to trading moratorium.</p>	

2. Introduction to controlling shareholder and the actual controller

(1) About the controlling shareholders

Beijing BOE Investment & Development Co., Ltd. holds 6.37% of the total shares of the Company and is the controlling shareholder of the Company with an actual voting right of 15.94% of the total share capital of the Company. Its general information is as follows:

Name: Beijing BOE Investment & Development Co., Ltd.

Legal Representative: Wang Dongsheng

Date of Foundation: 21 Apr. 2005

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

Registered Capital: RMB 680.982 million

Type of the company: other limited liability corporation

Business scope: routine operating projects: R&D and production of electronic products, electronic raw materials and components; the relevant technical development, technical consultation, technical service and transfer; sales of self-produced products.

(2) About the actual controller

Beijing Electronics Holdings Co., Ltd. holds 66.25% of the shares of Beijing BOE Investment & Development Co., Ltd. and 2.04% of the shares of the Company directly. Therefore, it is the actual controller of the Company.

Beijing Electronics Holdings Co., Ltd. belongs to Beijing Municipal state-owned holding company, as well as a Beijing municipal state-owned assets authorized operation unit. Its general information is as follows:

Name of the enterprise: Beijing Electronics Holding Co., Ltd.

Legal Representative: Wang Yan

Date of Foundation: 8 Apr. 1997

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

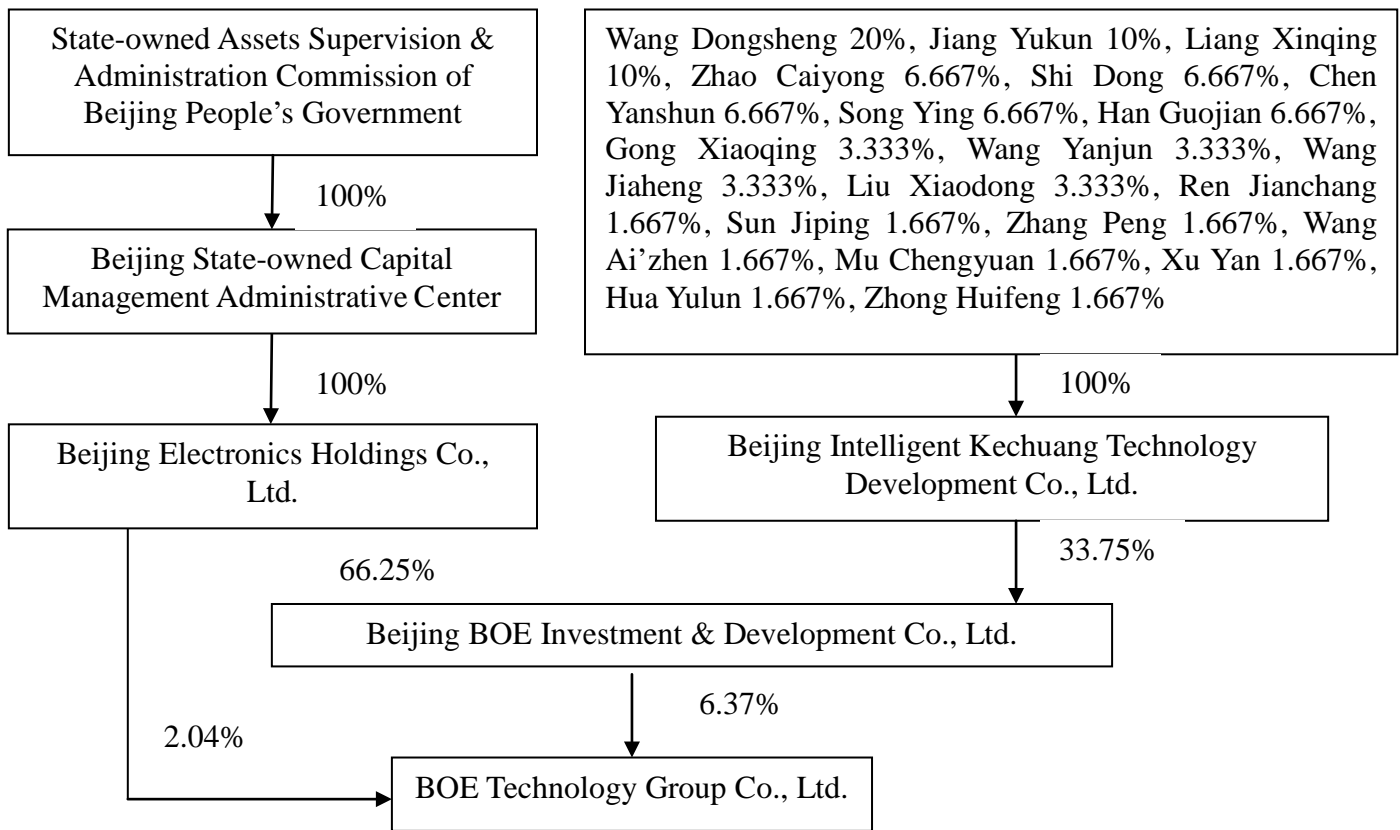
Registered Capital: RMB 1.30737 million

Type: Limited Company (State-owned sole corporations)

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

(3) The property right and controlling relationship between the actual controller and the Company

are as follows:



Note: 1. The Company regards Beijing Intelligent Kechuang Technology Development Co., Ltd. as a platform to implement equity incentive for the whole core technology manager, the aforesaid 20 subscribers are nominal shareholders, each investment proportion is not actual equity proportion, the equities of Beijing Intelligent Kechuang Technology Development Co., Ltd. are held in common by all implemented objectives of simulate plan of equity incentive mechanism.

2. When the Company completed private offering of shares in 2010, Beijing E-TOWN International Investment & Development Co., Ltd. transferred all shares directly held to Beijing BOE Investment & Development Co., Ltd. (hereinafter refer to as "BOE Investment") for management, then BOE Investment acquired the attached rights of the shares attributable to other shareholders in accordance with current effective laws and rules of the Company, excluding right of disposition such as transfer, donation, mortgage etc. and usufruct (including claim for profit distribution and claim for retained assets distribution). As to the end of reporting period, BOE Investment held 2,155,040,486 shares with attributable voting right, which accounted for 15.94% of total share capital.

Chapter IV Directors, Supervisors, Senior Executives and Employees

I. Directors, supervisors and senior executives

1. General information of directors, supervisors and senior executives as at 31 Dec. 2011

Name	Position	Sex	Age	Beginning date of office term	Ending date of office term	Number of shares held at the year-begin	Number of shares held at the year-end	Reason for change
Wang Dongsheng	Chairman of the Board and of Executive Committee	Male	54	21 May 2010	20 May 2013	24,921	29,905	Capitalization of capital reserve
Yuan Hanyuan	Vice Chairman of the Board	Male	56	21 May 2010	20 May 2013	0	0	
Liang Xinqing	Vice Chairman of the Board	Male	59	21 May 2010	20 May 2013	9,969	11,963	Capitalization of capital reserve
Chen Yanshun	Executive director, President	Male	45	21 May 2010	20 May 2013	0	0	
Han Guojian	Executive director, Executive Vice President	Male	58	21 May 2010	20 May 2013	9,968	11,962	Capitalization of capital reserve
Wang Jiaheng	Executive director, Executive Vice President, COO	Male	42	21 May 2010	20 May 2013	0	0	
Gui Jinghua	Director	Female	38	21 May 2010	20 May 2013	0	0	
Dong Ansheng	Independent director	Male	60	21 May 2010	20 May 2013	0	0	
Ouyang Zhongcan	Independent director	Male	65	21 May 2010	20 May 2013	0	0	
Geng Jianxin	Independent director	Male	57	21 May 2010	20 May 2013	0	0	
Ji Guoping	Independent director	Male	64	21 May 2010	20 May 2013	0	0	
Wu Wenxue	Convener of Supervisory Committee	Male	45	21 May 2010	20 May 2013	0	0	
Zhang Jingsong	Supervisor	Male	39	21 May 2010	20 May 2013	0	0	
Mu Chengyuan	Supervisor	Male	44	21 May 2010	20 May 2013	2,492	2,991	Capitalization of capital reserve
Zhong Huifeng	Employee supervisor	Male	41	21 May 2010	20 May 2013	0	0	
Yang Anle	Employee supervisor	Male	41	21 May 2010	20 May 2013	0	0	
Liu Xiaodong	Executive Vice President, COO	Male	47	21 May 2010	20 May 2013	0	0	
Song Ying	Executive Vice President	Female	54	21 May 2010	20 May 2013	24,921	29,905	Capitalization of capital

									reserve
Wang Yanjun	Executive President	Vice	Male	42	21 May 2010	20 May 2013	9,968	11,962	Capitalization of capital reserve
Sun Yun	CFO		Female	42	21 May 2010	20 May 2013	4,984	5,981	Capitalization of capital reserve
Dong Youmei	Senior President, CTO	Vice	Female	48	21 May 2010	20 May 2013	0	0	
Feng Liqiong	Senior President, Chief Counsel, Secretary of the Board	Vice	Female	39	21 May 2010	20 May 2013	0	0	
Yue Zhanqiu	Senior President	Vice	Male	44	21 May 2010	20 May 2013	0	0	
Li Xuezheng	Senior President	Vice	Male	42	21 May 2010	20 May 2013	0	0	
Xie Zhongdong	Vice President, Chief Risk Control Officer, Chief Auditor		Male	42	22 Apr 2011	20 May 2013		0	
Total	-	-	-	-	-	-	87,223	104,669	-

2. Main work experience and position as well as concurrent position of directors, supervisors and senior executives at 31 Dec. 2011

Directors Particulars

Mr. Wang Dongsheng, Master of Engineering, ever took the posts of Chairman of 1st and 2nd Board of Directors as well as president, and Chairman of the 3rd Board of Directors of the Company, as well as Chairman of Executive Committee, CEO, the Chairman of the 4th Board of Directors of the Company and Chairman of Executive Committee, and the Chairman of the 5th Board of Directors of the Company and Chief of Executive Committee.

Now he takes the posts of Chairman of the 6th Board of Directors, Chief of Executive Committee of the Company, Vice Chairman of the Board of Beijing Electronics Holding Corp. and concurrently takes the posts of Chairman of the Board of Beijing BOE Investment and Development Co., Ltd., Chairman of the Board of Beijing BOE Optoelectronics Technology Co., Ltd., Director of Beijing Intelligent Kechuang Technology Development Co., Ltd., Vice President of China Electronic Chamber of Commerce and President of Beijing Electronic Chamber of Commerce.

Mr. Yuan Hanyuan, Bachelor Degree, is a senior engineer. He once acted as vice Chief, Chief, Assistant to Factory Director and Factory Director of Beijing No. 6 Semiconductor Device Factory, Deputy Division Chief of Programming and Technical Renovation Division, Vice General Inspector of Investment Management Center and Chief of Business Department I of Beijing Electronics Holdings., Ltd.

Now he is the Vice Chairman of the 6th Board of Directors of the Company, Vice President of Beijing Electronics Holdings, Ltd. and Vice Chairman of Board of Directors of Beijing BOE Investment and Development Co., Ltd.

Mr. Liang Xinqing, Senior Engineer. He has taken the posts of Standing Director, Vice President of the 1st Board of Directors of the Company, Director of the 2nd Board of Directors of the Company, Executive Director, President and COO of the 3rd Board

of the Directors of the Company, Vice Chairman of 4th Board of Directors of the Company, Director of Beijing • Matsushita Color CRT Co., Ltd. and the Chairman of the Board of Directors of Beijing Asahi Glass Electronic Co., Ltd..

Now he takes the posts of Vice Chairman of the 6th Board of Directors, Chairman of the Board of Beijing Nittan Electronics Co., Ltd., Chairman of the Board of Beijing Nissin Electronics Precision Component Co., Ltd., Chairman of the Board of Beijing BOE Energy Science and Technology Co., Ltd., Director of Beijing Intelligent Kechuang Technology Development Co., Ltd, Director and President of Beijing BOE Investment & Development Co., Ltd.

Mr. Chen Yanshun, Master of Economics, senior accountant, has ever taken the posts of lecturer of Chongqing Industry & Commerce University. He had served in the Company from the year of 1993, has taken the posts of Secretary of the Board of the 1st Board of Directors of the Company, Secretary of the 2nd Board of Directors and Vice President, Executive Director of the 3rd Board of Directors and Senior Vice President, Executive Director of the 5th Board of Directors and President.

Now he takes the posts of Executive Director and the President of the 6th Board of Directors of the Company, Director of Beijing BOE Optoelectronics Technology Co., Ltd., Director of Hefei BOE Optoelectronics Technology Co., Ltd., Chairman of Beijing BOE Multimedia Science and Technology Co., Ltd., Chairman of Beijing BOE Video Science and Technology Co., Ltd., Chairman of Beijing Intelligent Kechuang Technology Development Co., Ltd., Chairman of Beijing •Matsushita Color CRT Co., Ltd., and Chairman of Ordos Yuansheng Optoelectronics Co., Ltd.

Mr. Han Guojian, Bachelor Degree, Senior Engineer, he successively took Technical Chief Officer in Division under the Company, Deputy General Manager of Beijing Asahi Glass Electronics Co., Ltd. and Chairman of the Board of Beijing BOE YAMATO Photoelectron Co., Ltd., Representative Director and Deputy Proprietor of BOE HYDIS Technology Co., Ltd, Senior Vice President of Beijing BOE Investment & Development Co., Ltd., Executive Director of the 5th Board of Directors, Director and General Manager of Beijing BOE Optoelectronics Technology Co., Ltd..

Now he takes the posts of Executive Director of the 6th Board of Directors, Executive Vice President of the Company.

Mr. Wang Jiaheng, MBA, he ever took the post of General Manager of Electronic Components Division, Executive Director and Vice President of the 5th Board of Directors of the Company.

Now he takes the posts of Executive Director of the 6th Board of Directors and Executive Vice President and COO of the Company, Chairman of the Board of Chengdu BOE Optoelectronics Technology Co., Ltd., Chairman of the Board of Beijing BOE Optoelectronics Technology Co., Ltd., and Vice Chairman of Ordos Yuansheng Optoelectronics Co., Ltd.

Ms. Gui Jinghua, Master. She has taken the posts of Project Manager of China National Aero-Technology Import & Export Company, Assistant Manager of Sun Media Group Holdings Limited and Manager of Investment Department of Panasia International Media Holdings Co., Ltd., Director of the 4th and the 5th Board of Directors of the Company.

Now she takes the posts of Director of the 6th Board of the Directors, as well as General Manager of Infrastructure Investment Department of Beijing State-owned Assets Management Co., Ltd.

Particulars on Independent Directors

Mr. Dong Ansheng, Doctor of Laws, Professor of School of Law of Renmin University of China, Doctor Advisor, Researcher of Financial and Securities Research

Institute, Researcher of Finance and Financial Policy Research Center, Deputy Chief of Research Center for Civil and Commercial Law. He also held the posts of Chinese Counselor-at-law on A-share, B-share, H-share and Hong Kong shares' issuing and listing for more than 40 listed companies, had written many works in securities field and had rich practical experience.

Now he takes the posts of Independent Director of the 6th Board of Directors in the Company, Independent Director of Shandong Tongyu Heavy Industry Co., Ltd., Independent Director of Sichuan Western Resources Holding Co., Ltd.; concurrently Vice Chairman of China Securities Law Association, councilman or members for many law societies, and Arbitrator of Shenzhen Arbitration Commission.

Mr. Ouyang Zhongcan, Theoretical Physical Scientist. He graduated from Tsinghua University at Automation Major in 1968. He worked at Lanzhou Chemical Factory as Assistant Engineer from 1968 to 1978. In 1978 he studied to precede the Doctor at the major of Liquid Crystal Nonlinear Optics Theory in Tsinghua University and won Doctor Degree in 1984. Between 1985 and 1986, he researched the fractal growth theory as post-doctoral in Institute of Theoretical Physical, Chinese Academy of Science; during 1987 to 1988, he invited the Free University of Berlin with the position of Alexander von Humboldt Fellow to study the theory of liquid morphology of vesicles following up the professor W. Helfrich who invented the Twisted Nematic Liquid Crystal Display. Then in the year of 1989, he returned to work in Institute of Theoretical Physical, Chinese Academy of Science as Associate Researcher and became researcher in 1992, as the Chief there from Dec. 1998 to Mar. 2007.

Now he takes the posts of independent director of the 6th Board of Directors of the Company, Chief of Academic Committee Institute of Theoretical Physical, Chinese Academy of Science; Vice President of the Council of the National Science Foundation for Post-doctor in China; Standing Director of Beijing Municipal Science Association, Standing Director of Chinese Physical Society, Chief of Liquid Crystals Physics Branch; Editor in Chief of Acta Physica Sinica and China Phys B (2008-2011), and Editorial Member in International Journal of Modern Physics B (Singapore, from 200 up to now), Journal of Computational and Theoretical Nanoscience (America, from 2004 up to now), Soft Materials (Germany, from 2004 up to now), and Electronic Communication of Liquid Crystals (America, from 2003 up to now). He was elected as an academician of Chinese Academy of Sciences in 1997, as an academician of the Third World Academy of Sciences. In 2008, he was elected as member of the 11th of national committee of CPPCC.

Mr. Geng Jianxin, Doctor, Professor, as well as Doctoral advisor.

Hi is now an independent director of the Company's Sixth Board of Directors, Shenzhen Tatfook Technology Co., Ltd., Zhuhai Hokai Medical Instruments Co., Ltd. and Beijing Shouhang Resources Saving Co., Ltd.. At present he serves as a member of scholarship committee of School of Business of Renmin University of China, as Professor in charge of Principles of Accounts, as member of China Accounting Standards Committee, as Deputy Chief and Academic Member of Councils of China Accounting Association, as Director of China Audit Society, Deputy Chief of Academic Committee, as Independent Director of the 6th Board of Directors of the Company. He has started to enjoy government special allowance since 2002.

Mr. Ji Guoping, senior engineer, is a specialist of information industry technology and management. He once successively acted as Chief of Color Picture Tube Engineering Section of Significant Engineering of Basic Products Department in Ministry of Electronics Industry, Chief of Basic Products Section of Electronic Information Products Management Department in Ministry of Information Industry and Assistant Inspector (assisting role of departments) in Electronic Information

Products Management Department in Ministry of Information Industry as well as Deputy Chief (assisting role of departments) of Wuhan East Lake High-Tech Development Zone, and Independent Director of Hengdian Group Dmegc Magnetics Co., Ltd..

Supervisors Particulars

Mr. Wu Wenxue, Master of Economics, he served as the project manager of Issuing Development of Huaxia Securities, as Deputy Factory Manager of Beijing Foster Automobile Decorations Factory, as Deputy Chief of Comprehensive Management Dept., Deputy Chief of Policies Research Office of Beijing Gongmei Group Company, Deputy General Manager of Beijing Wangfujing Gongmei Building, as General Manager of Beijing Wolafey Decoration Co., Ltd., as Deputy General Manager and a member of CPC of Beijing Gongmei Group Co., Ltd., as Deputy General Manager of China Youfa International Project Design Consulting Co., Ltd, the Convener of the 4th and 5th Supervisory Committee of the Company.

Now he holds the positions of the Convener and Chief Supervisor of the 6th Supervisory Committee of the Company and Vice President of Beijing Electronics Holdings Co., Ltd, as well as Deputy Chairman of the Board of Beijing Electronic Zone Investment and Development Co., Ltd..

Mr. Mu Chengyuan, master, is an Economist. He ever took the posts of Manager of comprehensive department of International Trade Branch of the Company, Deputy General Manager of Beijing Orient Lighting Fixture Engineering Co., Ltd., Division Chief of Assets Operating and Management Division of and Deputy Factory Manager of Beijing Electronic Tube Factory, Supervisor of the 3rd and 4th Supervisory Committee of the Company, Secretary and supervisor of the 5th Supervisory Committee.

Now he is the Supervisor and Secretary of the 6th Supervisory Committee, Chief of Display Division of Beijing Electronics Holdings Co., Ltd., as well as Director and Vice President of Beijing BOE Investment & Development Co., Ltd..

Mr. Zhang Jinsong, Bachelor Degree, Accountant. He ever took posts of Chief of Finance Department of Beijing Jianzhong Anchinery Factory, CFO of Beijing Boda Integrated Circuit Co., Ltd. and Deputy CFO of the company.

Now he acts as Supervisor of the 6th Supervisory Committee, Chief of Planning & Finance Department of Beijing Electronics Holdings Corp., Chairman of Board of Beijing BOE Investment & Development Co., Ltd..

Mr. Zhong Huifeng, Master Degree, awarded certification on Secretary of the Board of Shenzhen Stock Exchange. He ever took posts of Securities Affairs Representative and Manager of Security Department of the 2nd Board of Directors, Secretary to the Board of the 3rd, 4th and 6th Board of Directors of the Company and Supervisor of Beijing Orient Top Victory Electronics Co., Ltd..

Now he acts as Employee Supervisor of the 6th Supervisory Committee, Vice Secretary of the CPC, Secretary of Discipline Inspection Commission and Principal of Labor Union of the Company, member of the Third National Committee of China's Defense of Posts and Telecommunications Union.

Mr. Yang Anle, postgraduate. He ever took the posts of Deputy Chief of Planning & Financing Division of Beijing Electronic Tube Factory, Manager of Planning and Financing Dept. in Beijing BOE Investment & Development Co., Ltd., CFO of Beijing Dongdian Industrial Development Corporation, as well as Supervisor of the 2nd, 3rd, 4th and 5th Supervisory Committee of the Company.

Now, he acts as Staff Supervisor of the 6th Supervisory Committee and Chief Investment Officer of the Company, as well as Director or Supervisor in many

subsidiaries of the Company such as Beijing BOE Orient Vacuum Electric Co., Ltd., Hefei BOE Optoelectronics Technology Co., Ltd., Chengdu BOE Optoelectronics Technology Co., Ltd. etc.

Senior Executives

For details of resume of **Mr. Wang Dongsheng**, please see “Director Particulars”.

For details of resume of **Mr. Chen Yanshun**, please see “Director Particulars”.

For details of resume of **Mr. Han Guojian**, please see “Director Particulars”.

For details of resume of **Mr. Wang Jiaheng**, please see “Director Particulars”.

Mr. Liu Xiaodong, Bachelor’ degree, Engineer, he ever worked in Research Institute of Beijing Information Optics Apparatus. He successively took the posts of Director, Deputy General Manager and Secretary of CPC of Beijing Matsushita Color CRT Co., Ltd. and Director and General Manager of Beijing BOE Optoelectronics Technology Co., Ltd., as well as Senior Vice President of Beijing BOE Investment & Development Co., Ltd.

Now he is Executive Vice President and CFO of Production of the Company, Director and General Manager of Hefei BOE Optoelectronics Technology Co., Ltd., Director and General Manager of Beijing BOE Optoelectronics Technology Co., Ltd., Director of Chengdu BOE Optoelectronics Technology Co., Ltd., Director of Suzhou BOE Chatani Electronics Co., Ltd., Director of Beijing BOE Chatani Electronics Co., Ltd., as well as Director of Xiamen BOE Electronics Co., Ltd.

Ms. Song Ying, Senior Accountant, she ever took the posts of Chief of Planning & Financing Division in Beijing Electronic Tube Factory, Manager of Financial Department and CFO of the Company, Director and Standing Vice President of the 2nd Board of Directors of the Company, Executive Director and Senior Vice president of the 3rd Board of Directors of the Company, Vice Chairman of the Board of Zhejiang BOE Display Technology Ltd..

At present she serves as Secretary of CPC and Executive Vice President of the Company, Director of Beijing • Matsushita Color CRT Co., Ltd. and Director of Beijing Intelligent Kechuang Technology Development Co., Ltd.

Mr. Wang Yanjun, Accountant, obtained EMBA in China Europe International Business School (CEIBS). He ever took the posts of Chief in Finance Division of Beijing Electronic Tube Factory, Chief of Finance Department and CFO of the Company, Director of Beijing Asahi Glass Electronics Co., Ltd., Director of Beijing Nissin Electronics Precision Component Co., Ltd., Director of Beijing Orient Top Victory Electronics Co., Ltd., Director of Zhejiang BOE Display Technology Ltd., Director of Beijing Star City Real Estate Co. Ltd., Director of TPV Technology Co., Ltd.

Now he is the Vice President of the Company, concurrently acts Chairman of the Board of Beijing BOE Land Co., Ltd., Chairman of the Board of Beijing Yinghe Century Science & Technology Development Co., Ltd, and Chairman of the Board of Beijing Asahi Glass Electronics Co., Ltd., as well as Chairman of Zhejiang BOE Display Technology Ltd., Vice Chairman of the Board of Beijing Orient Hengtong Technology Development Co., Ltd., Director of Beijing • Matsushita Color CRT Co., Director of Beijing BOE Vision-electronic Holding Co., Ltd. and Director of Taiwan BOE Vision-electronic Co., Ltd., Chairman of Ordos Haosheng Energy Investment Co., Ltd., Chairman of Beijing Zhongxiangying Technology Co., Ltd. and Beijing Zhongpingxun Technology Co., Ltd.

Ms. Sun Yun, Master of Business, is a senior Accountant. She successively took the posts of Deputy Chief, Chief of Finance Department of the Company, as well as Deputy CFO and Chief Auditor of the Company.

Now she is Senior Vice President and CFO of the Company, Director of Beijing BOE Land Co., Ltd., Director of Beijing Yinghe Century Science & Technology Development Co., Ltd., Director of Beijing BOE Multimedia Science and Technology Co., Ltd., Director of Beijing • Matsushita Color CRT Co., Ltd., Director of Beijing BOE Video Science and Technology Co., Ltd. as well as Supervisor of Beijing BOE Vacuum Electric Co., Ltd.

Ms. Dong Youmei, Bachelor Degree. She successively took the posts of Deputy Chief of New Product Development Division of Shuguang Electronic Group Corp., Deputy Chief Engineer, and Deputy Chief of Liquid Crystal Center in Tsinghua University, Deputy Chief Technical Officer and Strategic Chief Technical Officer of the Company.

Now she serves as Senior Vice President of the Company, Chief of TFT-LCD Technology National Engineering Laboratory; as Director of Beijing BOE Special Display Technology Co., Suzhou BOE Chatani Electronics Co., Ltd., Xiamen BOE Electronics Co., Ltd., Beijing BOE Chatani Electronics Co., Ltd., Ltd.; as Member of Advisory Committee for the State Information, Deputy Chief of National Technical Committee on Optical Functional Film Materials of Standardization Administration of China, Team Leader of Working Team for Flat Display Technology LC Branch under National Technical Committee on Optical Functional Film Materials of Standardization Administration of China, and editorial member of Chinese Journal such as Liquid Crystals and Displays, and Advanced Display.

Ms. Feng Liqiong, Bachelor Degree and Chief Counsel, she has served as Department Director of Legal Affairs Department of the Company.

Now she is Senior Vice President, Chief Counsel and Secretary to the Board of the Company as well as Director of Beijing BOE Land Co., Ltd. and Director of Beijing Yinghe Science & Century Technology Development Co., Ltd.

Mr. Yue Zhanqiu, obtained EMBA in CEIBS, Senior Accountant. He ever took post of Chief and Chief Accountant of Finance Section of Power Business Department, Manager of finance of Beijing Huaming Smart Card System Co., Ltd., CFO of Beijing Seven Star Electronics Co., Ltd., CFO and Secretary to the Board of Beijing Seven Star Science & Technology Co., Ltd. and CFO, Deputy General Manager, General Manager of Beijing BOE Optoelectronics Technology Co., Ltd..

Now he acts as Senior Vice President of the Company, Director of Beijing BOE Optoelectronics Technology Co., Ltd., Director of Hefei BOE Optoelectronics Technology Co., Ltd., Director of Chengdu BOE Optoelectronics Technology Co., Ltd., Director of BOE Hyundai (Beijing) Display Technology Co., Ltd. as well as Director of BOE (Hebei) Mobile Display Technology Co., Ltd., Director of Ordos BOE Energy Investment Co., Ltd. and Ordos Haosheng Energy Investment Co., Ltd..

Mr. Li Xuezheng, bachelor of University of Electronic Science and Technology, IMPM of Canada McGill University. He ever took posts of Executive Vice General Manager of Beijing Orient Wanshili Security Protection Technology Co., Ltd., Director of Public Relations of the Company and Marketing Chief and Sales Chief of Beijing BOE Optoelectronics Technology Co., Ltd..

Now he acts as Senior Vice President of the Company, Deputy General Manager of Beijing BOE Optoelectronics Technology Co., Ltd. Deputy General Manager of Hefei BOE Optoelectronics Technology Co., Ltd., Deputy General Manager of Beijing BOE Display Technology Co., Ltd., Chairman of the Board of Beijing BOE Marketing Co., Ltd., Director of Beijing BOE Multimedia Science and Technology Co., Ltd., Director of Beijing BOE Video Science and Technology Co., Ltd. and Director of BOE (Korea) Co., Ltd., Chairman of BOE Japan Joint Stock Corporation, Chairman of BOE Singapore Pte. Ltd..

Mr. Xie Zhongdong, Master, CIA. He has ever taken posts of Deputy Chief of Basic Construction Office in the Yi-Shu-Si Water Conservancy Administration of Huaihe Water Resources Commission under the Ministry of Water Resource of P.R.C, Chief and Deputy Auditor of Auditing & Supervision Division of the Company, Vice Chief and Chief of Auditing & Supervision Division of Beijing BOE Optoelectronics Technology Co., Ltd.

Now he acts as Vice President, Chief Risk Control Officer and Chief Auditor of the Company, Chief Supervisor of Hefei BOE Optoelectronics Technology Co., Ltd. and Supervisor of Hefei BOE Lighting Display.

3. Directors and supervisors holding the posts in the shareholders entities and drawing compensation

Name	Office title in the Company	Shareholders entities	
		Name of shareholders	Office title
Yuan Hanyuan	Vice Chairman of the Board	Beijing Electronics Holdings Corp. & Beijing BOE Investment Development Co., Ltd.	Vice President & Vice Chairman of the Board
Liang Xinqing	Vice Chairman of the Board	Beijing BOE Investment Development Co., Ltd.	Director and President
Wu Wenxue	Convener of the Supervisory Committee	Beijing Electronics Holdings Corp.	Vice President
Zhang Jingsong	Supervisor	Beijing Electronics Holdings Corp. & Beijing BOE Investment Development Co., Ltd.	Vice President & Director
Mu Chengyu an	Supervisor	Beijing Electronics Holdings Co., Ltd. & Beijing BOE Investment Development Co., Ltd.	Minister of Securities Investment Division & Director and Vice President

II. Remunerations for directors, supervisors and senior executives

(1) Recognition basis of remuneration for directors, supervisors and senior executives
Proposal on Principle of Recognition of Remunerations for Directors, Supervisors and Senior Executives was reviewed and approved by the Shareholders' General Meeting 2005 held on 29 May 2006. Allowance for directors and supervisors of the Company was reviewed and approved at the Annual Shareholders' General Meeting for 2007 held on 24 Apr. 2008; allowance for senior executives of the Company was reviewed and approved at the Eighth Session of the Six Board of Directors.

(2) Up to the end of the reporting period, the current directors, supervisors and senior executives drew their remuneration from the Company totaling RMB 1,206.38 (before tax). Allowance for independent directors is RMB 100,000 (after tax) per year. For details please referred to the statement below:

Name	Office title	Total remuneration drawn from the Company in the reporting period (RMB'0000) (before tax)	Whether they draw their compensation from the shareholders entities or other associated entities or not
Wang Dongsheng	Chairman of the Board and Chief of Executive Committee	101.78	No
Yuan Hanyuan	Vice Chairman of the Board	0.00	Yes
Liang Xinqing	Vice Chairman of the Board	0.00	Yes
Chen Yanshun	Executive director, President	99.78	No

Han Guojian	Executive director, Vice President	84.48	No
Wang Jiaheng	Executive director, Executive Vice President, joint COO	84.48	No
Gui Jinghua	Director	7.14	Yes
Dong Ansheng	Independent director	12.11	No
Ouyang Zhongcan	Independent director	12.11	No
Geng Jianxin	Independent director	12.11	No
Ji Guoping	Independent director	12.11	No
Wu Wenxue	Convener of Supervisory Committee	0.00	Yes
Zhang Jingsong	Supervisor	0.00	Yes
Mu Chengyuan	Supervisor	0.00	Yes
Zhong Huifeng	Staff Supervisor	60.08	No
Yang Anle	Staff supervisor	56.28	No
Liu Xiaodong	Executive Vice President, CEO	84.48	No
Song Ying	Executive Vice President	84.48	No
Wang Yanjun	Executive Vice President	79.78	No
Sun Yun	Senior Vice President, CFO	73.78	No
Dong Youmei	Senior Vice President, CTO	73.78	No
Feng Liqiong	Chief Counsel, Secretary of the Board	61.78	No
Yue Zhanqiu	Senior Vice President	73.78	No
Li Xuezheng	Senior Vice President	73.78	No
Xie Zhongdong	Vice President, Chief Risk Control Officer, Chief Auditor	58.28	No
Total	-	1206.38	-

III. Changes of directors, supervisors and senior executives in the reporting period

In the reporting period, with review and approval of the Eighth Session of the Sixth Board of Directors, the Company engaged Mr. Xie Zhongdong as Chief Risk Control Officer and Chief Auditor of the Company. Mr. Xie Zhongdong's work term is from the approval of the review on this Board meeting to the expiration of the term of the Sixth Board of Directors.

IV. Schedule to the employees of the Company

By the end of the reporting period, there were 16,365 employees in service in the Company. Their professional division and education levels are as follows:

(Unit: person)

Profession	R&D Technology	Professional skills	Marketing personnel	Administrative personnel	Financial personnel	Production personnel	Other
Number	984	5932	306	1242	261	7249	391
Proportion	6.01%	36.25%	1.87%	7.59%	1.59%	44.30%	2.39%

Education	Doctor & Post-Doctor	Master	Bachelor	Junior College	Technical secondary school	Other
Number	105	1457	3892	3562	4306	3042
Proportion	0.64%	8.90%	23.78%	21.77%	26.31%	18.59%

Chapter V Corporate Governance Structure

I. Particulars about corporate governance of the Company

1. Standardized operation and perfection of corporate governance structure of the Company in the reporting period

The Company has stringently followed laws and statutes such as Company Law, Securities Laws, Code of Corporate Governance for Listed Companies etc., and requirements of Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the Main Board, to continuously improve the corporate governance of the Company, to perfect internal control system as well as to promote corporate governance level of the Company.

In 2011, the Company put forward special corporate governance of the Company in various aspects: the Company arranged for directors, supervisors and senior executives to participating regular training held by Beijing CSRC in time, gathered management level of the Company to take up key lessons on relevant regulations of preventing inside trading in capital market, carried out regular checks on the deposit and use of raised capital, capital flows with related parties, the provision of guarantees to external parties, and the management over shares held by directors, supervisors and senior executives and changes in those shares. The company also maintained good communication with investors by improving our performance on the investor and listed company interaction platform of the Shenzhen Stock Exchange. In Nov. 2011, the Company was nominated in Golden Bauhinia Award jointly held by CSRC, China Enterprise Confederation, Hong Kong Chinese Enterprises Association and Hong Kong Securities Association, and was named “the Most Growth Listed Company”.

In the reporting period, aiming at the accomplishment of requirements of Rules on Establishing Registration and Management System of Persons with Inside Information in Listed Companies (CSRCGG[2011]No. 30) and Announcement on Establishing and Perfecting Registration and Management System of Persons with Inside Information in Listed Companies (Jing-Zheng-Gong-Si-Fa [2011] No. 209), the Company further standardized management of inside information, reinforced security of inside information and made rectification and improvement of System of Persons with Inside Information.

In the reporting period, corporate governance of the Company was improved and operated normally, which was in total compliance with various requirements on corporate governance of listed companies. No problems such as horizontal competition or illegal related-party transactions caused by partial restructuring or other reasons were found. The Company will continue to follow the concept of “honesty, standard, transparency and responsibility”, regulate itself and continuously improve the level of governance.

Main governance of the Company was as follows:

(1) About shareholders and shareholders' general meetings

As per the Company's Articles of Association, shareholders enjoyed rights and assumed obligations according to the shares they held. Organizing and convening procedures of the Company's shareholders' general meetings were in compliance with

laws and regulations. Meanwhile, on the basis of ensuring legitimacy and validity of shareholders' general meetings, the Company provided convenience for its shareholder by offering on-line voting to them when reviewing significant events and proactively promoting cumulative voting in the re-election of the Board of Directors and the Supervisory Committee. In this way, the Company protected legal interests of its shareholders, especially its minority shareholders.

(2) About relationship between the controlling shareholder and the Company

Human resources, assets, finance, organizations and operations of the Company were independent from the controlling shareholder and the actual controller. The controlling shareholder of the Company was able to strictly control its behaviors, with no direct or indirect intervention in the Company's decision-making, production and operating activities by violating relevant laws, regulations and the Company's Articles of Association, no behaviors in relation to occupying significant funds of the Company, and no behaviors in relation to asking the Company to provide guarantees for it or other parties.

(3) About directors and the Board of Directors

Composition of the Board of Directors of the Company was in line with requirements of regulations and the Company's actual situation. All directors possessed necessary knowledge, skills and quality for duty performance. They all performed their duties as stipulated in the Company's Articles of Association honestly, faithfully and diligently. They learned about and kept a constant focus on the Company's production and operation, its financial status and influence and risks of significant events. They also took the initiative to search for information needed in their decision-making so as to ensure efficient operation and scientific decision-making of the Board of Directors. Board sessions were organized and convened in strict compliance with the Company's Articles of Association and Rules of Procedure for the Board of Directors. There were three special committees under the Board of Directors, namely, the Executive Committee, the Nomination, Remuneration and Appraisal Committee and the Audit Committee. The Company also formulated rules of procedure for all the said special committees so that they could perform better.

Attendances by directors at the board sessions held during the reporting period were detailed below:

Name	Board sessions required to attend	Board sessions with attendance in person (including signing a written opinion)	Board sessions with attendance by proxy	Absence
Name	12	12	0	0
Wang Dongsheng	12	12	0	0
Yuan Hanyuan	12	12	0	0
Liang Xinqing	12	12	0	0
Chen	12	12	0	0

Yuanshun				
Han				
Guojian	12	12	0	0
Wang				
Jiaheng	12	11	0	1
Gui Jinghua	12	12	0	0
Dong				
Ansheng	12	12	0	0
Ouyang				
Zhongcan	12	12	0	0
Geng				
Jianxin	12	12	0	0

(4) About supervisors and the Supervisory Committee

The Company carried out the re-election of the Supervisory Committee in strict compliance with the procedure stipulated in its Articles of Association. The number and structure of the Supervisory Committee was in compliance with relevant laws and regulations. By way of attending shareholders' general meetings, sitting in on board sessions, checking the Company's compliance with laws and finance periodically, issuing its opinions on relevant matters, etc., the Supervisory Committee supervised the Company's finance, duty performance of directors and senior executives, management and use of raised funds, and capital flows between the Company and its related parties, and safeguarded the benefits and interests of the Company and its shareholders. Sessions of the Supervisory Committee were organized and convened in strict compliance with the Company's Articles of Association and the Rules of Procedure for the Supervisory Committee so as to ensure the Supervisory Committee's activities for duty performance were rightful and valid.

(5) About information disclosure and transparency

According to the Company Law, the Stock Listing Rules of the Shenzhen Stock Exchange, the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the Main Board, the Company's Articles of Association and Management Methods for Information Disclosure and other requirements, the Company disclosed information in a timely and fair manner and ensured the factuality, accuracy and completeness of the information disclosed.

The Company attached importance to communication with investors through investor visits, promotion conferences, the listed company and investor interaction platform and other means. Details of activities involving relationship with investors please refer to "VIII Researches and visits received in the reporting period" under Chapter IX Significant Events.

II. Duty performance of independent directors

1. Currently, there were four independent directors in the Company, they are experts and scholars in finance, law, the TFT-LCD industry, etc.. In the reporting period, all

independent directors diligently performed their duties in strictly compliance with the said Rules by attending board sessions and shareholders' general meetings in person, proactively playing its part in the work of all special committees under the Board of Directors, carefully reviewing proposals and making independent judgment based on that, and expressing their independent opinion of consent on significant events such as appointment of senior executives, plans for related-party transactions and derivative transactions, appointment of the annual audit agency. Besides, the independent directors made on-site visits for matters involving the Company's operation, significant projects, improvement and execution of internal control rules, the annual audit and the annual report preparation. They also carried out on-site checks on the execution of resolutions made at board sessions and put forward constructive opinions. All these efforts of independent directors further solidified governance achievements of the Company and effectively safeguarded interests of minority shareholders.

2. In the reporting period, neither the controlling shareholder or other related parties occupied significant funds of the Company, nor the Company provided guarantees for the controlling shareholder or other related parties with a shareholding ratio below 50%, non-corporate units or individuals.

3. The independent directors of the Company had no objection to any proposal reviewed at board sessions or other matters of the Company in the reporting period.

III. Independence in business, staff, assets, organs, finance and internal auditing of the Company from the controlling shareholder

The Company was independent from the controlling shareholder and the actual controller in terms of business, staff, assets, organs, finance and internal auditing, with independent staff, finance, organs, internal auditing, as well as complete business and capability to operate independently.

1. In business, the Company was independent from the controlling shareholder and the actual controller, with its own production and business departments and management system. Purchases of major raw materials and sale of products were all conducted through independent purchase and sale systems. Besides, the Company had the capability to make its own decisions, assume sole responsibility for its profits and losses, and operate independently with independent and complete business. There was no horizontal competition between the Company and its controlling shareholder and actual controller.

2. In staff, the Company was completely independent in labor, staff and remunerations. The Company had its own operating management team. President, Vice President, Chief Financial Officer, Secretary of the Board as well as other Senior Executives of the Company all worked on full-time basis in the Company and did not hold any post in or receive any remuneration in the controlling shareholder unit.

3. In assets, the Company had independent and complete assets. With clear ownership on its assets, the Company independently owned the production system, ancillary production system as well as supporting facilities for major businesses, as well as assets like land use rights and intellectual property rights, etc.. Neither the controlling shareholder nor the actual controller appropriated any assets of the Company.

4. In organs, the Company had established its organs completely independent from the controlling shareholder and the actual controller, with independent and sound organs and corporate governance structure. The Company had not handled any official affairs jointly with the controlling shareholder or the actual controller. There were no subordinate relationships between the controlling shareholder & its functional departments and the Company & its functional departments.

5. In finance, the Company had established independent financial departments, with full-time finance personnel. The Company had also formulated a standard and independent finance accounting system as well as financial measurement system, established the corporate financial management archives and deployed relevant administrative personnel for them, opened independent account in bank, and paid tax independently.

6. In internal auditing, the Company had formulated standard rules for internal auditing. The Company had also established an independent internal auditing system with full-time auditors, and strengthened and perfected the internal auditing system for construction in progress.

IV. Establishment and Improvement of the Internal Control System of the Company

1. Profile of the Company's internal control

The Company was strictly in line with requirements of relevant laws and regulations such as the Company Law, the Securities Law, the Basic Standard for Enterprise Internal Control, the Guidelines of the Shenzhen Stock Exchange for the Internal Control of Listed Companies and the Guidelines of the Shenzhen Stock Exchange for the Standardized Operation of Companies Listed on the Main Board, continually perfected its internal system and made its internal control system to cover corporate governance, development strategy, enterprise culture, social responsibility, human resources, internal audit, capital activities, purchasing business, assets management, sales, R&D, engineering project, external guarantee, outsourcing of business, financial report, comprehensive budget, management of contract, information disclosure, broadcast of internal information, information system, supervision and other aspects, which provided rational assurance for the legitimate operation, safety of assets, factuality and completeness of financial report and relevant information; improved efficiency and performance of operation, advanced the realization of development strategy, promoted operation and management level as well as risk prevention ability, then guarding a sustainable development of the Company.

The Company has set up standardized corporate governance structure and principles for procedure of the Company, defined responsibility and authority on the aspects of decision-making, execution and supervision etc.; with a norm of separation of incompatible positions, the Company properly installed departments and positions, thereof formed a scientific and efficiency system of “separated responsibility and check and balance”. The Company has set up and improved the relevant rules about the Shareholders' General Meeting, the Board of Directors and the Supervisory Committee, so that they can exercise their rights to make decisions, execute them and

supervise them. The Board of Directors of the Company is in charge of significant objectives, policies and overall arrangement of internal control management, so as to assure the establishment and perfection of internal control and efficient conduction. In case of material flaws arise, the Board of Directors shall promptly decide plan of resolution for flaws in internal control. The Board of Directors is divided into three special committees, which are the Executive Committee, the Nomination, Remuneration and Appraisal Committee, as well as the Audit Committee. Each committee takes up the responsibility of participating in discussion and decision-making of significant events according to related rules of procedures, so as to improve the operation efficiency of the Board of Directors. The Audit Committee under the Board is responsible for supervising the establishment and improvement of the corporate internal control system, so as to ensuring the effective implementation of the internal control, and supervising the self-appraisal of internal control. The Division of Auditing & Supervision is directly under the guidance of the Audit Committee, and the General Auditor is selected for appointment by the Board, which ensures the independence of the organization division, personnel deployment, and its operation. The Supervisory committee is responsible for supervising over establishment and implementation of internal control system by the Board.

In accordance with the Circular on Printing and Issuing the Supporting Guidelines for Enterprise Internal Control (Cai-Kuai[2010]No. 11) jointly issued by the Ministry of Finance and other ministries on Apr. 2010, as s one of the pilot enterprises for internal control regulation in Beijing, the Company has set up a leading group and a workgroup of standardizing establishment of internal control organize lectures on relevant documents for all employees. Meanwhile, the Work Plan for Implementing Internal Control Regulations for 2011 has been reviewed and approved by the Seventh Session of the Six Board of Directors on 29 Mar. 2011. In 2011, the Company in strict compliance with the Basic Standard for Enterprise Internal Control and the Supporting Guidelines for Enterprise Internal Control, the Company will, based on its actual conditions, improve the existing management rules, business procedures and risk control measures; properly coordinate the relationship between the old and the new parts of the management system and internal control regulations; proactively push forward the pilot implementation of internal control regulations, and normatively drew up Manual Book of Internal Control (Trial) and published up and down the Company. The Company has conducted twice appraisal of internal control in 2011, Self-appraisal Report of Internal Control for 2011 has been disclosed on <http://www.cninfo.com.cn>.

2. Key internal control activities of the Company

The key internal control activities of the Company include efficient control over controlled subsidiaries, related-party transactions, external guarantees, significant investments, raised capital, information disclosure, capital activities, purchasing business, assets management, sales, R&D, engineering project, external guarantee, outsourcing of business, financial report, comprehensive budget, management of contract, information disclosure, broadcast of internal information, information

system, supervision and other aspects. In 2011, the Company continued to carry out self-checks on the said key internal control activities according to the Basic Standard for Enterprise Internal Control and its supporting guidelines, which is jointly released by the Ministry of Finance and four other ministries and departments. At the same time, the Company continued to improve and optimize its internal control system and conduct systematic, objective self-appraisal on execution of its internal control activities.

3. Establishment and execution of the internal control rules for financial reports of the Company

In accordance with accounting standard of the state, relevant laws and statutes, as well as the actuality of the Company, the Company set up many systems relevant to financial management such as System of Financial Management, Management Method for Budget, Management Method for Accounting, Management Method for Capital and so on; standardizing financial management and accounting of the Company. In the meanwhile, through clear defining the responsibilities and authorities of relevant departments and positions in terms of preparation and submission process of financial report, the Company ensured the separation, restriction and supervision of preparation, disclosure and review and check of financial report.

In accordance with accounting standards of the state and relevant laws and regulations, the Company formulated rules for preparation of financial report, reinforced management on preparation of financial report and the whole procedure of external publish, thereof ensured the legitimacy, faculty and completeness of financial report, and achieved efficient usage of financial report.

The Company has established analyzing system of internal control, conducted comprehensive analysis to items such as index of main operation, structure of assets and liabilities, profitability and cash flow etc.. In this way, the Company can promptly and accurately be aware of production and operation information of the Company, and then provide correct and reasonable information support for operation decision of management level.

4. Formulation and execution of the internal control rules of the Company

In 2011, the Company completed the internal control standardization within the pilot scope. The pilot scope for the Company in 2011 mainly included the headquarters of the Company, Beijing BOE Optoelectronics Technology Co., Ltd., Chengdu BOE Optoelectronics Technology Co., Ltd., Hefei BOE Optoelectronics Technology Co., Ltd. and Beijing BOE Display Technology Co., Ltd.. The said internal control standardization scope exceeded 90% of the Company's total assets, operating revenue and net profit respectively.

Pursuant to the Company Law, the Securities Law and other state laws and regulations, as well as the Basic Norms for Internal Control of Enterprises and its mating guideline, the Company, combining the characteristics of the industry and its actual situation, formulated the 2011 Work Plan for Implementing Internal Control Standardization of BOE Technology Group Co., Ltd. (approved). According to the Work Plan, the

Company specified tasks, executed firmly, systematically put in order its existing management rules, business flow charts and risk control measures. Meanwhile, aiming at the companies within the pilot scope for 2011, the Company formulated a complete internal control system covering the headquarters of the Company and its main controlled subsidiaries, as well as three internal control brochures, namely, the Internal Control Management Brochure, the Brochure of Internal Control Rules (including several fascicules, i.e. the rules, the methods, specific rules for operation, relevant procedures, sheets, risk control documents, the power and limit guidance sheet and information dissemination list) and the Internal Control Evaluation Brochure (including the draft of internal control evaluation).

During the period from Jan. 2011 to Mar. 2012, according to the internal control evaluation guidance, the Company completed internal control trial implementation, self-evaluation and flow chart perfection for its main business within the internal control standardization pilot scope for 2011, as well as two PDCA rotations concerning rules revising. It also paid attention to internal control matters before and after the internal control improvement campaign.

According to the Basic Norms for Internal Control of Enterprises and its mating guidance, adhering to the five internal control objectives (legal operation & management, asset security, the operating efficiency effect, factual and complete financial reports and relevant information, and realization of development strategies), the Company carried out internal control evaluation based on five factors (the internal environment, risk assessment, control activities, information & communication and supervision), with no material defects found.

To conclude, up to 31 Dec. 2011, the internal control of the Company was effective.

5. Formulation of the accountability mechanism for material mistakes in annual report disclosure

According to the CSRC Circular [2009] No. 34, and upon review and approval at the 38th Session of the 5th Board of Directors, the Company has formulated the Accountability Mechanism for Material Mistakes in Annual Report Disclosure. Up to the disclosure date of this report, no material mistakes have been found in annual report disclosure.

6. Statement of the Board of Directors on its responsibilities towards internal control

The Board of Directors believed that the Company formulated and continuously improved the internal control system according to applicable laws, regulations and disciplinary documents. The Company had a sound internal control system covering controlled subsidiaries, related-party transactions, external guarantees, significant investments, fund raising, information disclosure, corporate governance, development strategies, corporate culture, social responsibilities, human resources, internal audit, capital activities, procurements, asset management, marketing, R&D, projects, outsourcing, financial reporting, overall budgeting, contract management, internal information dissemination, the information system and other important aspects, which

was fully and effectively executed. The Company's internal control mechanisms and rules fit in with its existing structure, without any material defect. Operation of the internal control system was effective. The Board of Directors and all directors guaranteed that the 2011 annual internal control self-evaluation report did not contain any false information, misleading statement or material omission, and would be jointly and severally liable for the factuality, accuracy and completeness of the contents of the self-evaluation report.

The Board of Directors, the Audit Committee and the Supervisory Committee examined the 2011 Annual Internal Control Evaluation Report of BOE Technology Group Co., Ltd.. KPMG Huazhen Certified Public Accountants audited the internal control of the Company for 2011 and issued the Internal Control Audit Report of BOE Technology Group Co., Ltd.. The said two reports were disclosed on <http://www.cninfo.com.cn>.

V. Performance appraisal and incentive mechanism for senior executives

According to the performance appraisal method of the Company, Senior Executives sign an Annual Target Responsibility Paper with the Company, which sets the annual operation targets, key performance indicators (KPI) as well as the evaluation, reward and punishment standards. As for the accomplishment of the targets, quarterly analyses, semi-annual reports and annual appraisal will be conducted. The examination and evaluation results will determine the remunerations, position changes as well as the trainings to receive of senior executives.

VI. Fulfillment of Social Responsibility

The Company has disclosed the corporate social responsibility report, which records the fulfillment of social responsibility by the Company in 2011. The 2011 Corporate Social Responsibility Report of BOE Technology Group Co., Ltd. has been disclosed on <http://www.cninfo.com.cn>.

Chapter VI Brief Introduction to Shareholders' General Meeting

In the reporting period, the Company held 2 Shareholders' General Meetings, with details as follows:

I. 2010 Annual Shareholders' General Meeting

The 2010 Annual Shareholders' General Meeting was convened on 30 May 2011.

The following proposals were reviewed and approved at the meeting: Annual Report on the Work of the Board for 2010, Annual Report on the Work of the Supervisory Committee for 2010, Annual Report for 2010 and its Summary, Annual Final Financial Report for 2010 and Annual Business Plan for 2011, Preplan for Profit Distribution and Turning Capital Reserves into Share Capital for 2010, Proposal on Supplementing Working Capital with Remaining Funds Raised in 2009 through

Private Offering, Proposal on Borrowing Lines, Proposal on Routine Related-Party Transactions in 2011, Proposal on Providing Guarantee for Zhejiang BOE Display Technology Co., Ltd, Proposal on Engagement of Auditing Institution for 2011, Proposal on Reviewing Rules of Procedure for Shareholders' General Meeting and Rules of Procedure for Board of Directors, Proposal on Reviewing Rules of Procedure for Supervisory Committee, and Proposal on Revising Articles of Association of BOE Technology Group Co., Ltd..

The announcement on the resolutions was disclosed on 31 May 2011.

II. First Special Shareholders' General Meeting for 2011

On 15 Nov. 2011, the Company convened the First Special Shareholders' General Meeting for 2011.

The following proposals were reviewed and approved at the meeting: Proposal on Investing to Establish the Production Line Project for 5.5G Active Matrix Organic Light Emitting Diode (AM-OLED), Proposal on Transferring the Equity of Ordos BOE Energy Investment Co., Ltd. by the Subsidiary of the Company, Proposal on the Restructuring through Merger for Zhejiang BOE Display Technology Co., Ltd. and Proposal on Revising the Articles of Association of BOE Technology Group Co., Ltd.. The announcement on the resolutions was disclosed on 16 Nov. 2011.

The announcements above were all published on Securities Times, China Securities Journal, Shanghai Securities News and Hong Kong Ta Kung Pao.

Chapter VII Report of the Board of Directors

I. Particulars about Operation of the Company

(I) Business Review for the Reporting Period

2011 marked the most difficult and challenging year for the TFT-LCD panel industry as a whole and the Company. In terms of the global environment, the quickly-slumping and weak global economy, appreciation of Renminbi and the continuous European Debt Crisis caused marked slide in the global consumer market. In terms of the industry, slack consumption, together with structural and regional oversupply caused fiercer competition in the industry; constant global innovations of electronic information technologies, products and business modes brought about a new round of business structural adjustment, with new technologies, products and business modes springing up. As such, the industry as a whole suffered loss, many panel makers had to put forward the strategy of "survival as the most important" and the industry situation was anything but positive.

In face of the severe external environment in 2011, the Company kept to the annual operation principle of "sticking to the customer orientation and SOPIC innovation, accelerating production and technological innovations, enhancing fundamental professional strength, increasing product competitiveness and production line profitability and ensuring profits for the year", thoroughly carried out the "12th Five-year Development" strategic plans, and promoted the market orientation and

SOPIC innovation. As a result, the overall competitiveness of the Company was greatly improved and it was able to turn loss into profit in the year. For 2011, the Group (the Company and its subsidiaries) achieved operating revenues about RMB 12.7 billion, up 59% over last year. Meanwhile, thanks to the SOPIC innovation, the fundamental strength of all business units were enhanced with better operating efficiency. The business layout of the Company improved day by day, the product and production line structures were also gradually perfected, and the core competitiveness was markedly improved.

Operation of all business units:

1. TFT-LCD

(1) COO:

The Company further carried forward the SOPIC innovation; kept to the customer orientation; implemented interaction of customers; products and production lines; and promoted lean management in design, procurement, production and marketing. As a result, the fundamental strength of the main business increased significantly. With interactions of units of operating planning, product development, design, procurement, production and marketing, all production line resources were better shared and allocated, laying a foundation for increasing the product competitiveness and production line profitability.

① Global manufacturing units: Remarkable phasic results were achieved in terms of the product and production line structural adjustment. The shift of the 5G line to a small-sized line was basically completed. As for the 6G line, 23 products were developed and put into mass production in the year. Meanwhile, the production capacity increased steadily, the overall production line yield kept rising quickly, coordination among all production lines was enhanced and manufacturing costs decreased in a steady manner.

② Global marketing units: Phasic results were achieved in the business of high-end intelligent cell phones and flat-panel computers. Cooperation with world-class brands was realized. Meanwhile, breakthroughs were made in the application product business, with a much bigger market share. Strategic cooperation with main display customers in the world was maintained and deepened, ensuring a stable market share. Main TV customer groups at home and abroad basically took shape.

③ Global supply chain units: Overcoming the impact of the Japanese Earthquake at the beginning of the year on material supply, as well as the pressure from rising prices of upstream materials and labor cost caused by inflation, great achievements were made in terms of new technologies of the 5G and 6G lines, introduction of new materials, internal and external coordination, the localization project, the lean management project, etc.. Besides, the Company proactively conducted win-win projects through the supplier competition mechanism and the supply chain system improved constantly.

④ Product development units: A breakthrough in number was made in terms of product and new technology development, which ensured the small-sized shift and increased added value of products. Meanwhile, the Company realized a swift

application of the GOA technology on products, developed advanced technologies such as Touch and 3D, and carried out quite a few product development projects for the 8.5G line, so as to prepare well for mass production in the coming year.

⑤ Mobile application units: Through technical capacity and business mode innovations, the product competitiveness and enterprise profitability were both greatly improved. For 2011, the mobile application segment achieved earnings over RMB 50 million, with the marginal contribution made by single-substrates increasing 40% and the shipment to strategic customers recording breakthrough-making growth. Through independent development and technical improvement, the weight and yield rates of the COG and ADS production capacity, as well as the yield rate of modules increased steadily. Some achievements were made in ADS technology improvement, as well as 3D without glasses, TSP, high PPI, GOA, quick responsiveness, LTPS and other technology development.

(2) CTO units:

The Company proactively worked out plans to push forward development of advanced technologies such as LTPS, OXIDE, AMOLED and transparent display. As a result, breakthroughs were made in strategic technologies and the technical capacity kept increasing. Great progress was made in application of GOA, high permeability, TP, 0+4mask and other technologies. Management over patents, technical standards and technical innovations was strengthened. In 2011, with double breakthroughs in the “quality” and “quantity” of patent application, new patents applied for in the year exceeded 1,000 in number for the first time and the authorized number also exceeded 500 for the first time. Meanwhile, the Company led and took part in formulation and amendment of many international or national industry standards. Cooperation with domestic and overseas colleges & universities and upstream material and equipment suppliers was further enhanced, with achievements made in quite a few cooperation projects concerning flexible display and organic TFT.

2. Non-TFT-LCD

(1) Display lighting

The Company deepened the customer orientation, enhanced “two developments”, innovated with the business mode, and optimized both the customer and product structures. It focused on carrying forward industrial and commercial projects concerning LED lamps, etc. so as to quickly create new profit growth points. And the development strategy of the lighting business further concentrated on BMS and LED lighting systems.

(2) Whole-machine OEM / brand business

Whole-machine OEM: The Company adjusted its organizational structure in time, integrated resources of the Chinese mainland, Hong Kong and Taiwan, set up a panel-and-whole-machine coordination mechanism, kept optimizing the customer structure, expanded marketing channels, enhanced product planning and development, proactively adopted measures to reduce cost and further increased its technical capacity, which reduced the cost pressure in operation to some degree.

Brand business: The Company further improved the network layout and a marketing

network featuring multi tiers and channels basically took shape. Meanwhile, it fully activated the “Tornado” campaign and improved the channel structure. It tried out online marketing and completed the layout of the main network; quickly expanded and constantly improved the national customer service system; achieved rapid growth in its export business, with large-sized and LED products taking a greater weight in the product structure; and won the bidding for the set-top box procurement project of Beijing Municipal Government.

(3) Vacuum and molding business

The Company accelerated adjustment to the business structure, carried forward key projects and achieved substantial progress in business transformation. The mechanism shift, the product structure adjustment and the enhanced management helped the Company achieve profits for the year.

(4) New energy business

Breakthroughs were made in the photovoltaic application project. The outdoor optimized testing system was authorized by Beijing General Certification Center as a “Golden Sun TMP Factory Certified Lab”. And the self-developed dc-to-ac converters and low-cost-and-high-efficiency technology researches concerning light-gathering solar power batteries and the like produced good results.

(5) Commercial park real estate business

The brand building showed some results, with lots of international and domestic clients being attracted to sign and rent. Meanwhile, with strong support from Electronic Zone, the infrastructure of the park was improved to a new level.

(II) Orderly Advancement of Significant Projects as Scheduled

(1) Hefei 6G Line Project: Full-capacity production of the project was realized at the end of April 2011, 3 months ahead of the original schedule. Through technical improvement at the end of 2011, the monthly production capacity could reach an input of 100,000 pieces of glass substrates.

(2) Beijing 8G Line Project: On 29 Jun. 2011, the 32 " products successfully started up and the production line went into operation officially; mass production was officially realized on 27 Sept. 2011. By the end of 2011, the production line ran at the capacity of 30K, with an overall yield rate over 90%. Full-capacity operation was expected to be realized in the middle of 2012.

(3) Ordos 5.5G AM-OLED Project: The investment framework agreement and move-in agreement for the project were signed on 27 Aug. 2011. By the end of 2011, the pile foundation work, the technical plan, the process equipment list / investment budget review, the overall layout of the production line and the research in power needs for equipments were basically concluded. And the project was expected to go into production at the end of 2013.

(4) Other key projects: On 22 Nov. 2011, the Company disclosed that two of its affiliated subsidiaries—Hefei BOE Optoelectronics Technology Co., Ltd. and Beijing BOE Display Technology Co., Ltd.—were eligible to apply for refunds of taxes paid for equipment purchases (Announcement No. 2011-044). Up to 31 Dec. 2011, the two subsidiaries received tax refunds about RMB 1.997 billion in total.

(III) Scope and operation status of main businesses

1. Main business scope

The Company belongs to the electronic information industry, mainly engaging in manufacturing, sale and research & development of flat-panel display products. Its business scope covers flat-panel display products, complete machinery, display light products, new energy, vacuum, molding, and international business parks.

2. Operation status of main businesses

(1) Breakdown of main businesses according to product varieties

Unit: (RMB) Ten thousand

Products	Business income	Business cost	Gross profit ratio	Increase or decrease of business income year-on-year	Increase or decrease of business cost year-on-year	Increase or decrease of gross profit ratio year-on-year
TFT-LCD	1,397,832.14	1,497,010.20	-7.10%	119.97%	127.41%	-3.50%
Display lighting	161,735.71	150,623.57	6.87%	18.05%	16.66%	1.11%
Display systems	180,480.46	175,369.41	2.83%	213.06%	221.16%	-2.45%
Other businesses	157,136.11	92,732.16	40.99%	-17.84%	-35.66%	16.35%
Internal offset	-623,043.07	-571,612.46	8.25%	184.70%	263.35%	-19.86%
Total	1,274,141.36	1,344,122.89	-5.49%	58.77%	62.17%	-2.22%

(2) Breakdown of main businesses according to regions

Unit: (RMB) Ten thousand

Regions	Business income	Increase or decrease of business income year-on-year (%)
China	773,221.95	81.33%
Other Asian countries and regions	416,628.32	13.38%
Europe	37,261.25	480.04%
American countries	40,000.64	1694.76%
Other	7,029.20	-
Total	1,274,141.36	58.77%

(3) Major Suppliers and Clients

Total sale amount to top five clients reached RMB 3,511.46 million, accounting for 28% of total sales of the Company, while total purchase amount from top five suppliers reached RMB 1,688.38 million, accounting for 13% of the total purchase amount of the Company.

3. Analysis of Finance

(1) Analysis on Changes of Major Items in Balance Sheet

Unit: (RMB) Ten thousand

Items	2011-12-31	2010-12-31	Rate of change	Main influencing factors
Transactional financial assets	-	6,779	-100%	The forward foreign exchange contracts signed last year were settled in the reporting period.
Accounts receivable	256,080	126,320	103%	Payments receivable from customers for products increased upon mass production of the new projects.
Prepayments	6,480	4,028	61%	Prepayments for suppliers increased.
Interest receivable	10,524	5,785	82%	Bank savings increased due to the private A-share offering.
Other receivables	173,582	33,313	421%	Equity transfer payment receivable at the period-end
Inventories	211,622	130,048	63%	Inventories increased upon mass production of the new projects.
Other current assets	69,680	35,278	98%	Deductible VAT increased.
Available-for-sale financial assets	7,472	17,390	-57%	Fair value changes of available-for-sale financial assets
Long-term equity investment	95,888	6,316	1418%	The remaining equity interests after disposing subsidiaries was re-measured according to fair value.
Fixed assets	2,838,886	1,528,787	86%	Construction in progress moved into fixed assets upon mass production of the new projects.
Intangible assets	145,467	111,250	31%	Proprietary technologies and software increased.
Other non-current assets	7,068	17,377	-59%	Prepayments for long-term assets acquired decreased.
Short-term borrowings	648,719	496,441	31%	Foreign-currency borrowings secured for new projects
Accounts payable	363,046	226,711	60%	Payables to suppliers increased.
Accounts received in advance	18,607	8,264	125%	Advances from customers increased.
Payroll payable	36,844	25,649	44%	Labor cost increased due to the mass production of new projects and enhanced R&D.
Taxes and fares payable	4,734	1,560	203%	Income tax and business tax payable increased.

Interest payable	11,096	5,586	99%	Borrowings increased.
Other payables	428,582	309,133	39%	Payables for equipments increased.
Non-current liabilities due within one year	171,678	26,007	560%	Some long-term borrowings became due in one year.
Other current liabilities	8,865	2,341	279%	Quality guarantee deposits increased.
Long-term borrowings	1,470,002	750,483	96%	Borrowings for new projects increased.
Deferred income tax liabilities	41,456	29,490	41%	The remaining equity interests after disposing subsidiaries was re-measured according to fair value, causing taxable temporary difference.
Other non-current liabilities	162,318	107,284	51%	The Company received more governmental subsidies.

(2) Analysis on Changes in Asset Breakdown

Unit: (RMB) Ten thousand

Items	31 Dec. 2011		31 Dec. 2010		Change of proportion in total assets	Main influencing factors
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Transactional financial assets	-	-	6,779	0.1%	-100%	The forward foreign exchange contracts signed last year were settled in the reporting period.
Accounts receivable	256,080	4%	126,320	2%	60%	Payments receivable from customers for products increased upon mass production of the new projects.
Prepayments	6,480	0.1%	4,028	0.1%	27%	Prepayments for suppliers increased.
Interest receivable	10,524	0.2%	5,785	0.1%	43%	Bank savings increased due to the private A-share offering.
Other receivables	173,582	3%	33,313	1%	311%	Equity transfer payment receivable at the period-end
Inventories	211,622	3%	130,048	2%	28%	Inventories increased upon mass production of the new projects.
Other current	69,680	1%	35,278	1%	56%	Deductible VAT increased.

assets						
Available-for-sale financial assets	7,472	0.1%	17,390	0.3%	-66%	Fair value changes of available-for-sale financial assets
Long-term equity investment	95,888	1%	6,316	0.1%	1097%	The remaining equity interests after disposing subsidiaries was re-measured according to fair value.
Fixed assets	2,838,886	41%	1,528,787	28%	46%	Construction in progress moved into fixed assets upon mass production of the new projects.
Intangible assets	145,467	2%	111,250	2%	3%	Proprietary technologies and software increased.
Other non-current assets	7,068	0.1%	17,377	0.3%	-68%	Prepayments for long-term assets acquired decreased.
Short-term borrowings	648,719	9%	496,441	9%	3%	Foreign-currency borrowings secured for new projects
Accounts payable	363,046	5%	226,711	4%	26%	Payables to suppliers increased.
Accounts received in advance	18,607	0.3%	8,264	0.2%	78%	Advances from customers increased.
Payroll payable	36,844	1%	25,649	0.5%	13%	Labor cost increased due to the mass production of new projects and enhanced R&D.
Taxes and fares payable	4,734	0.1%	1,560	0.03%	139%	Income tax and business tax payable increased.
Interest payable	11,096	0.2%	5,586	0.1%	57%	Borrowings increased.
Other payables	428,582	6%	309,133	6%	9%	Payables for equipments increased.
Non-current liabilities due within one year	171,678	2%	26,007	0.5%	421%	Some long-term borrowings became due in one year.
Other current liabilities	8,865	0.1%	2,341	0.04%	199%	Quality guarantee deposits increased.
Long-term borrowings	1,470,002	21%	750,483	14%	54%	Borrowings for new projects increased.
Deferred income tax liabilities	41,456	1%	29,490	1%	11%	The remaining equity interests after disposing subsidiaries was re-measured according to

						fair value, causing taxable temporary difference.
Other non-current liabilities	162,318	2%	107,284	2%	19%	The Company received more governmental subsidies.

(3) Analysis on Changes of Expenses and Income Tax

Unit: (RMB) Ten thousand

Items	2011	2010	Rate of change	Main influencing factors
Operating income	1,274,141	802,529	59%	Production capacity of production lines increased so that the sales volume of main products increased, boosting sales income.
Operating cost	1,344,123	828,815	62%	Production capacity of production lines increased so that the operating cost increased along with the operating revenue.
Selling expense	43,929	20,147	118%	Production capacity of production lines increased, boosting more sales income.
Financial expense	2,968	-1,316	325%	Bank borrowings increased and interest expense increased accordingly.
Asset impairment loss	138,046	45,463	204%	Impairment provisions were made for inventories, fixed assets and available-for-sale financial assets according to market conditions.
Gains and losses on fair value changes	-6,779	6,779	-200%	The forward foreign exchange contracts signed last year were settled in the reporting period and the gains and losses on fair value changes moved into investment income.
Investment income	460,448	-332	138914%	Mainly due to investment income recognized in subsidiary disposal
Non-operating income	69,822	9,317	649%	Governmental subsidies increased.
Income tax expense	15,241	2,667	471%	The remaining equity interests after disposing subsidiaries was re-measured according to fair value and at the same time deferred income tax liabilities were recognized.

(4) Analysis on Changes of the Company's Cash Flows

Unit: (RMB) Ten thousand

Items	2011	2010	Rate of change	Main influencing factors
Net cash flow arising from financing activities	997,874	1,805,003	-45%	Last year, the private offering of A stock generated some financing cash inflows.

4. Operation and performance of main subsidiaries and joint ventures

Unit: (RMB) Ten thousand

Name of enterprise	Main products	Registered capital	Total assets	Net assets	Operation income	Operation profit	Net profit
Beijing BOE Optoelectronics Technology Co., Ltd.	Development and production of TFT-LCD	USD 649.11million	791,038	350,259	405,147	154,146	168,062
Hefei BOE Optoelectronics Technology Co., Ltd.	Development and production of TFT-LCD	RMB 9,000 million	1,848,648	754,307	477,049	-148,092	-114,680
Beijing BOE Display Technology Co., Ltd.	Development and production of TFT-LCD	RMB 17,377.20 million	3,122,261	1,713,821	13,008	-31,932	-28,679
Chengdu BOE Optoelectronics Technology Co., Ltd.	Development and production of TFT-LCD	RMB 1,830 million	408,278	175,214	178,005	3,370	16,634

II. Outlook for future development of the Company

1. Macro-economic policy

TFT-LCD industry is one of those industries greatly encouraged by China. In the National Outline for Medium and Long-term Planning for Scientific and Technological Development (2006-2020), it is clearly stated that the country will focus on developing display products with high definition and large screens, as well as establish the industrial chain of flat panel display materials and devices; Meanwhile, in the Ninth Five-Year Plan of PRC for National Economic and Social Development and the Outline of the Long-term Development Target for the Year 2010, the electronic industry is considered as one of the pillar industries of the national economy, with the LCD devices as one of the new-typed electronic components to be focused on. Also, the LCD device is included in the Catalogue of Industries, Products and Technologies Currently Particularly Encouraged by the State for Development.

At the beginning of 2010, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly promulgated Development Plan of Flat Panel Industry from 2010 to 2012, which created better policy environment and market environment for fast development in the flat panel display industry. On 18 May 2010, the website of National Development and Reform Commission promulgated the Circular on Special Item of Industrialization -- Continuing to Organize the Implementation of Strategic Transformation of Color TV Industry in 2010, aiming at the upstream of FPTV industry, and presenting new requirements for R&D and industrialization of AM-OLED, which is reputed as the 3G Display Technology. On 8 Sep. 2010, the executive meeting of the State Council reviewed and passed the State Council's Decision on Accelerating the Cultivation and Development of Strategic Rising Industries, according to which, along with IC industry and software industry, flat panel display, one of the three basic industries of the new generation of information technology, was clearly listed into the planning of seven strategic rising industries.

On 14 Mar. 2011, the 4th Session of the 11th National People's Congress approved and passed the Outline of the 12th Five-year Plan of Economy and Society of People's Republic of China, which listed new industries, such as flat panel display and IC, into the scope, providing strong security and support for the development of flat panel display industry in aspects of industry structure adjustment, industry innovation, and science and technology innovation.

On 24 Feb. 2012, the Ministry of Industry and Information Technology formulated the 12th Five-Year Development Plan for the Electronic Information Product Manufacturing Industry, according to which new-typed display devices were taken as a development priority for the 12th five-year development. According to the Plan, technology development and commercial application of small-and medium-sized OLED will be promoted and researches will be carried out in technologies in relation to large-sized OLED. Large-sized, touch-sensitive, multicolored, soft active driving electronic paper display screens and the like will be among the development focuses. China will try to reach the advanced international level in the new-type display industry by the end of the 12th Five-Year Development Plan, so as to fully support transformation and upgrading of the domestic color TV industry.

Promulgation of the government policies above shows the government's support for development of the TFT-LCD industry, as well as the strategic importance of the TFT-LCD industry in the electronic information sector.

2. Development trends of the industry, as well as opportunities and challenges faced by the Company

In 2012, the debt crisis in European countries is gradually over, the structural tax reduction in China expands, and global economy is expected to grow moderately. Development of new products such as intelligent cell phones, ultrabooks, flat-panel computers, intelligent TV and 3DTV will bring structural opportunities to the electronic industry. At the same time, the phasic structural adjustment of the Company's products and production lines is completed, and the 8.5G line goes into

full operation, which will create great opportunities for the development of the Company.

Certainly, there won't be fundamental change in the industry or market environments that the Company faces in the short run, and a new round of competition in the industry, even an intangible business war, will become severer. In order to enhance their existing competitive edges, top enterprises quietly adjusted their competition strategies, i.e. to upgrade from pure price and size battles to competition over talent, technologies and patents, as well as strategy union, standards, patent barriers, etc. in terms of new technologies, techniques and application. Considering the severe challenges that it still faces, the Company needs to keep improving the ability of product and technology R&D, optimizing the product development flow chart and deepening organizational and technical innovations, so as to increase the overall strength of the Company.

3. Working principle of the Company in 2012

In 2012, the Company will work hard under the principle of “deepening the customer orientation and the SOPIC innovation, laying a solid foundation and carrying out lean management so as to ensure profits for the year”.

4. Outlook for development of specific businesses

(1) TFT-LCD business

The Company will deepen the customer orientation and the SOPIC innovation, implement in detail the product strategy of “focusing on two ends and improving the middle”, accelerate new product development and new technology application, firmly push forward the product structure adjustment, flexibly handle the increasing cell phone products of the 5G line, the small-sized products of the 6G line and the application of the Oxide technology. Meanwhile, it will firmly keep to the principle of “customer orientation, order-grabbing marketing, full production and sale, multi-line interaction and encouraging more excellent employees” and go all out to ensure the accomplishment of the operating objectives set for the year. It will also further carry forward lean management, fully ensure stable supply of materials and equipments for all production lines of the Company and try to reduce costs. At the same time, with customers' needs as the guidance, it will develop new products and technologies in a forward-looking way and make contributions to continuous improvement of the product competitiveness and the production line profitability. In terms of the mobile application business segment, the Company will keep in mind the major development trends in the industry (more and more small-sized products with higher added value in the world, as well as upgrading in the industry such as wider-view, LTPS and AM-OLED mobile application products and other new products and technologies), keep to the customer orientation and proactively adopt measures to handle various situations, so as to ensure constant profits. CTO business units will, withholding the principle of “overall development with clear focuses”, increase the technical capacity, focus on the improvement of the basic technical capacity, monitor hi-tech development trends and take the technological commanding position in time.

(2) Non-TFT-LCD business

Lighting business: The Company will work out an overall plan and development path for the lighting and light source business, enhance the technological development ability, shift gradually to a provider of complete solutions and technical services, and formulate a long-term stable profiting mechanism.

Whole-machine OEM business: The Company will effectively integrate internal and external resources, attach importance to “combination of quantity and profit”, enhance customer development, enhance planning and development for products needed by the market, strengthen the management over the whole-machine R&D team, strengthen the supply chain management, and form good interaction in the BMS business mechanism.

Whole-machine brand business: With the principle of “deepening management, transformation through innovations; promoting rapid growth and ensuring profits” as the guidance, the Company will implement the “three-step” product strategy in depth, and realize rapid development.

Vacuum and molding business: The Company will accelerate business transformation, promote adjustment of the product structure and optimization of the production layout, lay a solid foundation, and constantly improve the profitability and the ability for sustainable development.

New energy business: The Company will continue to carry forward the “application + technology” strategy in depth, upgrade the business mode, enhance market and customer development and increase the technological development ability, so as to realize sustainable profits.

Business park real estate business: The Company will keep to the customer orientation, increase the professional ability, upgrade the development mode, work out the overall planning for the business park, improve the infrastructure of the park, proactively implement the expansion strategy and do a good job in planning and development of the new business park.

III. Investments of the Company in reporting period

1. Use of raised proceeds in reporting period

(1) Particulars on the original use of raised proceeds

Unit: (RMB) Ten thousand

Total raised proceeds			2,296,886		Total raised proceeds invested this year			967,379		
Total raised proceeds with usage altered in the reporting period			182,381							
Accumulative raised proceeds with usage altered			423,191		Accumulative raised proceeds invested			1,766,248		
Proportion of accumulative raised proceeds with usage altered			18.42%							
Committed investment projects and investment direction of extra raised	Chang ed project	Total committed investment	Total investment after	Invested amount in this year	Accumul ative invested	Investme nt progress	Date when the project reached	Operating revenue realized	Reache d projecte	Significant change occurred

proceeds	s or not (partial change included)	of raised proceeds	adjustment (1)		amount as at the end of the period (2)	as at the end of the period (%) (3) = (2)/(1)	serviceable condition	accumula tively	d benefit or not	to feasibility of the project or not
Committed investment projects										
Production line project of the 4.5G TFT-LCD (4.5G Project)	Yes	220,000	180,546	12,194	180,546	100%	1 Nov. 2009	254,337	Yes	No
Project of increasing capital to Beijing BOE Optoelectronics Technology Co., Ltd. and repaying its bank loans (Capital increase and loan-return project of BOE Optoelectronics Technology Co., Ltd.)	Yes	226,800	0.00	0.00	0.00	0%-	N/A	N/A	N/A	No
Project of supplementing current capital (2008)	Yes	18,200	43,644	0.00	43,644	100%	N/A	N/A	N/A	No
Production line project of the 6G TFT-LCD (6G Project)	Yes	1,078,331	895,950	332,312	819,185	91.43%	May 2011	478,221	N/A	No
Project of supplementing current capital (2009)	No	100,000	282,381	182,381	282,381	100%	N/A	N/A	N/A	No
Production line project of the 8G TFT-LCD (8.5G Project)	No	850,000	850,000	396,127	396,127	46.60%	July. 2011	12,683	N/A	No
Project of supplementing current capital (2010)	No	44,365	44,365	44,365	44,365	100%	N/A	N/A	N/A	No
Subtotal of committed investment projects	-	2,537,696	2,296,886	967,379	1,766,248	N/A	N/A	745,241	N/A	N/A
Situation and reason on failing to catch up with the planned progress or achieve the estimated earnings (with details of	None									

each involved project)	
Explanation on significant change of project feasibility	None
Change of implementation place of raised proceeds investment projects	None
Adjustment in implementation way of raised proceeds investment projects	None
Preliminary input and replacement of raised proceeds investment projects	<p>Before raised funds of Y2008 were available, the Company, in accordance with Proposal on Increasing Capital to Chengdu BOE Optoelectronics Technology Co., Ltd. passed by the 10th Session of the 5th Board of Directors on 26 May 2008, preliminarily input self-raised funds of RMB 245,454,000.00, which were deposited in China Construction Bank Chengdu West District Branch, to construction of 4.5G Project. After raised funds of Y2008 became available, based on the Management Method of Raised Funds of Listed Companies of Shenzhen Stock Exchange, and as reviewed and passed by the 12th Session of the 5th Board of Directors on 28 Jul. 2008, the Company replaced the preliminary self-raised funds put into 4.5G Project by raised funds of RMB 245,454,000.00.</p> <p>Before raised funds of Y2009 were available, in accordance with Proposal on Investing and Establishing 6G TFT-LCD Production Line Project and Proposal on Issuance Scheme of Private Offering of A stock approved by voting at the 17th Session of the 5th Board of Directors on 7 Nov. 2008 and the 2nd Shareholders' General Meeting 2008 on 25 Nov. 2008, the Company preliminarily input self raised funds of RMB 1,309,500,000.00 to construction of 6G Project. After raised funds of Y2009 became available, based on the Management Method of Raised Funds of Listed Companies of Shenzhen Stock Exchange, and as reviewed and passed by the 26th Session of the 5th Board of Directors on 23 Jun. 2009, the Company replaced the preliminary self-raised funds put into 6G Project by raised funds of RMB 1,309,500,000.00.</p>
Project of temporarily supplementing current capital with idle raised proceeds	<p>In light of Public Notice of BOE Technology Group Co., Ltd. on Supplementing Current Capital with Some Idle Raised Funds by its Controlled Subsidiary on 21 Aug. 2009, in order to improve the service efficiency of raised Funds, and under the premise of not changing whereabouts of raised funds and not influencing normal operation of raised funds projects, temporarily idle capital of less than RMB 900 million in the regulatory account of raised funds of Hefei BOE Co., Ltd. were used to supplement current capital need in other accounts of Hefei BOE Co., Ltd. with a limited period of 6 months, so as to be applied in daily payments and other businesses in other accounts. Hefei BOE Co., Ltd. has returned the aforesaid raised proceeds to the special account in time according to stipulations.</p>
Balance of raised proceeds during the implementation of projects and reason thereof	<p>With the approval of 17th meeting of 5th Board, the company planned to use the capital 9 Billion RMB raised in 2009 to invest in 6G, and promise that the exceed part will be used for 6G if the raised capital is more than the total capital invested in 6G. At present the 6G have a very good financial structure, the working capital of which is rich and stable, which will satisfy the daily operation of 6G. With the approval of <about using the exceeded raised money of 2009 to supply the working fund > in 8th meeting of 6 the board on 22th April 2011, the company agree that Hefei BOE could invest the 1,910,185,759.45 RMB (of which the principal is 1,823,808,831.30RMB and the derivative interest is 86,376928.15 RMB) saved in the special account which</p>

	is planned to invest to 6G into supplying the working fund.
Use and whereabouts of the remaining raised capital	I. The remaining raised funds in 2009 would be used for construction and operation of the Hefei 6G Line, which are currently put into the special accounts for raised funds and strictly managed by Hefei BOE Optoelectronics Technology Co., Ltd.—the company in charge of the project implementation. II. The remaining raised funds in 2010 would be used for construction and operation of the Beijing 8.5G Line, which are currently put into the special accounts for raised funds and strictly managed by Beijing BOE Display Technology Co., Ltd. —the company in charge of the project implementation.
Existing problems or other conditions during the use and disclosure of raised proceeds	None

(2) Use of raised proceeds after change

Unit: (RMB) Ten thousand

Project after change	Project before change	Planned input into project after change (1)	Actual input in reporting period	Actual amount of accumulative input by the period-end (2)	Investment progress at the period-end (%) (3)=(2)/(1)	Expected available date of projects	Earnings realized in reporting period	Compliant with estimated earnings or not	Whether there is significant change in project feasibility
Supplementing Working Capital (2011)	The 6G TFT-LCD production line project (the 6G project)	182,381.00	182,381.00	182,381.00	100.00%	N/A	N/A	N/A	No
Total	-	182,381.00	182,381.00	182,381.00	-	-	-	-	-
Explanation on reasons for changes, decision-making procedures and information disclosure (with details down to each project)	The 6G project went into mass production in Nov. 2010 and the Hefei 6G project basically reached the designed production capacity by the end of April 2011. Considering the actual situation of the project and according to the Proposal on Supplementing Working Capital with the Remaining Funds Raised through the 2009 Private Offering reviewed and approved at the Eighth Session of the Sixth Board of Directors on 22 Apr. 2011 and later at the 2010 Annual Shareholders' General Meeting on 30 May 2011, the outstanding funds of 1,910,185,759.45 raised in the private issue in 2009 (including the principal of RMB 1,823,808,831.30 and the derivative interest of RMB 86,376,928.15) would be used for supplementing the working capital.								
Explanation on failing to reach the planned progress or get the expected gains (with	None								

details down to each project)	
Explanation on significant changes in feasibility of projects after change	None

2. Significant investments with non-raised funds

Unit: (RMB) Ten thousand

Name of project	Investment amount	Project progress	Situation of the project
AM-OLED Project of Yuansheng Optoelectronics	6,054.75	1%	Good
National Engineering Lab for TFT-LCD Technique	23,923.06	100%	Good
Installation and transformation of equipments in Hebei of the Company	3,921.09	100%	Good
Auxiliary plant of BOE Electronics	19,006.91	100%	Good
Total	52,905.81	-	-

3. Available-for-sale financial assets held by the Company

The available-for-sale financial assets held by the Company were its stock investment into TPV Technology Co., Ltd. (hereinafter referred to as “TPV Technology”) and Beijing Electronic Zone Investment and Development Co., Ltd. (hereinafter referred to as “Electronic Zone”), of which the balance at the period-end was measured at fair value.

TPV Technology is listed in the Hong Kong Stock Exchange (with its stock code as “0903”). By 31 Dec. 2011, based on its closing price, the fair value of the shares of TPV Technology held by the Company amounted to HKD 34,591,471 (RMB 28,043,307).

Electronic Zone is listed in the Shanghai Stock Exchange (with its stock code as “600658”). By 31 Dec. 2011, based on its closing price, the fair value of the shares of Electronic Zone held by the Company amounted to RMB 46,675,624.

Items	Closing amount	Increase this year	Gain/loss from fair value changes in reporting period	Accumulative fair value changes recorded into equity	Impairme nt reserve withdraw n in reporting period	Closing amount
Financial assets:						
Of which: 1. Financial assets measured at fair value and the	67,794,013		-67,794,013			0

changes were included in the gains or losses in the current period						
Of which: derivative financial assets						
2. Available-for-sale financial assets	173,899,899			50,918,687	-150,099,655	74,718,931
Subtotal of financial assets	241,693,912		-67,794,013	50,918,687	-150,099,655	74,718,931
Financial liabilities						
Investment real estate						
Productive biological assets						
Others						
Total	241,693,912		-67,794,013	50,918,687	-150,099,655	74,718,931

IV. Routine work of Board of Directors

(I) Sessions and resolutions of Board of Directors during the reporting period

In the reporting period, the Board of Directors convened 12 meetings, with 3 of them as on-site meetings and the other 9 by telecommunication. And the details of the sessions are as follows:

1. The 6th Session of the 6th Board of Directors was convened by telecommunication on 20 Jan. 2011, at which the following proposals were reviewed and approved: the Proposal on Increasing Investment on Beijing BOE Display Technology Co., Ltd. and the Proposal on Purchasing the Equity of Beijing Changhong Innovative Network Technology Co., Ltd., and the public notice on relevant resolutions was disclosed on 24 Jan. 2011.

2. The 7th Session of the 6th Board of Directors was convened by telecommunication on 29 Mar. 2011, at which the following proposals were reviewed and approved: the Proposal on Reviewing the 2011 Annual Work Plan for Implementing Internal Control Regulations and the Proposal on Reviewing the Work Rules of the Secretary to the Board and Other Systems, and the public notice on relevant resolutions was disclosed on 30 Mar. 2011.

3. The 8th Session of the 6th Board of Directors was convened as an on-site session on 22 Apr. 2011, at which the following proposals were reviewed and approved: the 2010 Annual Operation Work Report, the 2010 Annual Work Report of the Board of Directors, the Full Text and Summary of the 2010 Annual Report, the 2010 Annual Final Financial Report and 2011 Annual Business Plan, the Preplan on Profit Distribution and Capitalization of Capital Reserves for Y2010, the Special Statement on Deposit and Use of Raised Funds in 2010, the Specific Explanation on Non-operating Capital Occupation and Other Related Capital Flows in 2010, the Proposal on Using the Retained Raised Proceeds from the Private Issuance in 2009 to Supplement the Current Capital, the Proposal on Borrowing Line, the Proposal on Providing Guarantee for Zhejiang BOE Display Technology Ltd., the Proposal on Providing Counter-guarantee by Zhejiang BOE Display Technology Ltd. to the External, the Proposal on the Derivatives Transaction Plan of the Company in the Future Twelve Months, the Proposal on Routine Related Transactions in 2011, the

Proposal on Engaging Audit Agency for Y2011, the 2010 Annual Self-appraisal Report on Internal Control, the 2010 Annual Corporate Social Responsibility Report, the Proposal on External Investment, the Proposal on Engaging the Chief Risk Control Officer and Concurrent Chief Auditor for the Company, the Proposal on Deciding the Annual Remuneration of the Senior Executives, the Proposal on Board of Directors Authorizing Chairman to Exercise Functions and Powers, the Proposal on Reviewing the Rules for the Procedure of Shareholders' General Meeting and Other Systems, the Proposal on Revising the Articles of Association of BOE Technology Group Co., Ltd. and the Proposal on Convening the 2010 Annual Shareholders' General Meeting, and the public notice on relevant resolutions was disclosed on 26 Apr. 2011.

4. The 9th Session of the 6th Board of Directors was convened as an on-site session on 25 Apr. 2011, at which reviewed and approved the First Quarterly Report for Y2011, and the public notice on relevant resolutions was disclosed on 27 Apr. 2011.

5. The 10th Session of the 6th Board of Directors was convened by telecommunication on 8 Jun. 2011, at which reviewed and approved the Proposal on Increasing Investment on Beijing BOE Vision-electronic Technology Co., Ltd., and the relevant resolution was submitted to record on 9 Jun. 2011.

6. The 11th Session of the 6th Board of Directors was convened by telecommunication on 18 Jul. 2011, at which reviewed and approved the Proposal on Application of Bidding the Land 56M2 Located at the Central Area of Tianjin Economic & Technological Development Area, and the relevant resolution was submitted to record on 19 Jul. 2011.

7. The 12th Session of the 6th Board of Directors was convened by telecommunication on 22 Jul. 2011, at which reviewed and approved the Proposal on the Project of Optical Resist of Beijing Asahi Glass Electronics Co., Ltd., and the relevant resolution was submitted to record on 23 Jul. 2011.

8. The 13th Session of the 6th Board of Directors was convened by telecommunication on 17 Aug. 2011, at which the following proposals were reviewed and approved: the Proposal on the Restructuring through Merger for Zhejiang BOE Display Technology Co., Ltd., the Proposal on Joining in the Establishment of Optoelectronics Industry Fund Project and the Proposal on Revising the Articles of Association of BOE Technology Group Co., Ltd., and the public notice on relevant resolutions was disclosed on 18 Aug. 2011.

9. The 14th Session of the 6th Board of Directors was convened as an on-site session on 26 Aug. 2011, at which the following proposals were reviewed and approved: the Proposal on the Full Text and Summary of 2011 Semi-annual Report, the Proposal on Investing to Establish the Production Line Project for 5.5G Active Matrix Organic Light Emitting Diode (AM-OLED) and the Proposal on Investing to Establish the Subsidiary of Beijing BOE Energy Technology Co., Ltd., and the public notice on relevant resolutions was disclosed on 30 Aug. 2011.

10. The 15th Session of the 6th Board of Directors was convened by telecommunication on 24 Oct. 2011, at which the following proposals were reviewed and approved: Transferring the Equity of Ordos BOE Energy Investment Co., Ltd. by the Subsidiary of the Company and the Proposal on Convening the First Special Shareholders' General Meeting for Y2011, and the public notice on relevant resolutions was disclosed on 26 Oct. 2011.

11. The 16th Session of the 6th Board of Directors was convened by telecommunication on 27 Oct. 2011, at which reviewed and approved the Proposal on Reviewing the Third Quarterly Report for Y2011, and the public notice on relevant

resolutions was disclosed on 29 Oct. 2011.

12. The 17th Session of the 6th Board of Directors was convened by telecommunication on 29 Nov. 2011, at which reviewed and approved the Proposal on Revising the Management System on Inside Information and Insiders, and the public notice on relevant resolutions was disclosed on 30 Nov. 2011.

All the public notices on resolutions were disclosed on Securities Times, China Securities Journal, Shanghai Securities News and Ta Kung Pao (HK).

(II) Execution of resolutions of Shareholders' General Meeting by Board of Directors

In the reporting period, the Board of Directors actively promoted the implementation of all the resolutions passed at the Shareholders' General Meeting, with execution details as follows:

1. Execution of the Preplan on Profit Distribution and Capitalization of Capital Reserves for Y2010

The Company reviewed and approved the Preplan on Profit Distribution and Capitalization of Capital Reserves for Y2010 at the 2010 Annual Shareholders' General Meeting, and implemented the capitalization of capital reserves at the end of Jun. 2011, then the share capital of the Company increased to 13,521,542,341 shares.

2. Execution of the Proposal on Investing to Establish the Production Line Project for 5.5G Active Matrix Organic Light Emitting Diode (AM-OLED)

The Company finished to increase investment of RMB 2 billion alone on Ordos Shengyuan Optoelectronics Co., Ltd. in 2011, which will be the company in charge of the implementation of the 5.5G AM-OLED project.

3. Execution of the Proposal on Transferring the Equity of Ordos BOE Energy Investment Co., Ltd. by the Subsidiary of the Company

Up to 23 Dec. 2011, the Company received the equity transfer payment of RMB 1,350,100,000 from Beijing Industry Development & Investment Management Co., Ltd. and RMB 650,000,000 from Beijing Haohua Energy Resource Co., Ltd. respectively, and finished to register the modifications with the administrative authorities for industry and commerce.

4. Execution of the Proposal on the Restructuring through Merger for Zhejiang BOE Display Technology Co., Ltd.

The Proposal on the Restructuring through Merger for Zhejiang BOE Display Technology Co., Ltd. was reviewed and approved at the First Special Shareholders' General Meeting for Y2011, up to 31 Dec. 2011, Zhejiang BOE Display Technology Co., Ltd. has finished the execution of the project and registered the modifications with the administrative authorities for industry and commerce.

(III) Duty fulfillment of special committees of Board of Directors

In the reporting period, in accordance with the Code of Corporate Governance for Listed Companies, the Articles of Association and the Rules of Procedure for Board of Directors, as well as the responsibilities and duties endowed by the rules of procedure for the special committees, the three special committees of the Board conscientiously performed their responsibilities:

1. Duty fulfillment of Execution Committee under Board of Directors

In the reporting period, the Execution Committee under Board of Directors conscientiously controlled the strategic guidance, significant projects, production and

operation activities. During the recess of the board session, the Execution Committee was in charge of working out the operating strategies of the Company, planning its significant investment and financing projects, and monitoring its major operation activities, which played an important role in ensuring the Company's stable and smooth operation in 2010.

2. Duty fulfillment of Audit Committee under Board of Directors

In the reporting period, the Audit Committee conscientiously performed its routine duties, and actively advanced the launch of the audit work for Y2011. Before the periodic reports were submitted to the Board for review, the Audit Committee convened special sessions to discuss the reports. At the sessions, the committee members listened to relevant reports, expressed their opinions and put forward constructive advices concerning the Company's internal control, financial auditing and so on.

The 2011 annual audit work on financial report of the Audit Committee was detailed as follows:

- 1) Before the audit, the Committee discussed and decided the schedule of audit work for the 2011 annual report with KPMG Huazhen Certified Public Accountants (hereinafter referred to as "KPMG");
- 2) Before the presence of KPMG, the Committee reviewed the financial statements prepared by the Company and issued a written opinion;
- 3) Upon the presence of KPMG, the Audit Committee convened special sessions to communicate with KPMG, reviewed the Company's financial statements following the preliminary audit opinion issued by KPMG, and issued the written opinion concerned;
- 4) In the audit process, the Committee issued a written Audit Urge Letter to KPMG, asking KPMG to finish the audit in an orderly manner in strict accordance with the set schedule, so as to submit the 2011 annual audit report on time;
- 5) Before the annual report was submitted to the Board for review, the Audit Committee convened sessions to vote on the relevant matters such as the annual financial statements and the engagement of the CPA firm, and formed the relevant resolutions, which were later submitted to the Board for review.

The Audit Committee is of the opinion that the Financial Report is complete and factual with complete consolidated entities and statements, an accurate consolidation basis, a steady and consistent accounting policy, proper application of the accounting policy and reasonable accounting estimates, which is in line with the Enterprise Accounting Standards and other regulations promulgated by the Ministry of Finance.

The 2011 annual audit work on internal control of the Audit Committee was detailed as follows:

- 1) The Audit Committee under the Board convened a session to review the Construction and Implementation Scheme of 2011 Annual Internal Control Standards and Summary Report on the Implementation of 2011 Annual Internal Control Standards for the Company;
- 2) The Committee accepted the working report on the construction of internal control standards in quarter or phases from the audit supervisory department, and provided

guidance;

3) The head of the Audit Committee the Press Conference on the Internal Control Manual (2011) of BOE Technology Group Co., Ltd.;

4) Before the Board reviewed the annual report, the Audit Committee convened a session to review the 2011 Annual Self-appraisal Report on Internal Control of BOE Technology Group Co., Ltd., and agreed to submit it to the Board of Directors for review after forming a resolution.

The Audit Committee under the Board believed that the Company had established internal control on business and events within the appraisal scope during the reporting period, which were executed effectively and reached the goal of internal control for the Company, with no significant defects.

Based on its understanding and communication with KPMG, the Audit Committee summarized the 2011 annual audit work conducted by KPMG as follows: Enjoying a professional audit team and strong technological support, KPMG conducted the 2011 annual audit work in a precise and responsible manner. In addition, KPMG becomes fairly familiar with the Company's operation and development due to cooperation for many years, and successfully finished the auditing of the Company's financial statements for Y2011. Therefore, the Audit Committee hereby proposes to renew the employment of KPMG Huazhen Certified Public Accountants as the Company's audit agency for the year 2012.

3. Duty fulfillment of Nomination & Remuneration & Appraisal Committee under Board of Directors

In the reporting period, in accordance with relevant rules and laws, the Nomination & Remuneration & Appraisal Committee conscientiously performed its duties endowed by the Board through strictly executing the appointment procedure of senior executives, as well as the appraisal procedure for directors and senior executives.

In 2011, the Nomination & Remuneration & Appraisal Committee conducted discussion and examination on the Proposal on the Nomination of the Chief Risk Controller and Concurrent Chief Auditor and the Proposal on Deciding the Annual Remuneration of Senior Executives from the Board of Directors.

Upon a careful examination, the Nomination & Remuneration & Appraisal Committee is of the opinion that the fourth chapter of this report discloses the remuneration of the Company's directors, supervisors and other senior executives in a factual and accurate way.

(IV) Establishment and Execution of Management Rules for Inside Information and Insiders

In accordance with the Company Law, the Securities Law, the Administrative Rules for Information Disclosure of Listed Companies, the Regulation on Establishing the Registration System on Information Insiders in Listed Companies, the Articles of Association and other relevant laws and regulations, the Company revised the Management Rules for Insider Information and Insiders, and renamed it as Registration System on Information Insiders. And the said rules provided clear-cut provisions for the submission of the Company's inside information to external entities,

the management over external information users, etc..

In strict accordance with the above rules, the Company standardized its management on inside information, reinforced the security work for inside information, and submitted the Registration Form for Insiders, so as to strictly prevent the leak of inside information and insider dealings, and maintain the fairness of information disclosure. Upon self-examination, there were no particulars about insider took advantages of inside information to purchase or sell shares of the Company before the disclosure of major sensitive information that shall have an impact on the share price of the Company.

V. Preplan for profit distribution and capitalization of capital reserves for Y2011

As audited by KPMG, the Company achieved, in 2011, a consolidated net profit of RMB 693,677,317.00, and a net profit attributable to the Company's shareholders reaching RMB 560,866,477.00. By the end of 2011, the accumulative retained profit of the Company stood at RMB -3,734,305,993, and the capital reserves stood at RMB 15,302,948,946.00.

2011 saw a deficit of the Company's accumulative retained profit. According to the Company Law and the Company's Articles of Association, the Company's Board of Directors planed not to conduct profit distribution for the year 2011, nor implement the preplan on capitalization of capital reserves.

Cash dividend over the last three years

Unit: (RMB) Yuan

Items	Cash dividends (tax included)	Net profit attributable to owners of parent company in consolidated statements	Proportion in net profit attributable to owners of parent company in consolidated statements
2010	0.00	-2,003,813,083.00	0.00%
2009	0.00	49,680,328.00	0.00%
2008	0.00	-807,525,473.00	0.00%
The proportion of the accumulative cash dividends over the previous three years in the average net profit over the previous three years (%)			0.00%

VI. In 2011, Securities Times, China Securities Journal, Shanghai Securities News and Ta Kung Pao (HK) were designated by the Company as the newspapers for information disclosure.

Chapter VIII Report of Supervisory Committee

I. Work of Supervisory Committee

In 2011, the Supervisory Committee fulfilled its supervisory duties strictly in accordance with the Company Law, Article of Association and the Rules for Procedure of the Supervisory Committee as well as other relevant laws and rules. Moreover, members of the Supervisory Committee conducted supervision over convening procedures and decision-making procedures of the Shareholders' General Meeting and the Board of Directors, the implementation of the resolutions of the Shareholders' General Meeting by the Board, and the registration of information insiders as well as the operation and decision-making of the Company. The Supervisory Committee supervised the Board of Directors and the Managements to work legally and make decision reasonably, ensured the standardized operation and protected the interests of the Company and its shareholders.

The Supervisory Committee held 4 sessions in the reporting period. All of the supervisors sat in on the Board sessions and participated in the discussion on significant events, as well as audited the periodic reports and issued the written audit opinions. The sessions held by the Supervisory Committee were listed with details as follows:

1. The 4th Session of the 6th Supervisory Committee was convened on 22 Apr. 2011, at which the following proposal were reviewed and approved: the Proposal on 2010 Annual Work Report of Supervisory Committee, the Proposal on Full Text and Summary of 2010 Annual Report, the 2010 Annual Final Financial Report and 2011 Annual Business Plan, the Preplan on Profit Distribution and Capitalization of Capital Reserves for Y2010, the 2010 Annual Self-appraisal Report on Internal Control, the Proposal on Routine Related Transactions in 2011, the Proposal on Engaging Audit Agency for Y2011, the Proposal on Reviewing the Rules of Procedure for the Supervisory Committee, the Proposal on Using the Retained Raised Proceeds from the Private Issuance in 2009 to Supplement the Current Capital, and the public notice on relevant resolutions was disclosed on 26 Apr. 2011.
2. The 5th Session of the 6th Supervisory Committee was convened on 25 Apr. 2011, at which reviewed and approved the Proposal on Reviewing the First Quarterly Report for Y2011.
3. The 6th Session of the 6th Supervisory Committee was convened on 26 Aug. 2011, at which reviewed and approved the Proposal on the Full Text and Summary of 2011 Semi-annual Report.
4. The 7th Session of the 6th Supervisory Committee was convened on 27 Oct. 2011, at which reviewed and approved the Proposal on Reviewing the Third Quarterly Report for Y2011.

All the public notices on resolutions were disclosed on Securities Times, China Securities Journal, Shanghai Securities News and Ta Kung Pao (HK).

II. The Supervisory Committee expressed opinion on the following events in 2011

1. Operation under laws

In the reporting period, all supervisors attended the Board Sessions, and conducted supervision on operation of the Company by ways of supervising the duty performance of directors and senior executives as well as auditing relevant reports, etc.. The Supervisor Committee considered that: the Company's decision-making procedures were in line with laws and statutes, the construction of internal control was strengthened continuously, the corporate governance was further perfected. In 2011, directors and senior executives were diligent and devoted as always.

2. Inspection on the Company's finance

In the reporting period, the Supervisory Committee carefully inspected financial status of the Company and issued audit opinion on periodic financial reports. The Supervisory Committee believed that: The Company enjoyed a sound and well-operating financial system with standardized accounting, which was in line with the Enterprise Accounting Standards and other relevant financial rules. Upon a review of the standard unqualified 2011 Annual Audit Report issued by KPMG for the Company, the Supervisory Committee believed that the 2011 Annual Audit Report factually presented the Company's financial status and operating results.

3. Use of raised funds

Upon follow-up and examination of the use of funds raised through the private offering of A-share in 2009 and 2010, the Supervisory Committee believed that: The actual input of raised funds was in line with what had been promised. Management and execution of the raised funds was in compliance with relevant provisions of CSRC and the Shenzhen Stock Exchange, as well as with interests of the Company and its shareholders.

4. Sales of assets for the Company

During the reporting period, the Supervisory Committee conducted an overall supervision on its subsidiary's transaction about transferring the equity of Ordos BOE Energy Investment Co., Ltd., and believed that the said subsidiary transferred the equity by a reasonable way and with a reasonable and fair price, which had no insider dealings or harm done to interests of partial shareholders or loss caused for the assets of the Company.

5. Related transactions

In the reporting period, the related transactions between the Company and the related parties were conducted under the principle of fairness and rationality with no insider dealings found. And those transactions were priced fairly, with no harm done to interests of non-related-party shareholders and the Company.

6. Internal control

The Self-appraisal Report of BOE Technology Group Co., Ltd. on Internal Control (Year 2011) issued by the Board of Directors truly and completed reflected actuality of internal control of the Company, and the Supervisory Committee had no objection to the reports after review. The Company had set up perfect internal control system, framework of internal control was sound. The framework of the Company's internal control was in line with the current framework of the Company, whose execution was effective.

Chapter IX. Significant Events

I. Significant lawsuits and arbitrations

There existed no significant lawsuits or arbitrations where the Company was involved in the reporting period. Nor there existed such lawsuits or arbitrations carried down into the reporting period.

II. Asset acquisition and sale, as well as enterprise mergers

(I) Significant asset acquisition

Beijing BOE Multimedia Science and Technology Co., Ltd. signed an Equity Transfer Contract with Sichuan Changhong Network Technology Co., Ltd. (hereinafter referred as “Sichuan Changhong”) and Chengdu Changhong Network Technology Co., Ltd. (hereinafter referred as “Chengdu Changhong”), at which BOE Multimedia acquired 51% of the equity of Beijing Changhong Innovative Network Technology Co., Ltd. (hereinafter referred as “Changhong Innovative”) from Sichuan Changhong and Chengdu Changhong with a total price of RMB 15,300,000. Both parties agreed the equity settlement date on 28 Feb. 2011, and finished the equity transfer on that day. After the equity transfer, Changhong Innovative changed its name as BOE Changhong, and its 51% equity was held by BOE Multimedia Science and Technology Co., Ltd.

(II) The Company’s significant sale of assets

During the reporting period, the Company reviewed and approved the Proposal on Transferring the Equity of Ordos BOE Energy Investment Co., Ltd. by the Subsidiary of the Company at the First Special Shareholders’ General Meeting, the Company’s controlling subsidiary—BOE Optoelectronics Technology Co., Ltd. transferred 60% of the equity of Ordos BOE Energy Investment Co., Ltd. to Beijing Industry Development & Investment Management Co., Ltd. (hereinafter referred as “Industry Company”) by way of transfer under agreement, with a transaction price of RMB 2.7 billion; and transferred 20% of the equity of Ordos BOE Energy Investment Co., Ltd. to Beijing Haohua Energy Resource Co., Ltd. (hereinafter referred as “Haohua Energy”), with a transaction price of RMB 0.9 billion. Up to 31 Dec. 2011, the Company received the equity transfer payment of RMB 1,350,100,000 from Industry Company and RMB 650,000,000 from Haohua Energy respectively, and finished to register the modifications with the administrative authorities for industry and commerce.

(III) Consolidation occurred during the reporting period

1. Beijing Zhongpingxun Technology Co. Ltd., Beijing Zhongxiangying Technology Co. Ltd. and Ordos Haosheng Energy Investment Co., Ltd. are the newly established subsidiaries of the Company in 2011, which were included into the consolidated statement by the Company in 2011.

2. On 5 Dec. 2011, the Company signed a Capital Increase Agreement with Ordos Jiaqi Urban Construction Investment & Development Co., Ltd. (hereinafter referred as “Jianqi Urban Investment”), the controlling company of Yuansheng

Optoelectronics, with Yuansheng Optoelectronics as the platform of implementing the 5.5G AM-OLED production line project for the Company. On 28 Dec. 2011, the Company increased investment of RMB 2,000,000,000 alone on Yuansheng Optoelectronics accumulatively, which was verified by Yuanfa Certified Public Accountant Ltd. with EYSY Zi (2011) No. 732 Capital Verification Report. After completing the said capital increase, the register capital of Yuansheng Optoelectronics stood at RMB 2,004,000,000, thus the shareholding proportions of Jiaqi Urban Investment were 99.8% and 0.2% respectively. Then Yuansheng Optoelectronics was included into the consolidated scope from Dec. 2011.

3. Beijing BOE Multimedia Science and Technology Co., Ltd. signed an Equity Transfer Contract with Sichuan Changhong Network Technology Co., Ltd. (hereinafter referred as “Sichuan Changhong”) and Chengdu Changhong Network Technology Co., Ltd. (hereinafter referred as “Chengdu Changhong”), at which BOE Multimedia acquired 51% of the equity of Beijing Changhong Innovative Network Technology Co., Ltd. (hereinafter referred as “Changhong Innovative”) from Sichuan Changhong and Chengdu Changhong with a total price of RMB 15,300,000. After the equity transfer, Changhong Innovative changed its name as BOE Changhong, and its 51% equity was held by BOE Multimedia Science and Technology Co., Ltd., thus it was included into the consolidated statement.

III. Significant related transactions

1. Related transactions concerning routine operation

Transactions of the Company with the related parties were carried out based on market principle and Annual Routine Related Transaction Limit 2011 which was approved at the Shareholders' General Meeting. For details, please refer to relationship of related parties and content of transaction in notes to Financial Statements.

2. There existed no related transactions arising from significant acquisition and sale of assets

3. There existed no related transactions arising from joint investments by the Company and its related parties.

4. Credits, liabilities or guarantees between the Company and related parties

Up to 31 Dec. 2011, the actual controller of the Company—Beijing Electronics Holdings Co., Ltd.—took on joint and guarantee responsibilities for the syndicated loan of the Company's wholly-owned subsidiary—BOE Optoelectronic Technology Co., Ltd.. In 2011, the Company paid RMB 2,087,140.12 for the guarantee fee.

5. There existed no related transaction arising from the Company's private offering stock joined by the related parties.

6. During the reporting period, the Company received RMB 34 million from its controlling shareholder for improving the infrastructure of the old industrial base; and paid expense totaled RMB 820,000 for its controlling shareholder, which was all paid off. Up to the end of reporting period, there was no non-operating capital occupation between the controlling shareholder of the Company & its related parties and the Company. KPMG Huazhen Certified Public Accountants issued the Specific

Explanation on Non-operating Capital Occupation and Other Related Capital Flows in 2011 for the Company, which was published in the website www.cninfo.com.cn.

IV. Significant contracts and execution thereof

1. The Company did not hold significant trusteeship, contract or lease significant assets of other companies in the reporting period.

2. Significant guarantees

Unit: RMB Ten thousand

Guarantees provided for subsidiary companies								
Name of the guaranteed	Date and No. of Relevant public notice	Guarantee line	Date of occurrence (Date of signing agreement)	Actual amount of guarantee	Type of guarantee	Term of guarantee	Implementation accomplished or not	Guarantee for related parties or not
Beijing BOE Optoelectronics Technology Co., Ltd.	8 Apr. 2005 / 2005-007	466,266.60	31 Mar. 2005	248,356.38	General guarantee	From 8 Apr. 2005 to 13 Apr. 2014	No	No
Total guarantees lines for subsidiaries examined and approved in the reporting period (B1)		-		Total guarantees for subsidiaries occurred in the reporting period (B2)		-		
Total guarantee lines for subsidiaries examined and approved at the period end (B3)		466,266.60		Balance of actual guarantees at the period end (B4)		248,356.38		
Total guarantees of the Company (Total of the two above)								
Total guarantees lines examined and approved in the reporting period (A1+B1)		-		Total guarantees occurred in the reporting period (A2+B2)		-		
Total guarantees lines examined and approved at the period end (A3+B3)		466,266.60		Total balance of actual guarantees at the period end (A4+B4)		248,356.38		
Proportion of total actual guarantee amount (A4+B4) in net assets of the Company					7%			
Among which:								
Amount of guarantees provided for shareholders, actual controller and other related parties (C)					0			
Amount of debt guarantees provided directly or indirectly for parties with asset-liability ratio exceeding 70% (D)					0			
Proportion of total guarantee amount exceeding 50% of the Company's net assets (E)					0			
Total amount of the above three guarantees (C+D+E)					0			
Explanation on possibility of taking several and joint liability involving immature guarantees					无			

As for the above guarantees, the independent directors believed:

In strict compliance with the Standards of Internal Control for relevant guarantee events, such as Administrative Measures on External Guarantees, as well as sound Procedure for Internal Decision-making and Risk Control, the Company fully disclosed the risks of external guarantees and made relevant risk control when reviewing the external guarantee events; the external guarantees in 2011 by the Company and its controlled subsidiary were for the needs of production & operation and reasonable use of assets. At the end of reporting period, the Company strictly controlled the actual amount of external guarantee within the total external guarantees lines examined and approved.

In above, the Company had no particulars in overdue of the guaranteed liabilities, nor providing guarantees for controlling shareholders, other related parties holding less than 50% shares of the Company, any non-corporate units or individual persons. There was no marked indication showing that the Company may bear the guarantee responsibility for the default of the guaranteed parties, the guarantees didn't have any harm to the interest of the Company and its shareholders, especially medium and small shareholders.

3. In the reporting period, the Company entrusted no other party to manage cash assets.

4. The Company had no other significant contracts.

V. Implementation of commitments

1. In the reporting period, there existed no such commitments as related to equity division reform.

2. In the reporting period, the stocks unlocked from trading moratorium were all privately issued stocks subscribed by shareholders and the lock-up of those stocks was in line with regulations on private stock offering.

3. For commitments in the reporting period, please refer to the commitment events in the notes to the financial statements.

4. In the reporting period, the Company or shareholders holding over 5% shares of the Company had no other commitments.

VI. Engagement and disengagement of accounting firm

The Company engaged KPMG Huazhen Certified Public Accountants as its accounting firm, which had been serving for the Company for consecutive 7 years up until the end of the reporting period.

Payment to KPMG Huazhen Certified Public Accountants for the 2011 annual audit by the Company amounted to RMB **.

VII. In the reporting period, neither the Company, nor its Board, directors, supervisors nor any other senior executives received any administrative punishments of circulating criticism from the CSRC, nor were publicly criticized by the Stock Exchange.

VIII. Researches, communications and visits received in reporting period

The Company always pays attention to the relationship with investors, and makes efforts to improve transparency. In 2011, communication between the Company and investors was further strengthened. During the reporting period, the Company received 36 visits from institutional investors. During the reception, communications and visits activities, the Company didn't disclose, reveal or leak any non-published significant information to special objects.

Visits of investors in 2011 are detailed as follows:

Reception date	Reception place	Reception way	Type of visitor	Visitor	Main content of discussion and materials provided by the Company
5 Jan. 2011	Meeting Room of the Company	Field research	Institution	ABC-CA Fund Management Co., Ltd., China Nature Asset Management Co., Ltd., SWS Research Co., Ltd.	1. Operation status and future development strategies of the Company; 2. Present status and development trends in the industry; 3. Particulars about Chendu 4.5G Project and 6G Project, Beijing 5G Project and 8.5G Project.
6 Jan. 2011	By phone	By phone	Institution	Huatai Securities	
13 Jan. 2011	Meeting Room of the Company	Field research	Institution	Dongxing Securities	
19 Jan. 2011	Meeting Room of the Company	Field research	Institution	Avic Securities, Zexi Investment Management Co., Ltd.	
9 Feb. 2011	Meeting Room of the Company	Field research	Institution	Morgan Stanley Securities Co., Ltd., Morgan Stanley Asia Limited	
25 Feb. 2011	Meeting Room of the Company	Field research	Institution	China Galaxy Securities, individual investor	
3 Mar. 2011	Meeting Room of the Company	Field research	Institution	KGI Surities, KGI Asia Ltd.	
9 Mar. 2011	Meeting Room of the Company	Field research	Institution	China AMC, Beijing Longrising Asset Management Co., Ltd., China International Fund Management, New China Asset Management Co., Ltd., HSBC Jintrust Fund Management, SWS	

				Research Co., Ltd.	Materials provided by the Company: 2010 Annual Report of the Company, company brochure and other disclosed materials
9 Mar. 2011	Meeting Room of the Company	Field research	Institution	Xin Qilin	
10 Mar. 2011	Meeting Room of the Company	Field research	Institution	Caida Securities	
17 Mar. 2011	Meeting Room of the Company	Field research	Institution	Haitong Securities	
18 Mar. 2011	Meeting Room of the Company	Field research	Institution	CongRong Investment Management, Changsheng Fund Management, HFT Investment Management, Lord ABBETT China Asset Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd., First-Trust Fund Management Co., Ltd., E Fund Management Co., Ltd., Haitong Securities, Zhonghai Fund Management Co., Ltd., Huatai-Pine Bridge Fund Management Co., Ltd., First State Cinda Fund Management Co. Ltd., Harfor Fund Management Co., Ltd., China Southern Fund, Ping An Asset Management Co., Ltd., GF Securities Co., Ltd., Dacheng Fund, Harvest Fund Management Co., Ltd.	
4 May 2011	Meeting Room of the Company	Field research	Institution	Morgan Stanley Securities (Taiwan) Limited	
11 May 2011	Meeting Room of the Company	Field research	Institution	Nissay Asset Management Corporatio, Shenyin Wanguo Securities (H.K.) Limited	
13 May	Meeting	Field	Institution	Fubon Asset Management Co.,	

2011	Room of the Company	research		Ltd.
18 May 2011	By phone	By phone	Institution	The Black Stone Group
19 May 2011	By phone	By phone	Institution	JP.Morgan
20 May 2011	Meeting Room of the Company	Field research	Institution	BOC International Research Co., Ltd., BOC International (China) Limited, Genesis Capital Co., Ltd. Keywise Capital Management (Beijing) Ltd., Haoyuan Industrial Co., Ltd.
24 May 2011	Meeting Room of the Company	Field research	Institution	Guoshi Investment, Guosen Securities
25 May 2011	Meeting Room of the Company	Field research	Institution	GF Securities
31 May 2011	By phone	By phone	Institution	Huatai Securities
2 Jun. 2011	By phone	By phone	Institution	Huatai Securities
7 Jun. 2011	By phone	By phone	Institution	Yunjin Fund Co., Ltd.
8 Jun. 2011	Meeting Room of the Company	Field research	Institution	Fubon Asset Management Co., Ltd.
17 Jun. 2011	Meeting Room of the Company	Field research	Institution	HuaChuang Securities Co., Ltd.
1 Jul. 2011	Meeting Room of the Company	Field research	Institution	Daiwa Securities SMBC – Cathay Co., Ltd. (Taiwan), Daiwa Securities, Daiwa Securities SMBC Co., Ltd. (Beijing), Black stone Japan
5 Jul. 2011	Meeting Room of the Company	Field research	Institution	Qilu Securities Co., Ltd., Huatai Securities Co., Ltd., Huatai Asset Management Co., Ltd.

	Company			
14 Jul. 2011	Meeting Room of the Company	Field research	Institution	Guodu Securities Co., Ltd., Cinda Securities Co., Ltd., Hongyuan Securities Co., Ltd., CITIC Securities Co., Ltd., Bohai Securities Co., Ltd., Industrial Securities Co., Ltd., China Securities Co., Ltd., Guotai Junan Securities Co., Ltd., CICC, Founder Securities Co., Ltd., Chang Xin Asset Management Co., Ltd., China Post Securities Co., Ltd., Huachuang Securities Co., Ltd., China Galaxy Securities Co., Ltd., Shenyin & Wanguo Securities Co., Ltd.
7 Sept. 2011	Meeting Room of the Company	Field research	Institution	Aisa century
13 Sept. 2011	Meeting Room of the Company	Field research	Institution	TX Investment Consulting Co., Ltd.
11 Nov. 2011	Meeting Room of the Company	Field research	Institution	Sichuan Trust Co., Ltd.
16 Nov. 2011	Meeting Room of the Company	Field research	Institution	Kenrich Partners PTE LTD
27 Nov. 2011	By phone	By phone	Institution	Huatai Securities
25 Nov. 2011	By phone	By phone	Institution	Barclays Capital
7 Dec. 2011	By phone	By phone	Institution	Barclays Capital
19 Dec. 2011	Meeting Room of the Company	Field research	Institution	Taikang Asset Management Co.,Ltd.

IX. Events after balance sheet date

For relevant contents, please refer to events after balance sheet date of notes to financial statements.

Chapter X Financial Report

- I. Financial Statements (see schedules)
- II. Notes to financial statements (see attachments)

Chapter XI Documents Available for Reference

- I. Financial statements with seals and signatures of legal representative, CFO and principal of Financial Department.
- II. Original of the Audit Report with seal of the accounting firm and signatures and seals of CPAs.
- III. All documents and originals of the Company's public notices disclosed on the newspapers designated by China Securities Regulatory Commission in the reporting period.

Chairman of the Board: Mr. Wang Dongsheng (signature)

Board of Directors
BOE Technology Group Co., Ltd.
25th Apr 2012

BOE Technology Group Company Limited

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2011 TO 31 DECEMBER 2011
IF THERE IS ANY CONFLICT OF MEANING BETWEEN THE CHINESE
VERSION AND ENGLISH TRANSLATION,
THE CHINESE VERSION WILL PREVAIL

AUDITORS' REPORT

KPMG-A(2012)AR No.0756

All Shareholders of BOE Technology Group Company Limited:

We have audited the accompanying financial statements of BOE Technology Group Company Limited ("the Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2011, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

AUDITORS' REPORT (CONTINUED)

KPMG-A(2012)AR No.0756

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Zhang Huan

China Beijing

Huang Jinwei

25 April 2012

BOE Technology Group Company Limited
Consolidated balance sheet as at 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Assets			
Current assets			
Cash at bank and on hand	V .1	20,325,469,116	23,997,831,673
Financial assets held for trading	V .2	-	67,794,013
Bills receivable	V .3	340,293,997	378,937,778
Accounts receivable	V .4	2,560,795,545	1,263,204,267
Prepayments	V .5	64,799,585	40,275,676
Interest receivable	V .6	105,243,519	57,851,997
Other receivables	V .7	1,735,824,884	333,128,771
Inventories	V .8	2,116,218,705	1,300,479,825
Other current assets	V .9	696,796,503	352,781,119
Total current assets		27,945,441,854	27,792,285,119
Non-current assets			
Available-for-sale financial assets	V .10	74,718,931	173,899,899
Held-to-maturity investments	V .11	-	-
Long-term equity investments	V .12	958,879,205	63,164,307
Investment properties	V .13	1,340,984,989	1,407,773,542
Fixed assets	V .14	28,388,863,004	15,287,867,884
Construction in progress	V .15	8,412,921,608	8,098,446,109
Intangible assets	V .16	1,454,669,394	1,112,496,157
Goodwill	V .17	51,502,898	55,926,774
Long-term deferred expenses	V .18	22,860,526	13,270,680
Deferred tax assets	V .19	47,892,088	51,053,166
Other non-current assets	V .20	70,681,149	173,769,132
Total non-current assets		40,823,973,792	26,437,667,650
Total assets		68,769,415,646	54,229,952,769

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated balance sheet as at 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	V .23	6,487,193,510	4,964,412,066
Bills payable	V .24	27,918,268	37,148,093
Accounts payable	V .25	3,630,464,475	2,267,112,387
Advances from customers	V .26	186,069,735	82,635,808
Employee benefits payable	V .27	368,442,775	256,486,006
Taxes payable	V .28	47,338,545	15,603,988
Interest payable	V .29	110,964,115	55,863,170
Dividends payable	V .30	6,451,170	6,453,111
Other payables	V .31	4,285,822,157	3,091,332,938
Non-current liabilities due within one year	V .32	1,716,776,716	260,068,100
Other current liabilities	V .33	88,652,956	23,407,481
Total current liabilities		16,956,094,422	11,060,523,148
Non-current liabilities			
Long-term loans	V .34	14,700,018,374	7,504,827,507
Provisions	V .35	30,080,844	37,049,896
Deferred tax liabilities	V .19	414,561,354	294,904,213
Other non-current liabilities	V .36	1,623,176,746	1,072,839,752
Total non-current liabilities		16,767,837,318	8,909,621,368
Total liabilities		33,723,931,740	19,970,144,516

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated balance sheet as at 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V .37	13,521,542,341	11,267,951,951
Capital reserve	V .38	15,302,948,946	17,484,354,151
Surplus reserve	V .39	499,092,613	499,092,613
Accumulated losses		(3,734,305,993)	(4,295,172,470)
Translation differences of financial statements denominated in foreign currency		(3,385,643)	(1,213,199)
Total equity attributable to shareholders of the Company		25,585,892,264	24,955,013,046
Minority interests	IV5	9,459,591,642	9,304,795,207
Total equity		35,045,483,906	34,259,808,253
Total liabilities and shareholders' equity		68,769,415,646	54,229,952,769

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board <i>(Signature and stamp)</i>	Chen Yanshun President <i>(Signature and stamp)</i>	SunYun Chief Financial Officer <i>(Signature and stamp)</i>	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Balance sheet as at 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Assets			
Current assets			
Cash at bank and on hand	XI.1	3,043,542,028	11,570,776,269
Bills receivable	XI.2	3,863,762	1,309,602
Accounts receivable	XI.3	55,112,379	51,608,542
Prepayments	XI.4	2,982,710	7,261,899
Interest receivable	XI.5	9,141,082	13,899,504
Dividends receivable	XI.6	8,204,147	8,204,147
Other receivables	XI.7	389,156,441	521,691,925
Inventories	XI.8	1,306,051	1,566,813
Other current assets	XI.9	28,797,744	22,389,271
Total current assets		3,542,106,344	12,198,707,972
Non-current assets			
Available-for-sale financial assets	V.10	74,718,931	173,899,899
Held-to-maturity investments	V.11	-	-
Long-term equity investments	XI.10	27,656,535,260	16,842,762,737
Investment properties	XI.11	172,908,765	187,567,077
Fixed assets	XI.12	393,096,085	377,003,935
Construction in progress	XI.13	26,832,993	15,050,501
Intangible assets	XI.14	99,478,210	58,347,672
Long-term deferred expenses		3,586,980	4,601,663
Other non-current assets	XI.16	4,457,280	58,112,218
Total non-current assets		28,431,614,504	17,717,345,702
Total assets		31,973,720,848	29,916,053,674

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Balance sheet as at 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	XI.19	34,663,422	74,889,216
Accounts payable	XI.20	13,236,221	5,061,943
Advances from customers	XI.21	287,038,716	614,107,270
Employee benefits payable	XI.22	61,693,468	31,770,662
Taxes payable	XI.23	21,739,121	2,223,606
Interest payable	XI.24	1,088,911	1,324,503
Dividends payable	XI.25	6,451,170	6,453,111
Other payables	XI.26	2,893,384,484	387,298,564
Non-current liabilities due within one year	XI.27	100,000,000	200,000,000
Total current liabilities		3,419,295,513	1,323,128,875
Non-current liabilities			
Long-term loans	XI.28	100,000,000	-
Other non-current liabilities	XI.29	60,063,972	64,414,064
Total non-current liabilities		160,063,972	64,414,064
Total liabilities		3,579,359,485	1,387,542,939

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Balance sheet as at 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	V .37	13,521,542,341	11,267,951,951
Capital reserve	XI.30	15,094,593,545	17,297,265,248
Surplus reserve	V .39	499,092,613	499,092,613
Accumulated losses		(720,867,136)	(535,799,077)
Total shareholders' equity		28,394,361,363	28,528,510,735
Total liabilities and shareholders' equity		31,973,720,848	29,916,053,674

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board <i>(Signature and stamp)</i>	Chen Yanshun President <i>(Signature and stamp)</i>	SunYun Chief Financial Officer <i>(Signature and stamp)</i>	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated income statement for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Operating income	V .40	12,741,413,562	8,025,290,848
Less: Operating costs	V .41	13,441,228,862	8,288,153,030
Business taxes and surcharges	V .42	29,565,342	20,192,402
Selling and distribution expenses	V .43	439,290,894	201,473,551
General and administrative expenses	V .44	1,800,963,588	1,458,739,829
Financial expenses/(income)	V .45	29,682,149	(13,163,261)
Impairment loss	V .46	1,380,457,807	454,631,810
Add: (Losses)/Gains from changes in fair value	V .47	(67,794,013)	67,794,013
Investment income/ (losses)	V .48	4,604,475,126	(3,317,014)
(Including: Losses from investment in associates and jointly controlled enterprise)		(5,205,134)	(6,676,583)
Operating profit/(losses)		156,906,033	(2,320,259,514)
Add: Non-operating income	V .49	698,222,373	93,168,069
Less: Non-operating expenses	V .50	9,041,110	14,268,778
(Including: Losses from disposal of non-current assets)		2,070,499	11,876,443
Profit/(Losses) before income tax		846,087,296	(2,241,360,223)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated income statement
for the year ended 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Profit/(Losses) before income tax		846,087,296	(2,241,360,223)
Less: Income tax expense	V .51	152,409,979	26,672,583
Net profit/(losses) for the year		<u>693,677,317</u>	<u>(2,268,032,806)</u>
Attributable to:			
Shareholders of the Company		560,866,477	(2,003,813,083)
Minority shareholders	IV.5	132,810,840	(264,219,723)
Earnings/(Losses) per share			
Basic and Diluted earnings /(losses) per share	V .52	<u>0.041</u>	<u>(0.242)</u>
Other comprehensive income for the year	V .53	<u>48,746,243</u>	<u>(9,050,182)</u>
Total comprehensive income for the year		<u>742,423,560</u>	<u>(2,277,082,988)</u>
Attributable to:			
Shareholders of the Company		609,612,720	(2,012,863,265)
Minority interests		132,810,840	(264,219,723)

These financial statements have been approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board <i>(Signature and stamp)</i>	Chen Yanshun President <i>(Signature and stamp)</i>	SunYun Chief Financial Officer <i>(Signature and stamp)</i>	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Income statement for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Operating income	XI.31	653,951,956	914,309,019
Less: Operating costs	XI.32	271,617,257	623,328,065
Business taxes and surcharges	XI.33	6,643,144	8,058,864
Selling and distribution expenses		665,476	1,364,089
General and administrative expenses		342,430,152	209,586,591
Financial income	XI.34	(86,338,622)	(59,792,480)
Impairment loss	XI.35	316,065,988	2,175,698
Add: Investment losses	XI.36	(677,055)	(3,885,436)
(Including: Losses from investment in associates)		(5,085,859)	(6,512,113)
Operating (losses)/profit		(197,808,494)	125,702,756
Add: Non-operating income	XI.37	32,093,146	39,488,593
Less: Non-operating expenses	XI.38	248,628	3,313,048
(Including: Losses from disposal of non-current assets)		168,532	2,311,048
(Losses)/ profit before income tax		(165,963,976)	161,878,301
Less: Income tax expenses	XI.39	19,104,083	14,159,922
Net losses/ (profit) for the year		(185,068,059)	147,718,379
Other comprehensive income for the year	XI.40	50,918,687	(10,009,650)
Total comprehensive income for the year		(134,149,372)	137,708,729

These financial statements have been approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board (Signature and stamp)	Chen Yanshun President (Signature and stamp)	SunYun Chief Financial Officer (Signature and stamp)	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated cash flow statement for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		12,713,419,705	8,616,725,918
Refund of taxes		300,425,721	362,980,544
Cash received relating to other operating activities		386,939,800	61,251,753
Sub-total of cash inflows		13,400,785,226	9,040,958,215
Cash paid for goods and services		(12,095,225,391)	(8,707,122,680)
Cash paid to and for employees		(1,674,409,131)	(1,120,769,823)
Cash paid for all types of taxes		(126,948,726)	(124,747,292)
Cash paid relating to other operating activities		(282,732,705)	(141,633,714)
Sub-total of cash outflows		(14,179,315,953)	(10,094,273,509)
Net cash outflow from operating activities	V .54(1)	(778,530,727)	(1,053,315,294)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated cash flow statement
for the year ended 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from investing activities:			
Cash received from return on investments		4,408,804	3,999,569
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		45,643,801	82,453,186
Net cash received from disposal of subsidiaries		1,916,282,219	-
Cash received from government grants related to assets		648,139,050	862,438,527
Cash received relating to other investing activities		356,301,677	209,793,547
Sub-total of cash inflows		2,970,775,551	1,158,684,829
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(18,331,564,138)	(14,114,102,183)
Cash paid for acquisition of investments		(350,000)	(6,250,000)
Cash paid for acquisition of subsidiaries	V .54(2)	(13,650,072)	(147,250,691)
Cash paid relating to other investing activities		-	(27,695,991)
Sub-total of cash outflows		(18,345,564,210)	(14,295,298,865)
Net cash outflow from investing activities		(15,374,788,659)	(13,136,614,036)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated cash flow statement
for the year ended 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from financing activities:			
Cash received from investors		4,000,000	14,665,779,297
Including: Cash received from minority shareholders of subsidiaries		4,000,000	5,667,199,300
Cash received from borrowings		25,603,633,022	13,229,283,415
Cash received relating to other financing activities		165,289,853	-
Sub-total of cash inflows		<u>25,772,922,875</u>	<u>27,895,062,712</u>
Cash repayments of borrowings		(15,026,115,531)	(6,181,125,174)
Cash paid for dividends, profit distributions or interest		(456,194,863)	(176,136,932)
Other monetary funds pledged for short-term loans		(309,790,152)	(3,441,109,758)
Cash paid relating to other financing activities		<u>(2,087,140)</u>	<u>(46,656,946)</u>
Sub-total of cash outflows		<u>(15,794,187,659)</u>	<u>(9,845,028,810)</u>
Net cash inflow from financing activities		<u>9,978,735,216</u>	<u>18,050,033,902</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>36,169,202</u>	<u>7,353,562</u>
Net decrease in cash and cash equivalents	V .54(1)	(6,138,414,968)	3,867,458,134
Add: Cash and cash equivalents at the beginning of the year		<u>19,097,948,638</u>	<u>15,230,490,504</u>
Cash and cash equivalents at the end of the year		<u>12,959,533,670</u>	<u>19,097,948,638</u>

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board <i>(Signature and stamp)</i>	Chen Yanshun President <i>(Signature and stamp)</i>	SunYun Chief Financial Officer <i>(Signature and stamp)</i>	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Cash flow statement for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		214,339,560	1,160,242,846
Refund of taxes		141,215	326,905
Cash received relating to other operating activities		689,535,523	130,753,737
Sub-total of cash inflows		904,016,298	1,291,323,488
		-----	-----
Cash paid for goods and services		(215,696,051)	(429,951,368)
Cash paid to and for employees		(167,416,195)	(110,426,436)
Cash paid for all types of taxes		(13,590,274)	(51,697,737)
Cash paid relating to other operation activities		(130,414,647)	(96,035,410)
Sub-total of cash outflows		(527,117,167)	(688,110,951)
		-----	-----
Net cash inflow from operating activities	XI.41(1)	376,899,131	603,212,537
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Cash flow statement for the year ended 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from investing activities:			
Net cash received from disposal of subsidiaries		-	37,169,701
Cash received from return on investments		4,408,804	3,969,418
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,203,806	22,814,984
Cash received relating to other investing activities		388,760,963	72,476,024
Sub-total of cash inflows		394,373,573	136,430,127
		-----	-----
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(189,711,692)	(174,325,659)
Cash paid for acquisition of investments		(8,984,679,985)	(173,945,991)
Cash paid for acquisition of subsidiaries		(2,000,000,000)	(200,000,000)
Cash paid relating to other investing activities		(115,000,000)	(315,000,000)
Sub-total of cash outflows		(11,289,391,677)	(863,271,650)
		-----	-----
Net cash outflow from investing activities		(10,895,018,104)	(726,841,523)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Cash flow statement for the year ended 31 December 2011 (continued)
(Expressed in Renminbi yuan)

	Note	2011	2010
Cash flows from financing activities			
Cash received from investors		-	8,998,579,997
Cash received from borrowings		34,663,422	74,889,216
Cash received relating to other financing activities		2,082,800,000	-
Sub-total of cash inflows		2,117,463,422	9,073,469,213
Cash repayments of borrowings		(74,889,216)	(125,000,000)
Cash paid for interest		(2,279,470)	(17,801)
Cash paid relating to other financing activities		(49,118,924)	(136,022,054)
Sub-total of cash outflows		(126,287,610)	(261,039,855)
Net cash inflow from financing activities		1,991,175,812	8,812,429,358
Effect of foreign exchange rate changes on cash and cash equivalents		14,425	11,625
Net (decrease)/ increase in cash and cash equivalents	XI.41(1)	(8,526,928,736)	8,688,811,997
Add: Cash and cash equivalents at the beginning of the year		11,478,796,269	2,789,984,272
Cash and cash equivalents at the end of the year		2,951,867,533	11,478,796,269

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng Chairman of the Board (Signature and stamp)	Chen Yanshun President (Signature and stamp)	SunYun Chief Financial Officer (Signature and stamp)	(Company stamp)
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The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated statement of changes in equity for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	Attributable to shareholders of the Company						Minority interests	Total
		Share capital	Capital reserve	Surplus reserve	Retained earnings	Translation differences of financial statements denominated in foreign currency	Subtotal		
Balance at 1 January 2011		11,267,951,951	17,484,354,151	499,092,613	(4,295,172,470)	(1,213,199)	24,955,013,046	9,304,795,207	34,259,808,253
Changes in equity for the year									
1. Net profit for the year		-	-	-	560,866,477	-	560,866,477	132,810,840	693,677,317
2. Other comprehensive income for the year	V.53	-	50,918,687	-	-	(2,172,444)	48,746,243	-	48,746,243
Sub-total of 1&2		-	50,918,687	-	560,866,477	(2,172,444)	609,612,720	132,810,840	742,423,560
3. Effect of change in scope of consolidation	V.55	-	-	-	-	-	-	39,252,093	39,252,093
4. Shareholders' contributions of capital		-	21,266,498	-	-	-	21,266,498	(17,266,498)	4,000,000
(1) Capital input by minority shareholders	IV.1(1)	-	-	-	-	-	-	4,000,000	4,000,000
(2) Minority interests purchased from subsidiaries	V.38	-	21,266,498	-	-	-	21,266,498	(21,266,498)	-
5. Transfers within equity									
Share capital increased by capital reserve transfer	V. 37, 38	2,253,590,390	(2,253,590,390)	-	-	-	-	-	-
Balance at 31 December 2011		13,521,542,341	15,302,948,946	499,092,613	(3,734,305,993)	(3,385,643)	25,585,892,264	9,459,591,642	35,045,483,906

These financial statements were approved by the Board of Directors of the Company on 25 April 2012

Wang Dongsheng
Chairman of the Board
(Signature and stamp)

Chen Yanshun
President
(Signature and stamp)

SunYun
Chief Financial Officer
(Signature and stamp)

(Company stamp)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Consolidated statement of changes in equity for the year ended 31 December 2010
(Expressed in Renminbi yuan)

	Attributable to shareholders of the Company						Minority interests	Total
	Share capital	Capital reserve	Surplus reserve	Retained earnings	Translation differences of financial statements denominated in foreign currency	Subtotal		
Balance at 31 December 2009	8,282,902,447	11,541,232,692	499,092,613	(2,298,250,413)	(2,172,667)	18,022,804,672	3,913,347,282	21,936,151,954
Add: retrospective adjustments of the excess of loss attributable to the minority shareholders	-	-	-	6,891,026	-	6,891,026	(6,891,026)	-
Balance at 1 January 2010	8,282,902,447	11,541,232,692	499,092,613	(2,291,359,387)	(2,172,667)	18,029,695,698	3,906,456,256	21,936,151,954
Changes in equity for the year								
1. Net losses for the year	-	-	-	(2,003,813,083)	-	(2,003,813,083)	(264,219,723)	(2,268,032,806)
2. Other comprehensive income for the year	-	(10,009,650)	-	-	959,468	(9,050,182)	-	(9,050,182)
Sub-total of 1&2	-	(10,009,650)	-	(2,003,813,083)	959,468	(2,012,863,265)	(264,219,723)	(2,277,082,988)
3. Effect of change in scope of consolidation	-	-	-	-	-	-	17,588,852	17,588,852
4. Shareholders' contributions of capital	2,985,049,504	5,953,131,109	-	-	-	8,938,180,613	5,644,969,822	14,583,150,435
(1) Non-public issuance of shares	2,985,049,504	5,958,597,622	-	-	-	8,943,647,126	-	8,943,647,126
(2) Capital input by minority shareholders	-	-	-	-	-	-	5,667,199,300	5,667,199,300
(3) Minority interests purchased from subsidiaries	-	(5,466,513)	-	-	-	(5,466,513)	(22,229,478)	(27,695,991)
Balance at 31 December 2010	11,267,951,951	17,484,354,151	499,092,613	(4,295,172,470)	(1,213,199)	24,955,013,046	9,304,795,207	34,259,808,253

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng
Chairman of the Board
(Signature and stamp)

Chen Yanshun
President
(Signature and stamp)

SunYun
Chief Financial Officer
(Signature and stamp)

(Company stamp)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Statement of changes in equity for the year ended 31 December 2011
(Expressed in Renminbi yuan)

	Note	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
Balance at 1 January 2011		11,267,951,951	17,297,265,248	499,092,613	(535,799,077)	28,528,510,735
Changes in equity for the year						
1. Net losses for the year		-	-	-	(185,068,059)	(185,068,059)
2. Other comprehensive income for the year	XI.40	-	50,918,687	-	-	50,918,687
Subtotal of 1&2		-	50,918,687	-	(185,068,059)	(134,149,372)
3. Transfers within equity						
Share capital increased by surplus reserve transfer	V. 37, 38	2,253,590,390	(2,253,590,390)	-	-	-
Balance at 31 December 2011		13,521,542,341	15,094,593,545	499,092,613	(720,867,136)	28,394,361,363

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng
Chairman of the Board
(Signature and stamp)

Chen Yanshun
President
(Signature and stamp)

SunYun
Chief Financial Officer
(Signature and stamp)

(Company stamp)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Statement of changes in equity for the year ended 31 December 2010
(Expressed in Renminbi yuan)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
Balance at 1 January 2010	8,282,902,447	11,348,677,276	499,092,613	(683,517,456)	19,447,154,880
Changes in equity for the year					
1. Net profit for the year	-	-	-	147,718,379	147,718,379
2. Other comprehensive income for the year	-	(10,009,650)	-	-	(10,009,650)
Subtotal of 1&2	-	(10,009,650)	-	147,718,379	137,708,729
3. Shareholders' contributions of capital	2,985,049,504	5,958,597,622	-	-	8,943,647,126
Balance at 31 December 2010	11,267,951,951	17,297,265,248	499,092,613	(535,799,077)	28,528,510,735

These financial statements were approved by the Board of Directors of the Company on 25 April 2012.

Wang Dongsheng
Chairman of the Board
(Signature and stamp)

Chen Yanshun
President
(Signature and stamp)

SunYun
Chief Financial Officer
(Signature and stamp)

(Company stamp)

The notes on pages 20 to 169 form part of these financial statements.

BOE Technology Group Company Limited
Notes to the financial statements
(Expressed in Renminbi yuan unless otherwise indicated)

I . Company status

BOE Technology Group Company Limited (the “Company”) is a company limited by shares established on 9 April 1993 at Beijing, with its head office located in Beijing. The parent of the Company is Beijing Electronic Tube Factory (after “debt-equity swap” restructuring converted to “Beijing Orient Investment and Development Company Limited” (“BOID”)). The Company’s ultimate holding company is Beijing Electronics Holdings Co., Ltd. (“Electronics Holdings”).

The Company was established with the approval of the Office of Economic Restructuring of Beijing Municipality JTGBZ [1992] No. 22, founded by the former Beijing Electronic Tube Factory as the main promoter by way of directional stock flotation. The former Beijing Electronic Tube Factory transferred its related assets and liabilities to the Company. Such assets and liabilities had been valued by the State-owned Assets Supervision and Administration Commission. The Company used the revaluation amount as the initial value for Company’s accounting records.

As approved by the State Council Securities Commission through document ZWF [1997] No. 32, the Company issued 115,000,000 B shares on 19 May 1997 at the Shenzhen Stock Exchange, with a face value of RMB 1.00 each, getting listed on 10 June 1997 at the Shenzhen Stock Exchange. As approved by the China Securities Regulatory Commission (“CSRC”) through document ZJGSZ [2000] No. 197, the Company issued 60,000,000 ordinary shares denominated in Renminbi on 23 November 2000 at Shenzhen Stock Exchange, with a face value of RMB 1.00 each, getting listed on 12 January 2001 at the Shenzhen Stock Exchange.

As approved by the CSRC through document ZJFXZ [2004] No. 2, “The Notice on approving BOE Technology Group Company Limited’s further share offering”, the Company additionally issued 316,400,000 B shares on 16 Jan 2004, with a face value of RMB 1.00 each and issuing value of HKD 6.32, which raised capital amounting to HKD 1,999,648,000. After accounting for all the relevant issuance fees, the B shares further offering raised capital of HKD 1,922,072,431 (RMB 2,048,160,383), with total share capital increasing to RMB 975,864,800.

Pursuant to the resolution approved by the 2003 Annual General Meeting held on 28 May 2004, the Company implemented its plan of transferring capital reserve into share capital at the rate of “5 shares for every 10 shares” to all shareholders in June 2004. Upon the completion of the transfer, the Company’s total share capital increased to RMB 1,463,797,200.

Pursuant to the resolution passed by the 2005 1st Extraordinary General Meeting held on 5 July 2005, based on the total share capital of 1,463,797,200 shares as at 31 December 2004, the Company transferred capital reserve into share capital at the rate of “5 shares for every 10 share” to all shareholders on 19 July 2005. Upon completion of the transfer, the Company’s total share capital increased to RMB 2,195,695,800.

I . Company status (continued)

In accordance with “The Approval Notice on BOE’s State-owned Share Reform Plan” issued by Stated-owned Assets Supervision and Administration Commission of Beijing Municipality (JGZCQZ [2005] No. 119), the Company implemented its state-owned share reform plan agreed by the shareholders on 24 November 2005. According to the plan, those registered tradable RMB-denominated ordinary share shareholders on 29 November 2005 would receive 4.2 shares for every 10 listed shares. This had contributed to the change in percentage of tradable and non-tradable shares of the Company.

Pursuant to the 21st session of the 4th directors meeting and the first Extraordinary General Meeting held on 18 April 2006 and 19 May 2006 respectively, and the approval from the CSRC through document ZJFXZ [2006] No. 36, the Company issued 675,872,095 non-public targeted ordinary shares (A shares) with face value of RMB 1.00. On 9 October 2006, the Company completed shares registration and escrow in China Securities Depository and Clearing Corporation Limited Shenzhen branch. Upon completion of the issuance, the Company’s total share capital increased to RMB 2,871,567,895.

Pursuant to the 3rd session of the 5th directors meeting and the 2007 4th Extraordinary General Meeting held on 29 August 2007 and 26 September 2007 respectively, and the approval from the CSRC through document ZJFXZ [2008] No. 587, the Company issued 411,334,552 non-public targeted RMB-denominated ordinary share with a face value of RMB 1.00. On 16 July 2008, the Company completed shares registration and escrow in China Securities Depository and Clearing Corporation Limited Shenzhen branch. Upon completion of the issuance, the Company’s total share capital increased to RMB 3,282,902,447.

Pursuant to the 17th session of the 5th directors meeting and the 2008 2nd Extraordinary General Meeting held on 7 November 2008 and 25 November 2008 respectively, and the approval from the CSRC through document ZJFXZ [2009] No. 369, the Company issued 5,000,000,000 non-public targeted RMB-denominated ordinary share with a face value of RMB 1.00. On 4 June 2009, the Company completed shares registration and escrow in China Securities Depository and Clearing Corporation Limited Shenzhen branch. Upon completion of the issuance, the Company’s total share capital increased to RMB 8,282,902,447. The Company revised its Articles of Association on June 2009, and obtained the renewed the business license as legal person with No. 110000005012597 on 7 August 2009.

Pursuant to the 2nd session of the 6th directors meeting and 2nd Extraordinary General Meeting held on 25 June 2010 and 21 July 2010 respectively, and the approval from the CSRC through document ZJFXZ [2010] No. 1324, the Company issued 2,985,049,504 non-public targeted RMB-denominated ordinary share with a face value of RMB 1.00. On 7 December 2010, the Company completed shares registration and escrow in China Securities Depository and Clearing Corporation Limited Shenzhen branch. Upon completion of the issuance, the Company’s total share capital increased to RMB 11,267,951,951.

I . Company status (continued)

Pursuant to the 8th session of the 6th Board of Directors meeting and the 2010 Annual General Meeting held on 22 April 2011 and 30 May 2011 respectively, the Company implemented its plan of transferring capital reserve into share capital at the rate of “2 shares for every 10 shares” to all shareholders in the basis of the 11,267,951,951 shares on 31 December 2010. Upon the completion of the transfer, the Company’s total share capital increased to RMB 13,521,542,341.

The Company and its subsidiaries (“the Group”) comprise four main business segments on a worldwide basis: TFT-LCD business for IT and TV products, TFT-LCD business for Mobile and Application products, Vision Electron and Display System Business and other business. Other business includes Precision Electronic Components and Materials Business, Photovoltaic Business and property management & the lease of real estate, etc.

II. Significant accounting policies, accounting estimates

1. Basis of preparation

The financial statements have been prepared on the basis of going concern.

2. Statement of compliance

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises—Basic Standard” and 38 Specific Standards issued by the Ministry of Finance (MOF) of the People’s Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15 General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (CSRC) in 2010.

3. Accounting period

The accounting year of the Group is from 1 January to 31 December.

II. Significant accounting policies, accounting estimates (continued)

4. Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. The Company translates the financial statements of subsidiaries from their respective functional currencies into Renminbi (see Note II.8) if the subsidiaries' functional currencies are not Renminbi.

5. Accounting treatments for a business combination involving enterprises under and not under common control

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total par value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Any costs directly attributable to the combination are recognised in profit or loss for the current period when occurred. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

II. Significant accounting policies, accounting estimates (continued)

5. Accounting treatments for a business combination involving enterprises under and not under common control (continued)

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value at the acquisition date of the acquiree's identifiable net assets, the difference is recognised as goodwill. (See Note II. 18) Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The transaction costs of the issuance of equity or debt securities as a part of the consideration related to the acquirer are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

6. Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts are included in the consolidated balance sheet and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

II. Significant accounting policies, accounting estimates (continued)

6. Consolidated financial statements (continued)

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet. If the credit balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, minority interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefor incurred are recognised as investment income for the current period when control is lost.

Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the minority interests.

II. Significant accounting policies, accounting estimates (continued)

6. Consolidated financial statements (continued)

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealized profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China, the State Administration of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period or the weighted average exchange rate.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences, except for those arising from the principal and interest of specific foreign currency borrowings for the purpose of acquisition, construction of qualifying assets (see Note II.16), are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to Renminbi using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve.

II. Significant accounting policies, accounting estimates (continued)

8. Foreign currency transactions and translation of financial statements denominated in foreign currency (continued)

The assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. The equity items, excluding “Retained earnings”, are translated to Renminbi at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to Renminbi at rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in a separate component of shareholders’ equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders’ equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

9. Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than long-term equity investments (see Note II.12), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

II. Significant accounting policies, accounting estimates (continued)

9. Financial instruments (continued)

(1) Recognition and measurement of financial assets and financial liabilities (continued)

– Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method.

– Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in profit or loss, are recognised as other comprehensive income in capital reserve. When an investment is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss. (See Note II 22(3)).

II. Significant accounting policies, accounting estimates (continued)

9. Financial instruments (continued)

(1) Recognition and measurement of financial assets and financial liabilities (continued)

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingencies (see Note II.21).

Except for the liabilities arising from financial guarantee contracts described above, subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(2) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount presented in the balance sheet when both of the following conditions are satisfied:

- the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

II. Significant accounting policies, accounting estimates (continued)

9. Financial instruments (continued)

(3) Determination of fair value

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same discounted cash flow analysis, option pricing models etc. The Group calibrates its valuation technique and tests it for validity periodically.

(4) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged, cancelled or expired.

II. Significant accounting policies, accounting estimates (continued)

9. Financial instruments (continued)

(5) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised.

Objective evidence that a financial asset is impaired includes but is not limited to:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- (f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note II.10. The impairment of other financial assets are measured as follows:

– Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. An impairment loss in respect of a held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, after an impairment loss has been recognised on held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

II. Significant accounting policies, accounting estimates (continued)

9. Financial instruments (continued)

(5) Impairment of financial assets (continued)

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

(6) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

10. Impairment of receivables

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting present economic conditions.

II. Significant accounting policies, accounting estimates (continued)

10. Financial instruments (continued)

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been determined had no impairment loss been recognised in prior years.

11. Inventories

(1) Classification

Inventories include raw materials, work in progress, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

(2) Cost of inventories transferred out

Cost of inventories transferred out is calculated using the weighted average method.

(3) Basis for determining the net realisable value of inventories and provision methods for decline in value of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

At the balance sheet date, inventories are carried 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 to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities held by the Group are more than the quantities of inventories specified in sales contracts, the net realisable value of the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each category of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit and loss.

II. Significant accounting policies, accounting estimates (continued)

11. Inventories (continued)

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation methods for consumables including low-value consumables and packaging materials

Consumables including low-value consumables and packaging materials are amortised in full when received for use. The amounts of the amortisations are included in the cost of the related assets or recognised in profit or loss for the current period.

12. Long-term equity investments

(1) Investment cost

(a) Long-term equity investments acquired through a business combination

- The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date

(b) Long-term equity investments acquired otherwise than through a business combination

- A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by shareholders.

II. Significant accounting policies, accounting estimates (continued)

12. Long-term equity investments (continued)

(2) Subsequent measurement

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. At period end, the investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II.6.

(b) Investment in jointly controlled enterprises and associates

A jointly controlled enterprise is an enterprise which operates under joint control (see Note II.12 (3)) in accordance with a contractual agreement between the Group and other parties.

An associate is an enterprise over which the Group has significant influence (see Note II.12 (3)).

An investment in a jointly controlled enterprise or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note II.27).

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

II. Significant accounting policies, accounting estimates (continued)

12. Long-term equity investments (continued)

(2) Subsequent measurement (continued)

(b) Investment in jointly controlled enterprises and associates (continued)

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss after deducting the amortisation of the debit balance of the equity investment difference, which was recognised by the Group before the first-time adoption of CAS, as investment income or losses, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated to the extent of the Group's interest in the associates or jointly controlled enterprises. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled enterprise is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.
- The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, and recognises the corresponding adjustment in shareholders' equity.

II. Significant accounting policies, accounting estimates (continued)

12. Long-term equity investments (continued)

(2) Subsequent measurement (continued)

(c) Other long-term equity investments

Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured.

Other long-term equity investments are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

(3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The following evidences are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single investor is in a position to control the investee's operating activities unilaterally;
- Whether strategic decisions relating to the investee's main operating activities require the unanimous consent of each investor;
- If one investor is appointed, through contract or agreement by all investors, to manage the investee's ordinary activities, whether this investor must act within the financial and operating policies that have been agreed upon by all investors.

II. Significant accounting policies, accounting estimates (continued)

12. Long-term equity investments (continued)

- (3) Basis for determining the existence of joint control or significant influence over an investee (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies. The following one or more pieces of evidences are considered usually when assessing whether the Group can exercise significant influence over an investee:

- Whether the Group has representation on the board of directors or equivalent governing body of the investee;
- Whether the Group participates in the policy-making processes of the investee;
- Whether the Group has material transactions with the investee;
- Whether the Group dispatches management personnel to the investee;
- Whether the Group provides essential technical information to the investee.

- (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for investments in subsidiaries, jointly controlled enterprises and associates, refer to Note II.20.

For other long-term equity investments, the carrying amount is tested for impairment at the balance sheet date. If there is objective evidence that the investment may be impaired, the impairment is assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss. Such impairment loss is not reversed. The other long-term equity investments are stated at cost less accumulated impairment losses in the balance sheet.

II. Significant accounting policies, accounting estimates (continued)

13. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. An investment property is depreciated or amortised using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale (see Note II.27). For the method of impairment testing and measuring, refer to Note II.20.

The estimated useful lives, residual value rates and depreciation rates of each class of investment property are as follows:

	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Buildings	25 -35 years	3%-10%	2.6%-3.9%
Land use rights	32 -50 years	0%	2%-3.1%

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods or supply of services for rental to others or for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.15.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the criteria to recognise fixed assets are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

II. Significant accounting policies, accounting estimates (continued)

14. Fixed assets (continued)

(2) Depreciation of fixed assets

Fixed assets are depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale (see note II.27).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Classes	Estimated useful life (years)	Residual value rate (%)	Depreciation rate (%)
Plant and buildings	20-40 years	3%-10%	2.3%-4.9%
Machinery and equipment	3-15 years	0-10%	6%-33.3%
Others	2-10 years	0-10%	9%-50%

Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) For the method of impairment testing and measuring, refer to Note II.20.

(4) Recognition and measurement of fixed assets acquired under finance leases

For the recognition and measurement of fixed assets acquired under finance leases, refer to the accounting policy set out in Note II 26. (3).

(5) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

15. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

II. Significant accounting policies, accounting estimates (continued)

15. Construction in progress (continued)

A self-constructed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II.20).

16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

II. Significant accounting policies, accounting estimates (continued)

16. Borrowing costs (continued)

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally and the interruption lasts for more than three months.

17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note II.20). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see note II.27).

The respective amortisation periods for such intangible assets are as follows:

<u>Item</u>	<u>Amortisation periods (years)</u>
Land use rights	40-50 years
Technology rights	9-20 years
Computer software	3-10 years
Patent and others	5-10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit or loss when incurred. Expenditure on the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see note II.20). Other development expenditure is recognised as expense in the period in which it is incurred.

II. Significant accounting policies, accounting estimates (continued)

18. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination not involving enterprise under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see note II.20). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

19. Long-term deferred expenses

Long-term deferred expenses are amortised on a straight-line method within the benefit period. The respective amortisation periods of such expenses are as follows:

<u>Item</u>	<u>Amortisation period (years)</u>
Cost of operating lease assets improvement	3-10 years
Others	3-10 years

20. Impairment of assets other than inventories, financial assets and other long-term equity investments

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- investment properties measured using a cost model
- long-term equity investments in subsidiaries, associates and jointly controlled enterprises
- goodwill etc.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, that is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

II. Significant accounting policies, accounting estimates (continued)

20. Impairment of assets other than inventories, financial assets and other long-term investments (continued)

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the result of the recoverable amount calculation indicates that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

21. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

II. Significant accounting policies, accounting estimates (continued)

22. Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(1) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

- The significant risks and rewards of ownership of goods have been transferred to the buyer
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

(2) Rendering of services

Revenue from rendering of services is measured at the fair value of the considerations received or receivable under the contract or agreement.

At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the proportion of services performed to date to the total services to be performed.

Where the outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(4) Royalties from intangible assets

Royalty income from intangible assets is determined according to the period and method of charging as stipulated in the relevant contract or agreements.

II. Significant accounting policies, accounting estimates (continued)

23. Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in the cost of relevant assets or expenses in the current period.

(1) Social insurance and housing fund

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions, including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance etc., as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis. Except for the above contributions, the Group does not have any other obligations in this respect.

(2) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss when both of the following conditions are satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly.
- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

II. Significant accounting policies, accounting estimates (continued)

24. Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

25. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carrying forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

II. Significant accounting policies, accounting estimates (continued)

25. Deferred tax assets and liabilities (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

26. Operating and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see note II.13), are depreciated in accordance with the Group's depreciation policies described in Note II.14 (2). Impairment losses are recognised in accordance with the accounting policy described in Note II.20. Income derived from operating leases is recognised in the income statement using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

II. Significant accounting policies, accounting estimates (continued)

26. Operating and finance leases (continued)

(3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair values and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs that are attributable to a finance lease incurred by the Group are added to the amounts recognised for the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note II.14 (2) and II.20, respectively.

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charge under finance lease is amortised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs (see note II.16).

At the balance sheet date, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented as long-term payables or non-current liabilities due within one year, respectively in the balance sheet.

27. Assets held for sale

A non-current asset is accounted for as held for sale when the Group has made a decision and signed a non-cancellable agreement on the transfer of the asset with the transferee, and the transfer is expected to be completed within one year. Such non-current assets may include fixed assets, intangible assets, and investment properties subsequently measured using the cost model, long-term equity investment etc. but not include financial assets and deferred tax assets. Non-current assets held for sale are stated at the lower of carrying amount and net realisable value. Any excess of the carrying amount over the net realisable value is recognised as an impairment loss. At the balance sheet date, non-current assets held for sale continue to be presented under the same asset classification as before they were held for sale.

28. Profit distributions to shareholders

Dividends or profit distributions proposed in the profit appropriation plan which will be authorized and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

II. Significant accounting policies, accounting estimates (continued)

29. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control or over exercise significant influence over the Group;
- (e) enterprise or individuals if a party has control or joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors and close family members of such individuals
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent;
- (k) close family members of key management personnel of the Company's parent; and;
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Besides the related parties stated above, which are determined in accordance with the requirements of CAS, the following enterprises and individuals (but not restricted to) are considered as related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

- (m) enterprises, or persons that act in concert, which hold more than 5% of the Company's shares ;
- (n) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed companies and their close family members;
- (o) enterprises that satisfied any of the aforesaid conditions in (a), (c) or (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfied any of the aforesaid conditions in (i), (j) or (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

II. Significant accounting policies, accounting estimates (continued)

30. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system. An operating segment is recognised when all of the following conditions have been satisfied:

- the component engages in business activities from which it may earn revenues and incur expenses;
- whose financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;
- for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and are same or similar in respect of the following conditions:

- the nature of each product and service
- the nature of production processes
- the type or class of customers for the products and services
- the methods used to distribute the products or provide the services
- the nature of the regulatory environment

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

31. Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

Notes V.17 and X.2 contain information about the assumptions and their risk factors relating to impairment of goodwill and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

II. Significant accounting policies, accounting estimates (continued)

31. Significant accounting estimates and judgments (continued)

(1) Impairment of receivables

As described in Note II.10, receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

(2) Provision for diminution in value of inventories

As described in Note II.11, the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(3) Impairment of assets other than inventories, financial assets and other long-term equity investments

As described in Note II.20, other assets excluding inventories, financial assets and other long-term equity investments are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is recognised.

II. Significant accounting policies, accounting estimates (continued)

31. Significant accounting estimates and judgments (continued)

- (3) Impairment of assets other than inventories, financial assets and other long-term equity investments (continued)

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

- (4) Impairment of available-for-sale financial instruments

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group considers historical market volatility and share price data of the specific equity instrument as well as other factors, such as sector performance, and financial information regarding the investee.

- (5) Depreciation and amortisation of assets such as investment properties, fixed assets and intangible assets

As described in Notes II.13, 14, 17, assets such as investment properties, fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively

II. Significant accounting policies, accounting estimates (continued)

31. Significant accounting estimates and judgments (continued)

(6) Warranty provisions

As described in Note V.33, the Group makes provisions under the warranties it gives on sale of its products based mainly on the Group's recent claim experience. Because it is possible that the recent claim experience may not be indicative of future claims that the Group will receive in respect of past sales, a considerable level of management's judgement is required and exercised to estimate the provision. Any increase or decrease in the provision will affect profit or loss in future years.

(7) Pending implementation of the agreement

As described in Note V.35, in 2009, the Group ceased to produce several products and stopped fulfilling the purchase contract related to production. Due to the indemnity incurred accordingly, the Group accrued provisions according to reasonable estimation of loss. As the amount of provision has uncertainty, the profit and loss in the future years will be affected if the estimation of the provision changes.

III. Taxation

1. Main types of taxes and corresponding rates

Tax Name	Tax basis	Tax rate
VAT	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	13% or 17%
Business tax	Based on taxable revenue	5%
City maintenance and construction tax	Based on business tax paid and VAT payable	7%
Education surcharge	Based on business tax paid and VAT payable	2%, 3%
Corporate income tax	Based on taxable profits	0-25%

2. Corporate income tax

The income tax rate applicable to the Company for the year is 15% (2010: 15%).

According to the Corporate Income Tax Law of the People's Republic of China ("new tax law") treatment No.28, corporate income tax for key advanced and high-tech enterprises supported by the State shall be at a preferential tax rate of 15%.

According to State Council, Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of corporate Income Tax (Guofa (2007) No.39), certain enterprises previously taxed at a preferential rate are subject to a transition period during which their tax rate will gradually be increased to the unified rate of 25% over a five year period starting from 1 January 2008. The enterprises that previously enjoy "2-year exemption and 3-year 50% reduction", "5-year exemption and 5 year 50% reduction" of the enterprise income tax may, after the implementation of the new tax law, continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

III. Taxation (continued)

2. Corporate income tax (continued)

Pursuant to the Administration and Measures on the Recognition of High-tech Enterprises and the Guidelines for the Administration of the Recognition of High-tech Enterprises, the Company was recognised as a high-tech enterprise and obtained No. GR200811000615 High-tech Enterprise Certificate on 18 December 2008 after applied to and assessed by the experts of Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation. The Company is subject to corporate income tax rate of 15% since the date of certification with the valid period of three years. On 14 September 2011, the Company obtained again the High-tech Enterprise Certificate No. GF201111000469, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation. The Company is subject to corporate income tax rate of 15% since the date of certification with the valid period of three years.

Pursuant to the new tax law, the income tax rate applicable to other subsidiaries of the Group is changed to 25% apart from the following subsidiaries and the overseas subsidiaries which enjoy the local income tax rate.

The subsidiaries that are entitled to preferential tax treatments are as follows:

	<u>Preferential rate</u>	<u>Reason</u>
Beijing BOE Optoelectronics Technology Co., Ltd.	15%	The Company obtained again the High-tech Enterprise Certificate numbered GF201111000041 on 14 September 2011, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation, subject to a preferential enterprise income tax rate of 15% within the valid period three years.
Chengdu BOE. Optoelectronics Technology Co., Ltd.	15%	The Company obtained the High-tech Enterprise Certificate numbered GR201051000051 on 28 July 2010, which was entitled jointly by Sichuan Science & Technology Commission, Finance Bureau of Sichuan, Sichuan Office of State Administration of Taxation, and Sichuan Local Taxation Bureau, subject to a preferential enterprise income tax rate of 15% within the valid period three years.

III. Taxation (continued)

2. Corporate income tax (continued)

	<u>Preferential rate</u>	<u>Reason</u>
Hefei BOE Optoelectronics Technology Co., Ltd.	15%	The Company obtained the High-tech Enterprise Certificate numbered GR201034000024 on 28 May 2010, which was entitled jointly by Anhui Science & Technology Commission, Finance Bureau of Anhui, Anhui Office of State Administration of Taxation, and Anhui Local Taxation Bureau, subject to a preferential enterprise income tax rate of 15% within the valid period three years.
Suzhou BOE Chatani Electronics Co., Ltd.	15%	The Company obtained the High-tech Enterprise Certificate numbered GF201132000300 on 9 September 2011, which was entitled jointly by Jiangsu Science & Technology Commission, Finance Bureau of Jiangsu, Jiangsu Office of State Administration of Taxation, and Jiangsu Local Taxation Bureau, subject to a preferential enterprise income tax rate of 15% within the valid period three years.
BOE (Hebei) Mobile Technology Co., Ltd.	12.5%	The foreign investment enterprise is exempted from income tax payment for its first and second year of making profits, and entitled to a 50% reduction of income tax from the third to the fifth year. Because the enterprise has not yet taken the benefit because of its failure to make profits, its preferential time period is calculated from 2008, 2009 is the second entitlement year for exemption of enterprise income tax, and 2011 is the second entitlement year for the 50% reduction of income tax.
BOE Hyundai LCD (Beijing) Display Technology Co., Ltd.	15%	The Company obtained the High-tech Enterprise Certificate numbered GR200911002274 on 26 June 2009, which was entitled jointly by the Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation, subject to a preferential enterprise income tax rate of 15% within the valid period three years.
Beijing BOE Special Display Technology Co., Ltd.	15%	The Company obtained the High-tech Enterprises Certificate numbered GR200911000685 on 26 December 2009, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation, subject to a preferential enterprise income tax rate of 15% within the valid period of three years.

III. Taxation (continued)

2. Corporate income tax (continued)

	<u>Preferential rate</u>	<u>Reason</u>
Beijing BOE Vacuum Electronics Co., Ltd.	15%	The Company obtained again the High-tech Enterprises Certificate No GF201111000395, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation on 14 September 2011, subject to a preferential enterprise income tax rate of 15% within the valid period of three years.
BOE Semi-conductor Co., Ltd.	15%	The Company obtained again the High-tech Enterprises Certificate No GF201111000163, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation on 14 September 2011, subject to a preferential enterprise income tax rate of 15% within the valid period of three years.
Beijing Asahi Electron Glass Co., Ltd.	15%	The Company obtained the High-tech Enterprises Certificate No GR200911000589, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation on 26 June 2009, subject to a preferential enterprise income tax rate of 15% within the valid period of three years.
Beijing BOE Vacuum Technology Co., Ltd.	15%	The Company obtained the High-tech Enterprises Certificate No GR200911000084, which was entitled jointly by Beijing Municipal Science and Technology Commission, Beijing Municipal Financial Bureau, Beijing Municipal State Administration of Taxation and Beijing Municipal Local Administration of Taxation on 27 May 2009, subject to a preferential enterprise income tax rate of 15% within the valid period of three years.

IV. Business combinations and the consolidated financial statements

1. Background of major subsidiaries

(1) Subsidiaries acquired through establishment or investment

Name	Type	Registration place	Business nature and scope	Registered capital	Closing amount of investment	Direct and indirect voting right percentage	Whether included in consolidated financial statements
Beijing BOE Vacuum Electronics Co., Ltd. (Vacuum Electronics)	Other Limited Liability Company	Beijing, China	Manufacture and sale of vacuum electronic products	RMB 35,000,000	RMB 19,250,000	55%	Y
Beijing BOE Vacuum Technology Co., Ltd. (Vacuum Technology)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Manufacture and sale of vacuum products	RMB 32,000,000	RMB 32,000,000	100%	Y
Beijing BOE Special Display Technology Co., Ltd. (Special Display)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Development of display products and sale of electronic products	RMB 60,000,000	RMB 60,000,000	100%	Y
Beijing Yinghe Century Co., Ltd. (Yinghe Century)	Other Limited Liability Company	Beijing, China	Lease and operation of offices and middle grade hotel houses; business and entertainment service; toll parking lots	RMB 233,105,200	RMB 333,037,433	100%	Y
Suzhou BOE Chatani Electronics Co., Ltd. (Suzhou Chatani)	Limited Liability Company (joint venture)	Suzhou, China	Development and manufacture of backlight and related parts and components for LCD	RMB 186,485,134	RMB 193,087,904	90.51%	Y
BOE Hyundai LCD (Beijing) Display Technology Co., Ltd. (BOE Hyundai)	Limited Liability Company (joint venture)	Beijing, China	Development, manufacture and sale of liquid display for mobile termination	USD 5,000,000	RMB 31,038,525	75%	Y
Beijing BOE Optoelectronics Technology Co., Ltd. (BOEOT)	Limited Liability Company (joint venture)	Beijing, China	Research, development, design and manufacture of TFT-LCD	USD 649,110,000	RMB 4,172,288,084	82.49%	Y
BOE (Hebei) Mobile Technology Co., Ltd. (BOE Hebei)	Limited Liability Company (joint venture)	Langfang, China	Manufacture and sale of mobile flat screen display technical products and related services	USD 20,000,000	RMB 120,307,500	75%	Y

IV. Business combinations and the consolidated financial statements (continued)

1. Background of major subsidiaries (continued)

(1) Subsidiaries acquired through establishment or investment (continued)

Name	Type	Registration place	Business nature and scope	Registered capital	Closing amount of investment	Direct and indirect voting right percentage	Whether included in consolidated financial statements
Beijing BOE Display Technology Co., Ltd. (BOE Display) (a)	Other Limited Liability Company	Beijing, China	Development of TFT-LCD, manufacture and sale of TFT-LCD	RMB 17,377,199,300	RMB 8,705,000,000	50.09%	Y
Beijing BOE multimedia technology Co., Ltd. (BOE Multimedia)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Sale of computer software and hardware, the numeral regards the audio frequency technology	RMB 200,000,000	RMB 200,000,000	100%	Y
Beijing BOE Energy Technology Co., Ltd. (BOE Energy)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Integration and application of photovoltaic system sale of photovoltaic system and ancillary facilities	RMB 29,000,000	RMB 29,000,000	100%	Y
Beijing BOE Vision-electronic Technology Co., Ltd. (BOE Vision-electronic) (b)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Research, development, and manufacture of LCD and terminal products of TV	RMB 500,000,000	RMB 500,000,000	100%	Y
Beijing Zhongpingxun Technology Co., Ltd. (Beijing Zhongpingxun) (c)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Technology promotion, property management, and sale of electronic products	RMB 10,000,000	RMB 10,000,000	100%	Y
Beijing Zhongxiangying Technology Co., Ltd. (Beijing Zhongxiangying) (d)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Technology promotion, property management, and sale of electronic products	RMB 10,000,000	RMB 10,000,000	100%	Y
Erdos Haosheng Energy Investment Co., Ltd. (Haosheng Energy)(e)	Other Limited Liability Company	Erdos, China	Energy investment	RMB 30,000,000	RMB 10,000,000	100%	Y
Erdos Yuansheng Optoelectronics Co., Ltd. (Yuansheng Optoelectronics)(f)	Limited Liability Company	Erdos, China	The production and operation of AM-OLED and relevant products	RMB 2,004,000,000	RMB 2,000,000,000	99.8%	Y

IV. Business combinations and the consolidated financial statements (continued)

1. Background of major subsidiaries (continued)

(1) Subsidiaries acquired through establishment or investment (continued)

- (a) Pursuant to the resolution approved by the 6th session of 6th Board of Directors meeting and BOE Display's 2011 first General Meeting respectively, the Company injected additional capital investment with cash amounting to RMB 8,660,000,000 to BOE Display on 20 January 2011. After the injection, the amount of the Company's contribution increased from RMB 45,000,000 to RMB 8,705,000,000, and the shareholding ratio increased from 0.52% to 50.09%. ShineWing Certificated Public Accountants has verified the capital injection and issued the capital verification report XYZH [2010A10028].
- (b) Pursuant to the resolution approved by the 10th session of 6th Board of Directors meeting, the Company injected additional capital investment with cash amounting to RMB 300,000,000 to BOE Vision-electronic on 22 June 2011. After the injection, the amount of the Company's contribution increased from RMB 200,000,000 to RMB 500,000,000. Beijing HanTangGuoTai Certificated Public Accountants Co., Ltd. has verified the capital injection and issued the capital verification report HANTANGGUOTAIYAN (2011) No.18.
- (c) Pursuant to the resolution approved by the 8th session of 6th Board of Directors meeting, the Company decided to found Beijing Zhongpingxun. On 11 May 2011, the Company provided funds amounting to RMB 10,000,000 to establish Beijing Zhongpingxun. Beijing Xinghua Certificated Public Accountants has verified the capital injection and issued the capital verification report 2011 JINGKUAIXINGYAN No.6-018. Zhongpingxun has obtained the Business License entitled by Beijing Administration for Industry and Commerce Chaoyang branch, and the registration number is 110105013879380. Beijing Zhongpingxun is mainly engaged in the research and sales of electronic products; technology development, technology advisory, technology transfer; the lease of real estate & supporting facilities and properties management with an operating period of 20 years. Beijing zhongpingxun has been included in the consolidated financial statement since its establishment.

IV. Business combinations and the consolidated financial statements (continued)

1. Background of major subsidiaries (continued)

(1) Subsidiaries acquired through establishment or investment (continued)

- (d) Pursuant to the resolution approved by the 8th session of 6th Board of Directors meeting, the Company decided to found Beijing Zhongxiangying. On 11 May 2011, the Company provided funds amounting to RMB 10,000,000 to establish Beijing Zhongxiangying. Beijing Xinghua Certificated Public Accountants has verified the capital injection and issued the capital verification report 2011 JINGKUAIXINGYAN No.6-019. Zhongxiangying has obtained the Business License entitled by Beijing Administration for Industry and Commerce Chaoyang branch, and the registration number is 110105013882484. Beijing Zhongxiangying is mainly engaged in the research and sales of electronic products; technology development, technology advisory, technology transfer; the lease of real estate & supporting facilities and properties management with an operating period of 20 years. Beijing zhongxiangying has been included in the consolidated financial statement since its establishment.
- (e) Pursuant to the resolution approved by the 14th session of 6th Board of Directors meeting, the Company decided to found Haosheng Energy. On 7 September 2011, the Company, Hefei BOE and BOE Display provided funds amounting to RMB 2,000,000, RMB 6,500,000 and RMB 1,500,000 respectively to establish Haosheng Energy jointly. Erdos Chenguang Unite Certificated Public Accountants has verified the capital injection and issued the capital verification report ECHENSUOYAN (2011) No.339. The registered capital of Haosheng Energy is RMB 30,000,000, while the paid-in capital was RMB 10,000,000 as at 31 December 2011. On 8 September 2011, Haosheng Energy has obtained the Business License entitled by the Administration for Industry and Commerce of Ushen Banner, Inner Mongolia, and the registration number is 152727000015705. Haosheng Energy is mainly engaged in energy investment with an operating period of 20 years. Haosheng Energy has been included in the consolidated financial statement since its establishment.

IV. Business combinations and the consolidated financial statements (continued)

1. Background of major subsidiaries (continued)

(1) Subsidiaries acquired through establishment or investment (continued)

- (f) Pursuant to the resolution approved by the 2011 first Extraordinary General Meeting, the Company decided to establish the 5.5th generation Active Matrix Organic Light-Emitting Diode (AM-OLED) TFT-LCD production line. On 5 December 2011, the Company and Erdos Jiaqi Urban Construction Investment and Development Co., Ltd. (hereinafter referred to as "Jiaqi Urban Investment"), the holding company of Yuansheng Optoelectronics, signed the capital increment agreement. Yuansheng Optoelectronics was entitled to be the Implementation platform of the 5.5 G AM-OLED production line. Yuansheng Optoelectronics was established on 30 May 2011 with the registered capital amounting to RMB 20,000,000, while the paid-in capital amounted to RMB 4,000,000. The shareholding ratio for Jiaqi Urban Investment is 100%. The Company injected the capital investment with cash amounting to RMB 2,000,000,000 to Yuansheng Optoelectronics on 28 December 2011. Yuanfa Certificated Public Accountants has verified the capital injection and issued the capital verification report EYUANSUOYAN (2011) No. 732. Upon the share increase day, Yuansheng Optoelectronics has not begun its operation. After the capital injection, the registered capital of Yuansheng Optoelectronics amounts to RMB 2,004,000,000, and the shareholding ratio of the Company and Jiaqi Urban Investment are 99.8% and 0.2% respectively. The transfer was registered in the Administration for Industry and Commerce on 29 December 2011, and Yuansheng Optoelectronics has obtained the Business License issued by Erdos Administration for Industry and Commerce Dongsheng branch with the registration No. 152701000076078. Yuansheng Optoelectronics is mainly engaged in the production and operation of AM-OLED and relevant products with the operation period of 30 years. Yuansheng Optoelectronics has been included in the consolidation since December 2011.

IV. Business combinations and the consolidated financial statements (continued)

1. Background of major subsidiaries (continued)

(2) Subsidiaries acquired through business combinations not under common control

Name	Type	Registration place	Business nature and scope	Registered capital	Closing amount of investment	Direct and indirect voting right percentage	Whether included in consolidated financial statements
Chengdu BOE Optoelectronics Technology Co., Ltd. (Chengdu BOE.)	Other Limited Liability company	Chengdu, China	Development manufacture and sale of TFT-LCD and related parts	RMB 1,830,000,000	RMB 1,833,149,991	100%	Y
Beijing Asahi Electron Glass Co., Ltd. (BeiAsahi Glass)	Limited Liability Company (Solely-owned by legal person)	Beijing, China	Sale of Supports and glass bar for TV and CTV low melting sealing frit	RMB 61,576,840	RMB 30,888,470	100%	Y
Hefei BOE Optoelectronics Technology Co., Ltd.(Hefei BOE)	One-person Limited Liability Company	Hefei, China	Development manufacture and sale of TFT-LCD	RMB 9,000,000,000	RMB 9,000,000,000	100%	Y
Beijing·Matsushita Color CRT Co., Ltd. (Matsushita)	Other Limited Liability Company	Beijing, China	Colored TV, cathode-ray tube of display, projection cathode ray tube of colored RPTV and materials of electronic parts, property management service.	RMB 1,240,754,049	RMB 361,304,288	80%	Y
K-TRONICS (SUZHOU) TECHNOLOGY CO.,LTD	Other Limited Liability Company	Suzhou, China	Manufacture of newly-designed Display (Platform Display), compatible digital television, top-grade microcomputer with LCD, projection TV set with big screen liquid crystal and other newly-designed electronic products and its components	USD 17,700,000	USD 32,460,260	100%	Y
Beijing BOE Changhong Network Technology Co., Ltd.(“BOE Changhong”) (See note IV. 4)	Other Limited Liability Company	Beijing, China	Technology promotion, the sales of communication apparatus, the installation and maintenance of equipment	RMB 30,000,000	RMB 15,300,000	51%	Y

IV. Business combinations and the consolidated financial statements (continued)

2. Changes of the consolidation scope

- (1) Beijing Zhongpingxun, Beijing Zhongxiangying, Haosheng Energy and Yuansheng Optoelectronics were newly founded in 2011, and they have been included in 2011 consolidated financial statement.
- (2) Pursuant to the resolution approved by the 6th session of 6th Board of Directors meeting, BOE Multimedia, Sichuan Changhong Network Technology Co., Ltd. (“Sichuan Changhong”) and Chengdu Changhong Network Technology Co., Ltd. (“Chengdu Changhong”) signed the Share Transfer Agreement. BOE Multimedia has obtained 51% shareholding of Beijing Changhong Innovation Network Technology Co., Ltd. (“Changhong Innovation”) which was held by Sichuan Changhong and Chengdu Changhong with the amount of RMB 15,300,000. 28 February 2011 was defined to be the share delivery day, and all the share delivery transaction was completed on that day. After the transaction, Changhong Innovation was renamed to BOE Changhong, and BOE Multimedia owns its 51% shareholding. Changhong Innovation has been included in 2011 consolidated financial statement.

IV. Business combinations and the consolidated financial statements (continued)

3. Enterprises not involving in the combination during the year

(1) Zhejiang BOE Display Technology Co., Ltd

Company Name	31/08/2011				31/12/2010				01/01/2011~31/08/2011		
	Total assets	Total liabilities	Total equity attributable to shareholders of the Company	Minority interests	Total assets	Total liabilities	Total equity attributable to Shareholders of the Company	Minority interests	Revenues	Costs and expenses	Net losses
Zhejiang BOE Display Technology Co., Ltd. (ZJBOE)	412,195,244	490,119,568	(80,210,251)	2,285,927	425,970,483	493,255,833	(69,917,827)	2,632,477	203,638,572	214,277,546	(10,292,424)

The 13th session of 6th Board of Directors meeting passed the capital reorganisation plan of ZJBOE by means of absorption merger. According to the plan, the Company absorbed Shaoxing Shengjing Investment Management Co., Ltd. (“Shengjing Company”) with ZJBOE as the main body. After the absorption, Shengjing Company was ceased to operating while ZJBOE continues its operation. The registered capital of ZJBOE after the absorption merger is the total capital of the two companies before the absorption merger. The shareholding ratio for the two companies is determined by the percentages of their respective original valued net assets have taken in the two companies’ total assessed net assets before the absorption merger. 30 April 2011 was recognised as the benchmark, and the assessed value on that day was the calculation basis for the shareholding ratio.

The capital reorganisation plan has got the approval from Beijing Electronics Holding Co., Ltd., which is the Company’s ultimate holding company, on 15 July 2011; the approval from the 13th session of 6th Board of Directors meeting of the Company on 17 August 2011; the approval from the 2011 second Extraordinary General Meeting of the Company on 27 August 2011, and on the same day Shengjing Company’s General Meeting has passed the agreement. The parties have signed the merger agreement on 31 August 2011, and it came into effect from that day on. In conclusion, 31 August 2011 was defined as the day that the Company’s lost its control of ZJBOE. In accordance with the valuation report in April 2011, the shareholding ratio of the Company to ZJBOE decreased from 69.29% to 7.03% after the absorption merger, so that ZJBOE no longer be included in the consolidated financial statement.

When the Company loses control of a subsidiary due to the disposal of a portion of an equity investment, the Company derecognises assets, liabilities, minority interests and other related items in shareholders’ equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. The fair value of the remaining equity investment amounted to RMB 570,032. The accumulative total losses of ZJBOE, which has been identified by the Company upon the control lose day were reversed, and the gains RMB 56,147,580, which incurred when the control was lost, were recognised as investment income for the current period.

IV. Business combinations and the consolidated financial statements (continued)

3. Enterprises not involving in the combination during the year (continued)

(2) BOE Energy Investment Co., Ltd.

Pursuant to the resolution approved by the 14th session of 6th Board of Directors meeting, the Company and BOE OT provide funds RMB 2,000,000 and RMB 8,000,000 respectively to establish Erdos BOE Energy Investment Co., Ltd. (“BOE Energy Investment”) jointly on 26 August 2011, taking up 20% and 80% shareholding ratio respectively. Erdos Chenguang Unite Certificated Public Accountants has verified the capital injection and issued the capital verification report ECHENSUOYAN (2011) No.334.

Pursuant to the resolution approved by the Company’s 15th session of 6th Boards of Directors meeting held on 24 October 2011, it was agreed that BOE OT sold its 60% shareholding to Beijing Industrial Developing Investment Management Co., Ltd. (“Industrial Company”) and the rest 20% to Beijing Haohua Energy Resource Co., Ltd. (“Haohua Energy”) respectively by means of contract transfer. BOE OT signed the transfer agreement with Industrial Company and Haohua Energy on 28 October 2011. According to the agreement, BOE OT transferred its 60% shareholdings of BOE Energy Investment to the Industrial Company with the price RMB 2,700,000,000, and transferred the other 20% shareholding to Haohua Energy with the price RMB 900,000,000. The share transfer price referred to the audit report LIANDAZHUAN (2011) No.A1198 issued by Reanda Certified Public Accountants Tianjin Branch, evaluation report ZHONGWEIZHENGXINPNGBAO (2011) No.1087 issued by ZhongWeiZhengXin (Beijing) Assets Appraisal Co., Ltd and the advisory report TIANXINGZIBAO (2011) No.81 issued by Beijing Pan-China Assets Appraisal Co., Ltd. (“Pan-China”) for the value of coal resources which was planned to distribute to BOE Energy Investment. The price was determined by the three parties mentioned above after the discussion. The share transfer agreement was passed by Beijing State-owned Assets Supervision and Administration Commission on 11 November 2011.

The Administration for Industry and Commerce of Ushen Banner, Inner Mongolia has issued the “Note of Registration Change Verification”, which recognised that the shareholders of BOE Energy Investment changed from BOE OT and the Company to Industrial Company, Haohuan Energy and the Company. Since then on, BOE Energy Investment will no long be included in the consolidated financial statement. On 23 December 2011, the Group received the initial payment of the share transfer from Industrial Company and Haohua Energy amounting to RMB 1,350,100 thousand and RMB 650,000 thousand respectively.

IV. Business combinations and the consolidated financial statements (continued)

4. Business combinations involving enterprises not under common control during the year

Changhong Innovation is a Limited Liability Company established in May 2010 in Beijing by Sichuan Changhong and Chengdu Changhong jointly. The registered capital of Changhong Innovation is RMB 30,000,000. Thereinto, Sichuan Changhong injected RMB 29,700,000 taking up 99% shareholdings, while Chengdu Changhong injected RMB 300,000 taking up 1% shareholdings. In 2011, BOE Multimedia, Sichuan Changhong and Chengdu Changhong signed the Share Transfer Agreement. 28 February 2011 was defined as the equity delivery day. According to the agreement, BOE Multimedia obtained 50% shareholdings with the price RMB 15,000,000, and obtained 1% shareholdings with the price RMB 300,000. On 28 February 2011, all the equity delivery transaction was completed. After the transaction, Changhong Innovation was renamed to BOE Changhong, and became one of the Company's subsidiaries. It has been included in the consolidation scope since 28 February 2011.

Beijing Pan-China Assets Appraisal Co., Ltd. has appraised Changhong Innovation by assets based approach on the benchmark date of 30 November 2010, and issued the appraisal report TIANXINGPINGBAO (2011) No.21. The fair value of 51% of Changhong Innovation's equity acquired by the Company was RMB 17,595,471 on 28 February 2011. The net identifiable assets of the acquiree in the excess of the combination cost with the amount of RMB 2,295,471 were recognised as non-operating income.

IV. Business combinations and the consolidated financial statements (continued)

4. Business combinations involving enterprises not under common control during the year (continued)

<u>Items</u>	<u>Acquisition date to 31/12/2011</u>
Revenues	236,061,640
Net losses	(2,868,362)
Cash flows from operating activities	4,377,957

The identifiable assets and liabilities of Changhong Innovation (the acquiree):

	<u>Carrying amount &Fair value on acquisition date Renminbi</u>
Cash at bank and on hand	1,649,928
Bills receivables	43,509,500
Accounts receivables	97,582,786
Fixed-assets	7,758
Accounts payables	(107,665,623)
Other liabilities	(583,425)
Net identifiable assets	<u>34,500,924</u>
The ratio of the Company's equity by acquisition	<u>51%</u>
The company's share of net assets by acquisition	<u>17,595,471</u>

5. Analysis of the minority interests of subsidiaries

<u>Name of subsidiaries</u>	<u>Minority interests Opening balance RMB</u>	<u>Minority shareholders enjoy a subsidiary profits /(losses) RMB</u>	<u>Others RMB</u>	<u>Minority interests Ending balance RMB</u>
BOEOT	257,740,727	267,171,729	-	524,912,456
BOE Display	8,719,751,622	(139,675,094)	(21,266,498)	8,558,810,030
Matsushita	194,107,131	3,741,683	-	197,848,814
BOE Hebei	34,735,863	2,085,320	-	36,821,183
Vacuum Electronics	45,601,935	6,816,436	-	52,418,371
Other subsidiaries	52,857,929	(7,329,234)	43,252,093	88,780,788
Total	<u>9,304,795,207</u>	<u>132,810,840</u>	<u>21,985,595</u>	<u>9,459,591,642</u>

V. Notes to the consolidated financial statements

1. Cash at bank and on hand

	2011			2010		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
Cash on hand						
RMB			191,532			246,349
USD	33,796	6.3009	212,944	344,485	6.6227	2,281,418
HKD	9,665	0.8107	7,835	9,665	0.8509	8,224
Japanese Yen	634,501	0.0811	51,460	488,071	0.0813	39,661
Korean Won	3,591,596	0.0055	19,693	2,017,434	0.0059	11,864
Other foreign currencies			116,009			130,841
Subtotal			599,473			2,718,357
Bank deposit						
RMB			12,330,720,843			18,247,563,737
USD	97,535,602	6.3009	614,562,072	106,429,354	6.6227	704,849,680
HKD	1,214,884	0.8107	984,906	1,214,759	0.8509	1,033,676
Japanese Yen	121,155,539	0.0811	9,828,752	1,528,036,886	0.0813	124,168,278
Korean Won	253,875,188	0.0055	1,390,220	129,075,505	0.0059	759,222
Other foreign currencies			1,447,404			16,855,688
Subtotal			12,958,934,197			19,095,230,281
Other monetary funds						
RMB			7,263,622,285			4,855,663,558
USD	15,991,396	6.3009	100,760,186	4,017,779	6.6227	26,608,549
Japanese Yen	19,148,195	0.0811	1,552,975	216,723,216	0.0813	17,610,928
Subtotal			7,365,935,446			4,899,883,035
Total			20,325,469,116			23,997,831,673

As at 31 December 2011, the other monetary funds which were pledged by the Group amounted to RMB 3,547,333,703 and USD 3,000,000 for short-term loan amounting to JPY 37,697,310,649 and USD 15,886,769. The other monetary funds pledged by the Group amounted to RMB 445,163,480 for non-current liabilities due within one year amounting to JPY 4,800,000,000. The rest of the other monetary funds amounting to RMB 3,354,535,563 (2010: RMB 1,198,273,277) are the deposits in commercial banks as security.

As at 31 December 2011, the Group had cash at bank and on hand amounting to RMB 5,465,170,058, which are mainly from non-public targeted offering by the Company in 2009 and 2010. The above cash at bank and on hand will be mainly used to the construction for the 6th and 8.5th generation TFT-LCD projects.

V. Notes to the consolidated financial statements (continued)

2. Financial assets held for trading

	2011	2010
	RMB	RMB
Fair value of derivative financial instrument	-	67,794,013

The Group hedged foreign currency exchange fluctuation risk by signing a part of foreign currency forward contract. Foreign currency forward contract is recorded at fair value, and the gains and loss from the changes in fair value were recorded in profit and loss. The fair value is estimated by discounted cash flow analysis. The foreign currency forward contract has been settled and delivered by 2011.

3. Bills receivable

(1) Classification of bills receivable

	2011	2010
	RMB	RMB
Bank acceptance bills	304,866,896	363,744,753
Commercial acceptance bills	35,427,101	15,193,025
Total	340,293,997	378,937,778

All of the above bills are due within one year.

As at 31 December 2011, the Group pledged commercial bills receivable amounting to RMB 44,590,000 (2010: nil) for letters of credit amounting to JPY 440,300,000. The Group's outstanding endorsed or discounted bank acceptance bills (with recourse) amounted to RMB 79,997,272 (2010: RMB 168,327,430), all of which will be due before 26 June 2012 (2010: before 29 June 2011).

During the year ended 31 December 2011, there was no amount transferred to accounts receivable from acceptance bills due to non-performance of the issuers of the Group (2010: nil).

As at 31 December 2011, there was no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of bills receivable (2010: nil).

- (2) As at 31 December 2011, the five largest outstanding endorsed bills that have not matured of the Group amounted to RMB 69,638,799 (2010: RMB 19,628,695).

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable

(1) The Group's accounts receivable by customer type:

	2011	2010
	RMB	RMB
Amounts due from related parties	1,666,120	2,263,043
Amounts due from other customers	2,575,576,465	1,275,278,163
Subtotal	2,577,242,585	1,277,541,206
	-----	-----
Less: provision for bad and doubtful debts	16,447,040	14,336,939
Total	2,560,795,545	1,263,204,267
	=====	=====

(2) The Group's accounts receivable by currency type:

	2011			2010		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
RMB			823,826,264			417,206,969
USD	278,033,560	6.3009	1,751,861,658	129,883,715	6.6227	860,185,055
Other foreign currencies			1,554,663			149,182
Subtotal			2,577,242,585			1,277,541,206
			-----			-----
Less: provision for bad and doubtful debts			16,447,040			14,336,939
Total			2,560,795,545			1,263,204,267
			=====			=====

As at 31 December 2011, the Group's accounts receivable due from related parties accounted for 0.1% of the total accounts receivable (2010: 0.2%).

As at 31 December 2011, the accounts receivable pledged by the Group amounted to USD 14,305,871 (2010: USD 14,656,261) for short-term loans amounting to USD 11,116,528 (2010: USD 12,285,327) respectively.

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

(3) The ageing analysis of accounts receivable is as follows:

Ageing	2011			2010		
	Carrying amounts		Provision for bad and doubtful debts RMB	Carrying amounts		Provision for bad and doubtful debts RMB
	Amount RMB	Percentage		Amount RMB	Percentage	
Within 1 year (inclusive)	2,558,395,451	99%	4,251,525	1,255,332,104	98%	635,101
1 and 2 years (inclusive)	3,647,800	-	855,865	14,781,915	1%	6,277,729
2 and 3 years (inclusive)	9,028,532	1%	5,168,848	2,207,425	-	2,204,347
Over 3 years (inclusive)	6,170,802	-	6,170,802	5,219,762	1%	5,219,762
Total	<u>2,577,242,585</u>	<u>100%</u>	<u>16,447,040</u>	<u>1,277,541,206</u>	<u>100%</u>	<u>14,336,939</u>

The ageing is counted starting from the date when accounts receivable are recognised.

As at 31 December 2011, receivables are assessed for impairment both on an individual basis and on a collective group basis. All impairment losses are recognised in loss, when its present value of the estimated future cash flows is less than the carrying amount.

- (4) During the year ended 31 December 2011, the Group had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.
- (5) As at 31 December 2011, the total amount of accounts receivable due from the top five debtors of the Group are as follows:

	2011	2010
Amounts (RMB)	568,518,077	391,452,848
Percentage of total accounts receivable	22%	31%

As at 31 December 2011, all the balances of accounts receivable due from the Group's top five debtors are due within one year.

- (6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable (2010: nil).

V. Notes to the consolidated financial statements (continued)

5. Prepayments

(1) The Group's prepayments by category:

	2011	2010
	RMB	RMB
Prepayment for inventory	40,204,942	28,548,138
Others	24,594,643	11,727,538
Total	<u>64,799,585</u>	<u>40,275,676</u>

(2) The Group's prepayment by currency type:

	2011			2010		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
RMB			47,999,528			27,799,219
USD	2,335,683	6.3009	14,716,906	1,657,406	6.6227	10,976,505
JPY	508,000	0.0811	41,200	16,162,012	0.0813	1,313,325
Other foreign currencies			<u>2,041,951</u>			<u>186,627</u>
Total			<u>64,799,585</u>			<u>40,275,676</u>

(3) The ageing analysis of prepayments is as follows:

	2011		2010	
	Amount	Percentage	Amount	Percentage
	RMB		RMB	
Within 1 year (inclusive)	62,028,366	96%	37,402,520	93%
1 and 2 years (inclusive)	2,642,685	4%	2,791,506	7%
2 and 3 years (inclusive)	120,902	-	34,463	-
Over 3 years(inclusive)	7,632	-	47,187	-
Total	<u>64,799,585</u>	<u>100%</u>	<u>40,275,676</u>	<u>100%</u>

The ageing is counted starting from the date when prepayments are recognised.

As at 31 December 2011, the Group's prepayments with ageing more than one year are mainly prepayment in relation to the purchasing activities which have yet to be settled.

As at 31 December 2011, the Group's prepayments due to related parties are amounting to RMB 1,053,819 (2010: RMB 3,940,000).

V. Notes to the consolidated financial statements (continued)

5. Prepayments (continued)

- (4) As at 31 December 2011, the total amounts of prepayment due from the top five debtors of the Group are as follows:

	<u>2011</u>	<u>2010</u>
Amounts (RMB)	31,686,010	17,002,479
Percentage of total prepayment	49%	42%

As at 31 December 2011, all the balances of prepayment due from the Group's top five debtors are due within one year.

- (5) As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayment (2010: nil).

6. Interests receivable

	<u>Balance at the beginning of the year</u>	<u>Addition during the year</u>	<u>Reduction during the year</u>	<u>Balance at the end of the year</u>
	RMB	RMB	RMB	RMB
Interests on bank deposits	<u>57,851,997</u>	<u>344,569,323</u>	<u>297,177,801</u>	<u>105,243,519</u>

As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of interests receivable (2010: nil).

AS at 31 December 2011, no significant amount of interest receivable of the Group is overdue (2010: nil).

As at 31 December 2011, no significant amount of interest receivable of the Group is denominated in foreign currency (2010: nil).

V. Notes to the consolidated financial statements (continued)

7. Other receivables

(1) The Group's other receivables by customer type:

	2011	2010
	RMB	RMB
Amounts due from other customers	1,746,225,797	336,894,444
Less: provision for bad and doubtful debts	10,400,913	3,765,673
Total	<u>1,735,824,884</u>	<u>333,128,771</u>

As at 31 December 2011, the Group has no other receivable due from related parties (2010: nil).

As at 31 December 2011, the balances of other receivables due from other customers include receivables due from Industrial Company and Haohua Energy amounting to RMB 1,349,900,000 and RMB 250,000,000 respectively regarding shares transfer of BOE Energy Investment (See note IV, 3(2)).

(2) The Group's other receivables by currency type:

	2011			2010		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
RMB			1,739,772,640			329,129,955
USD	21,359	6.3009	134,581	121,894	6.6227	807,266
JPY	55,044,641	0.0811	4,464,120	58,460,097	0.0813	4,751,073
Korean Won	175,458,574	0.0055	960,811	213,442,537	0.0059	1,255,469
Other foreign currencies			<u>893,645</u>			<u>950,681</u>
Subtotal			<u>1,746,225,797</u>			<u>336,894,444</u>
Less: Provision for bad and doubtful debts			<u>10,400,913</u>			<u>3,765,673</u>
Total			<u>1,735,824,884</u>			<u>333,128,771</u>

V. Notes to the consolidated financial statements (continued)

7. Other receivables (continued)

- (3) The ageing analysis of other receivables is as follows:

	2011	2010
	RMB	RMB
Within 1 year (inclusive)	1,638,154,603	296,466,308
1 and 2 years (inclusive)	84,274,142	28,256,074
2 and 3 years (inclusive)	2,230,266	6,252,987
Over 3 years(inclusive)	21,566,786	5,919,075
Subtotal	<u>1,746,225,797</u>	<u>336,894,444</u>
	-----	-----
Less: provision for bad and doubtful debts	<u>10,400,913</u>	<u>3,765,673</u>
Total	<u><u>1,735,824,884</u></u>	<u><u>333,128,771</u></u>

The ageing is counted starting from the date when other receivables are recognised.

As at 31 December 2011, receivables are assessed for impairment both on an individual basis and on a collective group basis. All impairment losses are recognized in loss, when its present value of the estimated future cash flows is less than the carrying amount.

- (4) During the year ended 31 December 2011, the Group had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.
- (5) As at 31 December 2011, the total amounts of other receivables due from the top five debtors of the Group are as follows:

	2011	2010
Amounts (RMB)	1,622,175,965	251,868,868
Percentage of total other receivables	93%	75%

As at 31 December 2011, the Group has no other receivables with ageing more than three years due from the top five debtors (2010: nil)

- (6) As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivable (2010: nil).

V. Notes to the consolidated financial statements (continued)

8. Inventories

(1) The Group's inventories by category:

	2011			2010		
	Book value	Provision	Carrying amounts	Book value	Provision	Carrying amounts
	RMB	RMB	RMB	RMB	RMB	RMB
Raw materials	997,314,148	145,917,538	851,396,610	768,963,014	146,844,749	622,118,265
Work in progress	309,464,795	64,214,708	245,250,087	245,851,907	59,019,116	186,832,791
Finished goods	1,348,337,963	417,867,852	930,470,111	546,841,343	137,663,145	409,178,198
Reusable materials	89,101,897	-	89,101,897	84,973,569	2,622,998	82,350,571
Total	<u>2,744,218,803</u>	<u>628,000,098</u>	<u>2,116,218,705</u>	<u>1,646,629,833</u>	<u>346,150,008</u>	<u>1,300,479,825</u>

As at 31 December 2011, The Group's closing balance of inventories did not include capitalised borrowing cost (2010: nil).

As at 31 December 2011, the Group had no inventory used as collateral (2010: nil).

(2) Provision for diminution in value of inventories:

	Balance at the beginning of the year	Provision made for the year	Reduction during the year		Balance at the end of the year
	RMB	RMB	Reversal RMB	Write-off RMB	RMB
Raw materials	146,844,749	142,230,666	700,801	142,457,076	145,917,538
Work in progress	59,019,116	51,432,243	-	46,236,651	64,214,708
Finished goods	137,663,145	411,908,546	596,799	131,107,040	417,867,852
Reusable materials	2,622,998	-	45,440	2,577,558	-
Total	346,150,008	605,571,455	1,343,040	322,378,325	628,000,098

As at 31 December 2011, the provision for diminution in value of inventories of the Group was primarily due to the costs of inventories of products and related raw materials excess their net realisable value.

As the factors influencing the carrying amount of products have disappeared, the Group reversed the impairment provision of inventory this year.

As some of the products were sold out during the year ended 31 December 2011, the Group wrote-off the impairment provision of these inventories during the current period.

V. Notes to the consolidated financial statements (continued)

9. Other current assets

	2011 RMB	2010 RMB
VAT deductible	695,017,280	350,830,330
Prepayment of income tax	746,777	725,656
Other	1,032,446	1,225,133
Total	<u>696,796,503</u>	<u>352,781,119</u>

10. Available-for-sale financial assets

	Note	2011 RMB	2010 RMB
Available-for-sale financial assets			
- TPV Technology Limited	(1)	28,043,307	102,814,935
-Beijing Electronic Zone Investment and Development Co., Ltd.	(2)	46,675,624	71,084,964
Total		<u>74,718,931</u>	<u>173,899,899</u>

As at 31 December 2011, the available-for-sale financial asset held by the Group and the Company represented stock investment in TPV Technology Limited (“TPV Technology”) and Beijing Electronic Zone Investment and Development Co., Ltd. (“Electronic Zone”) which were measured at fair value at year end.

- (1) TPV Technology is listed on the Stock Exchange of Hong Kong (Stock code: 0903). As at 31 December 2011, the fair value of the investment in TPV Technology held by the Group and the Company was HKD 34,591,471 which is equivalent to RMB 28,043,307 (2010: HKD 120,826,547, which was equivalent to RMB 102,814,935).
- (2) Electronic Zone is listed on Shanghai Stock Exchange (Stock code: 600658). The 9,819,493 shares issued to the Group and the Company were restricted for 36 months in the commence of the registration date (14 December 2009), the expected circulation date will be 15 December 2012.

Beijing Pan-China Assets Appraisal Co., Ltd. assessed the fair value of 9,819,493 restricted shares which were held by the Group and the Company on 31 December 2011, and issued the assessment report TIANXINGPINGBAO (2012) No.83. According to the assessment report, the fair value of Electronic Zone held by the Group and the Company amounted to RMB 46,675,624 on 31 December 2011.

V. Notes to the consolidated financial statements (continued)

10. Available-for-sale financial assets (continued)

(3) Impairment of available-for-sale financial assets

As at 31 December 2011, the Group's available-for-sale equity securities were individually determined to be impaired on the basis of a significant or prolonged decline in the fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses on these investments were recognised in profit or loss, and the accumulated losses recognised in shareholders' equity caused by the decrease of fair value were transferred into the profit or loss in the current period. In 2011, the amount of provision for impairment of available-for-sale financial assets made by the Group was RMB 150,099,655 (2010: RMB nil). As at 31 December 2011, the cumulative amount of provision for impairment of available-for-sale financial assets was RMB 150,099,655 (2010: RMB nil).

11. Held-to-maturity investments

The Group and the Company's held-to-maturity investments represented the convertible bonds of Hyundai LCD Inc. ("Hyundai LCD"). Due to business operation difficulties, Hyundai LCD could not pay back the convertible bond. Thus, the Company provided full impairment losses for the convertible bond balances amounting to USD 2,170,000 in 2005.

As at 31 December 2011, the Company had not received the equity nor interest, and the Group and the Company retained the previous provision since the recoverability of this claim is uncertain.

12. Long-term equity investments

(1) The Group's long-term equity investments by category:

	2011 RMB	2010 RMB
Investments in associates	930,540,424	35,276,283
Investments in joint ventures	2,150,749	2,270,024
Other long-term equity investments	26,468,032	26,373,000
Subtotal	959,159,205	63,919,307
Less: Provision for impairment	280,000	755,000
Total	958,879,205	63,164,307

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

(2) As at 31 December 2011, the Group's investments in associates are as follows:

	Beijing Nissin Electronics Precision Component Co., Ltd. ("Nissin")	Beijing Nittan Electronic Co., Ltd. ("Nittan")	Julong Optoelectronics Co., Ltd. ("Julong")	Beijing Infi-Hailin Venture Investment Co., Ltd. (Infi-Hailin)	BOE Energy Investment	Total
Initial investment cost	18,613,234	6,650,640	8,000,000	350,000	2,000,000	35,613,874
Movement of investment costs						
Balance at the beginning of the year	15,477,409	12,961,622	6,837,252	-	-	35,276,283
The increase of initial investment cost of the year	-	-	-	350,000	2,000,000	2,350,000
Add: Adjustments under equity method	(6,469,072)	1,402,648	(17,981)	(1,454)	-	(5,085,859)
Add: re-measurement under fair value	-	-	-	-	898,000,000	898,000,000
Balance at the end of the year	<u>9,008,337</u>	<u>14,364,270</u>	<u>6,819,271</u>	<u>348,546</u>	<u>900,000,000</u>	<u>930,540,424</u>

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

(2) As at 31 December 2011, the Group's investments in associates are as follows (continued):

Name of investee	Type	Registered place	Business nature	Registered Capital	The Company's Shareholders/voting rights percentage	Total assets at the year end RMB	Total liabilities at the year end RMB	Total net assets at the year end RMB	Total revenue For current year RMB	Net profit/(losses) RMB
Beijing Nissin Electronics Precision Component Co., Ltd. ("Nissin")	Limited liability company	Beijing China	Manufacture and sale of electronics connectors and spare parts	USD 10,100,000	35.6%	102,370,971	77,066,656	25,304,315	16,526,319	(18,171,550)
Beijing Nittan Electronic Co., Ltd. ("Nittan")	Limited liability company	Beijing China	Manufacture and sale of terminals connectors and stampers	USD 2,000,000	40%	69,335,827	33,425,149	35,910,678	95,501,297	3,506,620
Julong Optoelectronics Co., Ltd. ("Julong")	Limited liability company	Shenzhen China	Research, develop, manufacture and sale of TFT-LCD products of TFT-LCD products	RMB 20,000,000	40%	17,048,178	-	17,048,178	-	(44,953)
Beijing Infi-Hailin Venture Investment Co., Ltd. (Infi-Hailin)	Limited liability company	Beijing China	Investment management, asset management and property investment	RMB 1,000,000	35%	995,845	-	995,845	-	(4,155)
Erdos BOE Energy Investment Co., Ltd. (BOE Energy Investment)(a)	Other Limited liability company	Erdos, China	Energy investment	RMB 30,000,000	20%	10,000,000	-	10,000,000	-	-

- (a) Pursuant to the resolution approved by the 15th session of 6th Board of Directors meeting on 24 October 2011, BOE OT transferred its 80% shareholdings of BOE Energy to Industrial Company and Haohua Energy (See Notes IV 3(2)). The share transfer agreement was passed by Beijing State-owned Assets Supervision and Administration Commission on 11 November 2011. As for the rest of the equity investment after the disposal, the Group re-measured the value on the day when control was lost, and the fair value of the long-term equity investment amounted to RMB 900,000,000.

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

(3) As at 31 December 2011, the Group's investments in joint venture are as follows:

Name of investee	Type	Registered Place	Business nature	Registered capital	The Company's Shareholders/voting rights percentage	Total assets at the year end RMB	Total liabilities at the year end RMB	Total net assets at the year end RMB	Total revenue For current year RMB	Net losses RMB
Beijing Orient Heng Tong Technology Development Co., Ltd. ("Orient Heng Tong")	Limited liability company	Beijing China	Research develop investment consulting, real estate consulting, corporate image planning, consulting, sale of construction materials	RMB 5,000,000	50%	4,301,498	-	4,301,498	-	238,549

The Company owned 50% shares of Orient Heng Tong by subsidiary BOE Land Co., Ltd. (BOE land) which was owned by the Company for 70% shares.

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

(4) At 31 December 2011, other long-term equity investments of the Group are as follows:

Name of investee	Note	Shareholding ratio	Initial investment cost	Balance at the beginning of the year RMB	Addition for the current year RMB	Reduction for the current year RMB	Balance at the end of the year RMB	Provision for impairment at the beginning of the year RMB	Write-off of the provision for impairment for the current year RMB	Provision for impairment at the end of the year RMB
Beijing Municipal Administration & Communication Card Co., Ltd.		2.5%	2,500,000	2,500,000	-	-	2,500,000	-	-	-
Beijing China Telecom Xinke Network System Co., Ltd.	(a)	12.5%	475,000	475,000	-	475,000	-	475,000	(475,000)	-
Teralane Semiconductor Inc.		7.29%	11,868,000	11,868,000	-	-	11,868,000	-	-	-
National Engineering Laboratory for Digital Television (Beijing) Co., Ltd.		12.5%	6,250,000	6,250,000	-	-	6,250,000	-	-	-
Hefei Xinsheng Optoelectronics Technology Co., Ltd		10%	5,000,000	5,000,000	-	-	5,000,000	-	-	-
ZJBOE	iv 3(1)	7.03%	570,032	-	570,032	-	570,032	-	-	-
Others			280,000	280,000	-	-	280,000	280,000	-	280,000
Total			<u>26,943,032</u>	<u>26,373,000</u>	<u>570,032</u>	<u>475,000</u>	<u>26,468,032</u>	<u>755,000</u>	<u>(475,000)</u>	<u>280,000</u>

(a) The plan of cancelling Beijing China Telecom Xinke Network System Co., Ltd. (“Telecom Xinke”) was approved by the General Meeting of Telecom Xinke on 14 January 2011, and the business cancellation was completed on 21 January 2011. The Company cancelled the relevant other long-term equity investments, and wrote off the full amount of impairment provision for the investments which was made in previous years.

As at 31 December 2011, The Group's long-term equity investments above are calculated under cost method.

During the year 2011, the investees above did not distribute cash dividends.

V. Notes to the consolidated financial statements (continued)

13. Investment properties

	Land use rights RMB	Buildings RMB	Total RMB
Cost:			
Balance at the beginning of the year	659,779,217	850,028,476	1,509,807,693
Additions during the year	-	30,104,415	30,104,415
Transfer from construction in progress	-	2,991,146	2,991,146
Disposals during the year	-	(77,376,415)	(77,376,415)
Balance at the end of the year	659,779,217	805,747,622	1,465,526,839
Less: Accumulated Depreciation or amortization			
Balance at the beginning of the year	14,988,642	87,045,509	102,034,151
Additions during the year	13,216,646	39,844,538	53,061,184
Disposals during the year	-	(30,553,485)	(30,553,485)
Balance at the end of the year	28,205,288	96,336,562	124,541,850
Carrying amounts			
At the end of the year	631,573,929	709,411,060	1,340,984,989
At the beginning of the year	644,790,575	762,982,967	1,407,773,542

As at 31 December 2011, the Group collateralized the buildings in investment property with a carrying amount of RMB 191,863,821 (2010: RMB 275,705,396) and land use rights with a carrying amount of RMB 3,371,142 (2010: RMB 10,765,921) for short-term loans, long-term loans and non-current liabilities due within one year.

The carrying amounts of the buildings among the Group's investment properties decreased by RMB 31,795,191 for the change of scope of consolidation.

V. Notes to the consolidated financial statements (continued)

14. Fixed assets

(1) The Group's fixed assets are as follows:

	Plant & buildings RMB	Equipment RMB	Others RMB	Total RMB
Cost:				
Balance at the beginning of the year	4,446,056,255	17,865,323,392	66,861,134	22,378,240,781
Additions during the year	1,129,895	165,217,228	47,364,030	213,711,153
Transfer from construction in progress	5,154,056,426	11,400,652,907	6,837,187	16,561,546,520
Disposals during the year	(332,109,309)	(357,782,626)	(6,931,503)	(696,823,438)
Balance at the end of the year	9,269,133,267	29,073,410,901	114,130,848	38,456,675,016
Less: Accumulated depreciation				
Balance at the beginning of the year	360,736,777	6,581,430,246	19,189,594	6,961,356,617
Charge for the year	165,518,726	2,566,975,204	15,548,972	2,748,042,902
Disposals during the year	(49,153,573)	(323,866,743)	(4,364,309)	(377,384,625)
Balance at the end of the year	477,101,930	8,824,538,707	30,374,257	9,332,014,894
Less: Provision for impairment				
Balance at the beginning of the year	-	129,016,280	-	129,016,280
Charge for the year	1,038,901	607,267,806	-	608,306,707
Written off on disposals	-	(1,525,869)	-	(1,525,869)
Balance at the end of the year	1,038,901	734,758,217	-	735,797,118
Carrying amounts:				
At the end of the year	8,790,992,436	19,514,113,977	83,756,591	28,388,863,004
At the beginning of the year	4,085,319,478	11,154,876,866	47,671,540	15,287,867,884

V. Notes to the consolidated financial statements (continued)

14. Fixed assets (continued)

- (1) The Group's fixed assets are as follows: (continued)

As at 31 December 2011, the Group collateralized plants and buildings with carrying amount of RMB 8,100,285,321 (2010: RMB 3,591,949,469) and equipment with carrying amounts of RMB 18,782,486,279 (2010: RMB 10,527,548,123) for short-term loans, long-term loans due within one year and long-term loans.

The provision impairment of fixed assets written off during 2011 was the impairment of equipments accrued in previous years that were disposed in 2011.

The carrying amounts of the Plant & buildings, Equipments and Others decreased by RMB 63,955,903, RMB 53,261,367 and RMB 2,263,242 respectively for the change of scope of consolidation.

In 2011, due to the price fluctuation of TFT-LCD products, BOE OT's impairment provision for TFT-LCD's relevant equipments increased by the amount of RMB 594,000,000, and the accumulated provision amounted to RMB 692,300,749. The carrying amounts of these equipments reduced to their recoverable amounts. The recoverable amounts were determined by the present value of the estimated future cash flows, and the effective pre-tax discount rate is 10%. The future sales volume and price of TFT-LCD products are one of the considering factors when estimating the present value of future cash flows, and the factors also affect the amount of provision for impairment. Beijing Pan-China Assets Appraisal Co., Ltd. calculated the amount of impairment provision, and issued advisory report TIANXINGZI (2012) No.14.

- (2) As at 31 December 2011, the Group's fixed assets acquired under finance leases were set out as follows:

	Cost	Accumulated depreciation	Carrying amounts
	RMB	RMB	RMB
Plants and buildings			
At the end of the year	11,291,665	2,581,183	8,710,482
At the beginning of the year	11,291,665	2,327,494	8,964,171

V. Notes to the consolidated financial statements (continued)

15. Construction in progress

(1) The Group's Construction in progress is as follows:

	2011 RMB	2010 RMB
Cost:		
Balance at the beginning of the year	8,098,564,419	1,162,408,515
Additions during the year	17,309,335,945	15,698,678,274
Transfer to fixed assets	(16,561,546,520)	(8,414,848,240)
Transfer to investment properties	(2,991,146)	(259,687,199)
Transfer to intangible assets and other assets	(430,322,780)	(87,986,931)
Balance at the end of the year	8,413,039,918	8,098,564,419
Less: Provision for impairment		
Balance at the beginning of the year	118,310	21,628,995
Additions during the year	-	118,310
Transfer to investment properties	-	(21,628,995)
Balance at the end of the year	118,310	118,310
Carrying amounts		
At the end of the year	8,412,921,608	8,098,446,109
At the beginning of the year	8,098,446,109	1,140,779,520

The capitalised borrowing cost of the Group in 2011 was amounting to RMB 404,038,588, of which RMB 97,201,936 transferred to fixed assets (2010: RMB 55,414,266). The interest rate per annum, at which the borrowing costs were capitalised for the current year by the Group, was 2.64% to 4.76%. (2010: 2.75% to 5.94%). As at 31 December 2011, the balance of the capitalised borrowing cost in construction in progress was RMB 332,948,913 (2010: RMB 26,112,261).

As at 31 December 2011, the Group collateralized construction in process with carrying amount of RMB 8,176,274,227 (2010: 4,341,516,358) for long-term loans.

V. Notes to the consolidated financial statements (continued)

15. Construction in progress (continued)

(2) As at 31 December 2011, the group's major construction projects in progress were set out as follows:

Project	Budget	Balance at the beginning of the year	Additions during the year	Transfer to Fixed assets	Transfer to Investment Property	Transfer to Intangible assets and others	Balance at the end of the year	Percentage of total input/budget	Sources of Funds
The 8.5 th generation TFT-LCD production line of BOE Display	20,803,000,000	3,715,095,645	16,433,105,722	(11,768,572,358)	-	(219,065,410)	8,160,563,599	97%	Self-financing and Capital-raising
The 6 th generation TFT-LCD production line in Hefei	16,000,000,000	4,253,813,245	193,240,159	(4,201,430,359)	-	(201,486,070)	44,136,975	77%	Self-financing and Capital-raising
The 4.5 th generation TFT-LCD production line in Chengdu	3,133,610,000	949,398	461,351,164	(455,211,664)	-	-	7,088,898	96%	Self-financing and Capital-raising
TFT-LCD Technology National Engineering Laboratory	259,020,000	1,298,590	1,870,893	(655,578)	-	-	2,513,905	93%	Self-financing
Equipment installation, renovation project in Hebei	39,000,000	456,142	-	(456,142)	-	-	-	100%	Self-financing
AM-OLED project of Yuansheng Optoelectronics	22,000,000,000	-	60,547,475				60,547,475	1%	Self-financing
Others		<u>126,833,089</u>	<u>159,220,532</u>	<u>(135,220,419)</u>	<u>(2,991,146)</u>	<u>(9,771,300)</u>	<u>138,070,756</u>		
Total		<u>8,098,446,109</u>	<u>17,309,335,945</u>	<u>(16,561,546,520)</u>	<u>(2,991,146)</u>	<u>(430,322,780)</u>	<u>8,412,921,608</u>		

V. Notes to the consolidated financial statements (continued)

16. Intangible assets

	Land use rights RMB	Technology rights RMB	Software RMB	Patent and others RMB	Total RMB
Cost:					
Balance at the beginning of the year	461,370,653	671,806,548	270,117,904	40,297,560	1,443,592,665
Additions during the year	31,132,347	308,437,112	140,578,458	-	480,147,917
Disposals during the year	(20,136,321)	(19,104,332)	(28,521,715)	-	(67,762,368)
Balance at the end of the year	472,366,679	961,139,328	382,174,647	40,297,560	1,855,978,214
Less: Accumulated Amortisation					
Balance at the beginning of the year	28,114,683	211,488,746	87,789,649	3,703,430	331,096,508
Charge for the year	9,491,486	50,833,496	31,948,168	3,853,420	96,126,570
Disposals during the year	(4,053,601)	(19,104,332)	(3,180,633)	-	(26,338,566)
Balance at the end of the year	33,552,568	243,217,910	116,557,184	7,556,850	400,884,512
Less: Provision for impairment					
Charge for the year	-	-	424,308	-	424,308
Balance at the end of the year	-	-	424,308	-	424,308
Carrying amounts					
At the end of the year	438,814,111	717,921,418	265,193,155	32,740,710	1,454,669,394
At the beginning of the year	433,255,970	460,317,802	182,328,255	36,594,130	1,112,496,157

As at 31 December 2011, the carrying amounts of the Group's intangible assets did not include capitalised borrowing cost (2010: nil).

As at 31 December 2011, the Group collateralized land use rights in intangible assets with carrying amounts of RMB 294,839,628 (2010: RMB 136,642,270) as security for short-term loans, long-term loans and non-current liabilities due within one year.

V. Notes to the consolidated financial statements (continued)

17. Goodwill

	2011	2010
	RMB	RMB
Yinghe Century	42,940,434	42,940,434
K-TRONICS (SUZHOU)	8,562,464	8,562,464
BOE OT	4,423,876	4,423,876
Subtotal	55,926,774	55,926,774
Less: Provision for impairment	4,423,876	-
Total	51,502,898	55,926,774

The Group paid RMB 63,271,833 for the purchase of 95% equity interest of Yinghe Century in 2001. The excess of combination cost over the Group's interest in the book value of Yinghe Century's identifiable assets and liabilities, amounting to RMB 53,340,273, was recognised as goodwill attributable to Yinghe Century. During the prior periods, the goodwill was amortised on a straight line basis and recognised as profit or loss for the periods. The Group retrospectively adjusted the amount of the goodwill to RMB 42,940,434 on 1 January 2007. The Group performed an impairment test on 31 December 2011 and determined that no provision for impairment loss needs to be made.

In 2010, the Group paid USD 32,460,260 (equivalent to RMB 221,070,601) to acquire 100% of K-TRONICS (SUZHOU) equity. The combination cost in the excess of the fair value of identifiable net assets of K-TRONICS (SUZHOU) with the amount of RMB 8,562,464 is recognised as goodwill. The Group performed an impairment test on 31 December 2011 and determined that no provision for impairment loss needs to be made.

The recoverable amount of Yinghe Century and K-TRONICS (SUZHOU) is determined by the present value of the estimated future cash flows, which were forecasted based on the following five years' cash flow forecast and original effective interest rate of 10%. The cash flow after five years is assumed to be stable. The key assumptions in the forecast were determined based on experience. The recoverable amount of the expected results did not appear as an impairment loss. However, considering that the key assumptions may change, which are the basis of Yinghe Century and K-TRONICS (SUZHOU)'s future cash flows expectations, the management assumes that it will result in the Company's carrying value exceeding its recoverable amount if the key assumptions change negatively.

V. Notes to the consolidated financial statements (continued)

17. Goodwill (continued)

In 2011, due to the price fluctuation of TFT-LCD products, BOE OT made impairment provision for TFT-LCD's relevant equipments (see Note V.(14)). The group deducted the carrying amount distributed to goodwill in the assets group from the total impairment provision of the relevant assets group, and then made impairment provision for the relevant goodwill with the amount of RMB 4,423,876.

18. Long-term deferred expenses

	Balance at the beginning of the year RMB	Additions of the year RMB	Amortization of the year RMB	Balance at the end of the year RMB
Cost of operating lease assets improvement	6,490,727	-	(3,490,699)	3,000,028
Others	6,779,953	21,927,531	(8,846,986)	19,860,498
Total	13,270,680	21,927,531	(12,337,685)	22,860,526

19. Deferred tax assets/deferred tax liabilities

(1) Recognised deferred tax assets and liabilities

	2011		2010	
	Deductable/ (taxable) temporary differences RMB	Deferred tax assets/(liabilities) RMB	Deductable/ (taxable) Temporary differences RMB	Deferred tax assets/(liabilities) RMB
Deferred tax assets:				
Provision for impairment	15,673,429	2,355,101	24,535,868	3,559,807
Difference of depreciation/ amortization	91,411	13,712	1,806,723	271,009
Unrealised profit and loss within the Group	180,987,788	45,246,946	188,653,507	46,952,190
Employee benefits payable	1,842,194	276,329	1,801,068	270,160
Subtotal	198,594,822	47,892,088	216,797,166	51,053,166
Deferred tax liabilities:				
Revaluation of Matsushita	(967,744,328)	(241,936,082)	(998,044,412)	(249,511,103)
Revaluation of assets of K-TRONICS	(102,831,652)	(25,707,913)	(113,778,427)	(28,444,607)
Changes in fair value of the financial assets held for trading	-	-	(67,794,013)	(16,948,503)
Long-term equity investments	(898,000,000)	(134,700,000)	-	-
Others	(46,879,472)	(12,217,359)	-	-
Subtotal	(2,015,455,452)	(414,561,354)	(1,179,616,852)	(294,904,213)
Total	(1,816,860,630)	(366,669,266)	(962,819,686)	(243,851,047)

V. Notes to the consolidated financial statements (continued)

19. Deferred tax assets/deferred tax liabilities (continued)

(2) Details of unrecognised deferred tax assets

	2011 RMB	2010 RMB
Deductible temporary differences	2,121,942,625	1,165,036,927
Deductible tax losses	3,942,760,960	5,136,649,034
Total	<u>6,064,703,585</u>	<u>6,301,685,961</u>

As at 31 December 2011, the deductible temporary differences are mainly the differences between the carrying amount and tax base the subsidiaries' impairment of assets. As it is an uncertainty that there will be sufficient taxable income to cover these deductible differences in future periods, based on out of prudence principle, the deferred income tax assets were not recognised.

- (3) As at 31 December 2011, deductible tax losses for unrecognised deferred tax assets are mainly the accumulated losses from the subsidiaries of the Group. As there was much uncertainty that whether the Company can have adequate taxable profits in future to utilise the deductible temporary differences, the Company did not recognise the deferred tax assets out of prudence principle. Expiration of deductible tax losses for unrecognised deferred tax assets are as follows:

Year	2011 RMB	2010 RMB
2011	-	748,666,617
2012	93,226,328	153,365,668
2013	407,075,600	978,988,300
2014	782,228,480	1,541,225,025
2015	1,153,378,219	1,714,403,424
2016	1,506,852,333	-
Total	<u>3,942,760,960</u>	<u>5,136,649,034</u>

V. Notes to the consolidated financial statements (continued)

20. Other non-current assets

(1) The Group's other non-current assets by category are as follows:

	2011 RMB	2010 RMB
Prepayment for projects	10,019,201	19,775,921
Prepayment for fixed assets	25,439,024	89,148,369
Prepayment for technology license contract	40,000	48,350,704
Others	35,182,924	16,494,138
Total	<u>70,681,149</u>	<u>173,769,132</u>

(2) As at 31 December 2011, the Group's other non-current assets are mainly prepayment in relation to non-current assets.

21. Details of provisions for impairment

	Note	Balance at the beginning of the year RMB	Additions of the year RMB	Decreasing during the year		Balance at the end of the year RMB
				Reversal RMB	Write off RMB	
receivables	V.4,7	18,102,612	13,119,696	144,850	4,229,505	26,847,953
Inventories	V.8	346,150,008	605,571,455	1,343,040	322,378,325	628,000,098
Available-for-sale financial assets	V.10	-	150,099,655	-	-	150,099,655
Held-to-maturity investments	V.11	17,960,946	-	-	-	17,960,946
Long-term equity investments	V.12	755,000	-	-	475,000	280,000
Fixed assets	V.14	129,016,280	608,306,707	-	1,525,869	735,797,118
Construction in progress	V.15	118,310	-	-	-	118,310
Intangible assets	V.16	-	424,308	-	-	424,308
Goodwill	V.17	-	4,423,876	-	-	4,423,876
Total		<u>512,103,156</u>	<u>1,381,945,697</u>	<u>1,487,890</u>	<u>328,608,699</u>	<u>1,563,952,264</u>

Please refer to the respective notes of the assets for reasons of provisions.

V. Notes to the consolidated financial statements (continued)

22. Restricted assets

As at 31 December 2010, the assets with restrictions placed on their ownership were as follows:

	Note	Balance at the beginning of the year RMB	Charge for the year RMB	Decrease during the year RMB	Balance at the end of the year RMB	Expiration date
Cash at bank and on hand	V.1	4,899,883,035	7,463,402,550	4,997,350,139	7,365,935,446	28/12/2012
Bills receivables	V.3	168,327,430	600,658,099	644,398,257	124,587,272	26/06/2012
Accounts receivables	V.4	97,064,020	148,020,250	154,944,408	90,139,862	10/05/2012
Investment properties	V.13	286,471,317	-	91,236,354	195,234,963	04/01/2018
Fixed assets	V.14	14,155,272,005	16,364,506,557	3,637,006,962	26,882,771,600	07/12/2020
Construction in progress	V.15	4,341,516,358	20,536,403,139	16,701,645,270	8,176,274,227	07/12/2020
Intangible assets	V.16	137,545,048	179,661,180	22,366,600	294,839,628	07/12/2020
Total		<u>24,086,079,213</u>	<u>45,292,651,775</u>	<u>26,248,947,990</u>	<u>43,129,782,998</u>	

Please refer to the respective notes of the assets for reasons of restrictions on the assets.

23. Short-term loans

	2011		Annual interest rate	Credited/collateralized/ guaranteed/Pledged
	Principal	Exchange rate		
Bank loans				
- RMB			10,000,000	6.66%
- RMB			<u>13,647,713</u>	4.50%-7.86%
Sub-total			<u>23,647,713</u>	Collateralized Credited
Foreign currency bank loans				
- USD	53,712,089	6.3009	338,434,504	3.60%-4.92%
- USD	27,003,297	6.3009	170,145,071	3.06%-4.25%
- JPY	35,730,052,112	0.0811	2,897,707,226	2.99%-5.30%
- JPY	37,697,310,649	0.0811	<u>3,057,258,996</u>	0.20%-5.01%
Sub-total			<u>6,463,545,797</u>	Pledged
Total			<u><u>6,487,193,510</u></u>	

V. Notes to the consolidated financial statements (continued)

23. Short-term loans (continued)

			2010		
	Principal	Exchange rate	RMB/ RMB equivalent	Annual interest rate	Credited/collateralized/ guaranteed/Pledged
Bank loans					
- RMB			134,400,000	4.86%~6.39%	Collateralized
- RMB			69,000,000	5.10%~7.47%	Guaranteed
- RMB			131,603,755	4.86%~7.77%	Pledged
Sub-total			335,003,755		
Foreign currency bank loans					
- USD	23,745,354	6.6227	157,258,356	2.49%~3.30%	Collateralized
- USD	13,530,429	6.6227	89,607,974	2.80%~2.90%	Credited
- USD	37,039,002	6.6227	245,298,202	2.69%~4.18%	Pledged
- JPY	6,000,000,000	0.0813	487,560,000	1.30%~4.29%	Credited
- JPY	44,913,657,144	0.0813	3,649,683,779	2.80%~4.18%	Pledged
Sub-total			4,629,408,311		
Total			4,964,412,066		

As at 31 December 2011, no amount of short-term loans was past due (2010: nil).

- (1) As at 31 December 2011, the Group's short-term loans amounting to JPY 37,697,310,649 and USD 15,886,769 were pledged by cash at bank and on hand with carrying amounts RMB 3,547,333,703 and USD 3,000,000.

As at 31 December 2011, the Group's short-term loans amounting to USD 11,116,528 were pledged by Accounts Receivable with a carrying amount of USD 14,305,871.

- (2) As at 31 December 2011, the Group's short-term loans amounting to RMB 10,000,000 were collateralized by land use rights with a carrying amount of RMB 8,938,984.
- (3) As at 31 December 2011, no amount due to shareholders who hold 5% or more of the voting rights of the Company was included in the above balance of short-term loans.

V. Notes to the consolidated financial statements (continued)

24. Bills payable

	2011 RMB	2010 RMB
Bank acceptance bills	27,918,268	37,148,093

The above bills are due within one year.

As at 31 December 2011, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of bills payable.

25. Accounts payable

(1) Details of accounts payable are as follows:

	2011 RMB	2010 RMB
Payables to group's related parties	7,022,553	7,848,003
Payables to the third parties	3,623,441,922	2,259,264,384
Total	3,630,464,475	2,267,112,387

As at 31 December 2011, the Group had no individually significant accounts payable ageing more than one year.

(2) Accounts payable by currency are as follows:

	2011			2010		
	Original currency	Exchange rate	RMB /RMB equivalents	Original currency	Exchange rate	RMB /RMB equivalents
- RMB			2,167,109,762			1,113,758,111
- USD	177,232,608	6.3009	1,116,724,574	106,874,565	6.6227	707,801,318
- JPY	4,268,578,216	0.0811	346,182,620	5,474,113,114	0.0813	444,826,431
-Other foreign currency			447,519			726,527
Total			3,630,464,475			2,267,112,387

As at 31 December 2011, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts payable.

V. Notes to the consolidated financial statements (continued)

26. Advances from customers

(1) Advances from customers by currency are as follows:

	2011			2010		
	Original currency	Exchange rate	RMB /RMB equivalents	Original currency	Exchange rate	RMB /RMB equivalents
- RMB			155,861,601			55,949,815
- USD	4,794,257	6.3009	30,208,134	3,896,156	6.6227	25,803,070
- Other foreign currency			-			882,923
Total			<u>186,069,735</u>			<u>82,635,808</u>

As at 31 December 2011, the balance represents the advances from customers when the Group sells products.

As at 31 December 2011, the Group had no individually significant advances from customers ageing more than one year.

No amount due to shareholders who hold 5% or more of the voting rights of the Company was included in the above balance of advances from customers.

27. Employee benefits payable

	Balance at the beginning of the year	Addition during the year	Reduction during the year	Balance at the end of the year
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	143,637,840	1,336,003,098	1,246,175,060	233,465,878
Staff welfare fees	-	157,565,851	157,565,851	-
Social insurances				
Including:				
Medical insurance premium	22,836,238	45,096,364	43,859,263	24,073,339
Pension insurance premium	1,844,637	88,969,815	88,639,661	2,174,791
Unemployment insurance premium	334,894	6,898,429	6,824,537	408,786
Work injury insurance premium	103,728	4,118,846	4,037,086	185,488
Maternity insurance premium	42,070	2,675,963	2,579,730	138,303
Housing fund	1,801,262	56,678,994	55,286,291	3,193,965
Labour union fee, staff and workers' education fee	54,334,993	60,334,263	42,699,798	71,969,458
Termination benefits	16,266,059	1,085,567	1,872,526	15,479,100
Staff bonus and welfare fund	13,548,278	2,760,073	865,113	15,443,238
Annuity payment	-	25,740	25,740	-
Others	1,736,007	24,858,923	24,684,501	1,910,429
Total	<u>256,486,006</u>	<u>1,787,071,926</u>	<u>1,675,115,157</u>	<u>368,442,775</u>

As at 31 December 2011, no arrear is included in the above balance of employee benefits payable.

V. Notes to the consolidated financial statements (continued)**28. Taxes payable**

	2011	2010
	RMB	RMB
VAT	1,206,885	657,790
Business tax	5,934,499	1,802,695
Corporate income tax	26,743,768	628,132
Individual income tax	9,383,749	8,677,723
Education surcharge	294,038	289,591
Others	3,775,606	3,548,057
Total	47,338,545	15,603,988

29. Interests payable

As at 31 December 2011, the interests payable for the long term loans that pay interests in installments and pay off principal at maturity date and the interests payable for short-term loans were RMB 110,964,115 (2010: RMB: 55,863,170). The ending balance of interests payable is mainly denominated in RMB.

30. Dividends payable

	2011	2010
	RMB	RMB
Beijing Picture Tubes Factory	1,504,649	1,504,649
Beijing Huayin Industrial Development Company	1,436,963	1,436,963
Internal employee's shares	2,603,025	2,604,966
Others	906,533	906,533
Total	6,451,170	6,453,111

As at 31 December 2011, Dividends payable mainly represented the unclaimed dividends for non-public shareholders.

As at 31 December 2011, the Group had no individually significant dividends payable denominated in foreign currency.

V. Notes to the consolidated financial statements (continued)

31. Other payables

(1) Details of other payables are as follows:

	2011	2010
	RMB	RMB
Projects and Equipment	3,818,142,334	2,587,381,142
Deposits	133,941,335	96,670,389
Agency fee payable	23,605,000	24,705,349
Accrued freight charges for export	27,215,727	15,330,292
Technology royalties	42,800,317	32,749,231
Freight agency charge	23,133,401	108,409,820
Accrued water and electricity charges	25,093,673	22,614,874
Others	191,890,370	203,471,841
Total	<u>4,285,822,157</u>	<u>3,091,332,938</u>

(2) The Group's other payables by currency are as follows:

	2011			2010		
	Original currency	Exchange rate	RMB /RMB equivalents	Original currency	Exchange rate	RMB /RMB equivalents
RMB			2,335,259,076			2,086,284,329
USD	134,083,761	6.3009	844,848,373	47,877,054	6.6227	317,075,359
JPY	13,616,098,593	0.0811	1,104,265,596	8,313,505,997	0.0813	675,555,521
Others			1,449,112			12,417,729
Total			<u>4,285,822,157</u>			<u>3,091,332,938</u>

As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company was included in the balance of other payables.

As at 31 December 2011, the Group's individually significant other payables ageing more than one year mainly represented housing rental deposits.

V. Notes to the consolidated financial statements (continued)

32. Non-current liabilities due within one year

		2011			Credited/Collateralized/ Guaranteed/ Pledged
Original currency	Exchange rate	RMB /RMB equivalents	Interest rate		
Bank loans					
- RMB		654,736,608	7.05%	Collateralized & Guaranteed	
- RMB		15,000,000	6.40%	Collateralized	
- USD	61,520,705	6.3009	387,635,808	LIBOR+1.8%	Collateralized & Guaranteed
- USD	27,000,000	6.3009	170,124,300	LIBOR+3.5%	Collateralized & Guaranteed
- JPY	4,800,000,000	0.0811	389,280,000	2.75%-2.97%	Pledged
Other loans					
-RMB entrust loans		100,000,000	Interest-free	Credited	
Total		<u>1,716,776,716</u>			
		2010			Credited/Collateralized/ Guaranteed/ Pledged
Original currency	Exchange rate	RMB /RMB equivalents	Interest rate		
Bank loans					
- RMB		15,000,000	5.94%	Collateralized & Guaranteed	
- RMB		10,200,000	7.38%	Collateralized	
- RMB		15,000,000	5.94%	Collateralized	
- USD	3,000,000	6.6227	19,868,100	LIBOR+3.5%	Collateralized & Guaranteed
Other loans					
-RMB entrust loans		200,000,000	Interest-free	Credited	
Total		<u>260,068,100</u>			

As at 31 December 2011, the information of the collateralized and guaranteed non-current liabilities due within one year refers to Note V.34.

33. Other current liabilities

As at 31 December 2011 and 2010, the other current liabilities were provision for warranties. The provision for warranties mainly relates to the after-sales repair warranty to the customers. The provision is estimated by the Management, based on historical claim experience and current actual sales outcomes.

V. Notes to the consolidated financial statements (continued)

34. Long-term loans

(1) Long-term loans by currency:

2011				
Original currency	Exchange rate	RMB /RMB equivalents	Interest rate	Credited/ Collateralized/ Guaranteed/ Pledged
Bank loans				
- RMB		710,466,683	7.05%	Collateralized& Guaranteed
- RMB		6,885,220,000	7.05%	Collateralized
- RMB		76,250,000	6.40%	Collateralized
- USD	203,260,602	6.3009	1,280,724,725	LIBOR+1.8%
- USD	117,000,000	6.3009	737,205,300	LIBOR+3.5%
- USD	635,540,000	6.3009	4,004,473,986	LIBOR+3.2%
- USD	127,867,079	6.3009	805,677,680	IBOR+3.18%
Other loans				
- Entrust loans		200,000,000	Interest-free	Credited
Total		<u>14,700,018,374</u>		
2010				
Original currency	Exchange rate	RMB /RMB equivalents	Interest rate	Credited/ Collateralized/ Guaranteed/ Pledged
Bank loans				
- RMB		550,000,000	5.94%	Collateralized& Guaranteed
- RMB		815,203,291	6.14%	Collateralized& Guaranteed
- RMB		877,050,000	5.94%	Collateralized
- USD	264,781,306	6.6227	1,753,567,157	LIBOR+1.8%
- USD	144,000,000	6.6227	953,668,800	LIBOR+3.5%
- USD	362,270,000	6.6227	2,399,205,529	LIBOR+3.2%
- JPY	1,899,246,000	0.0813	154,332,730	2.75%
Other loans				
- Loan transferred from state bond		1,800,000	2.55%	Credited
Total		<u>7,504,827,507</u>		

V. Notes to the financial statements (continued)

34. Long-term Loans (continued)

- (2) As at 31 December 2011, the Group's long-term loans, amounting to RMB 295,466,683 and USD 203,260,602, and long-term loans due within one year amounting to RMB 519,736,608 and USD 61,520,705 were collateralized by plant and buildings, equipments and land use right with the respective carrying amounts of RMB 604,203,355, RMB 1,639,844,264, and RMB 9,256,656, and partially guaranteed by Electronics Holdings.

As at 31 December 2011, the Group's long-term loans, amounting to RMB 415,000,000 and USD 117,000,000, and long-term loans due within one year amounting to RMB 135,000,000 and USD 27,000,000 were collateralized by plants and buildings, equipments, construction in progress and land use right with the respective carrying amounts of RMB 143,498,796, RMB 2,136,533,641, RMB 7,788,232 and RMB 14,275,926. Thereinto, Renminbi loans was guaranteed by Chengdu High-Tech Investment Group Co., Ltd, while the USD loans were guaranteed by Chengdu High-Tech Investment Group Co., Ltd and Chengdu Industry Investment Group Co., Ltd.

As at 31 December 2011, the Group's long-term loans, amounting to RMB 2,690,600,000 and USD 635,540,000, were collateralized by plants and buildings, equipments and land use right with the respective carrying amounts of RMB 2,269,519,166, RMB 8,543,243,151, and RMB 91,645,866.

As at 31 December 2011, the Group's long-term loans, amounting to RMB 4,194,620,000 and USD 127,867,079, were collateralized by plants and buildings, equipments, construction in progress and land use rights with the respective carrying amounts of RMB 5,083,064,004, RMB 6,462,865,223, RMB 8,168,485,995 and RMB 170,722,196. The Group's long-term loans due within one year amounting to JPY 4,800,000,000 were pledged by cash at bank and hand with carrying amounts of RMB 445,163,480.

As at 31 December 2011, the Group's long-term loans, amounting to RMB 76,250,000, and long-term loans due within one year, amounting to RMB 15,000,000 were collateralized by investment properties with the carrying amounts of RMB 195,234,963 (plant and buildings: RMB 191,863,821; land use rights: RMB 3,371,142).

35. Provisions

	Balance at the beginning of the year	Addition during the year	Reduction during the year	Balance at the end of the year
	RMB	RMB	RMB	RMB
Pending implementation of the agreement	37,049,896	-	6,969,052	30,080,844

V. Notes to the financial statements (continued)

35. Provisions (continued)

In 2009, the Group ceased producing several products and stopped fulfilling the purchase contract related to production. Due to the indemnity incurred accordingly, the Group accrued provisions according to reasonable estimation of loss. As the amount of provision has uncertainty, the profit and loss might be affected if the estimation of the provision changes.

36. Other non-current liabilities

As at 31 December 2010 and 2011, the balance of non-current liabilities represents government grants received but not meet revenue recognition.

	2011 RMB	2010 RMB
Other non-current liabilities related to assets		
The 8.5 th generation TFT-LCD production line	670,241,304	400,000,000
The 6 th generation TFT-LCD production line	363,809,524	395,238,095
Research platform for generic technology of flat panel display	12,500,000	14,642,857
Construction of generation plant in Hebei industrial park	12,400,000	13,120,000
Construction of National Engineering Laboratory for TFT-LCD technology	25,000,000	29,285,714
Other subsidies of scientific research and development	494,743,679	181,515,671
Subtotal	<u>1,578,694,507</u>	<u>1,033,802,337</u>
Other non-current liabilities related to profit and loss		
Technological Technology development of TFT-LCD platform for large dimension HDTV	2,686,500	4,298,400
Technological development of array base plate integration	595,000	7,140,000
Other subsidies of scientific research and development	41,200,739	27,599,015
Subtotal	<u>44,482,239</u>	<u>39,037,415</u>
Total	<u>1,623,176,746</u>	<u>1,072,839,752</u>

V. Notes to the financial statements (continued)

37. Share capital

The structure of share capital as at 31 December is as follows:

	2011 RMB	2010 RMB
Shares subject to selling restrictions:		
State-owned shares	-	330,000,000
Shares held by state-owned legal persons	2,094,059,405	3,305,049,504
Shares held by other legal persons	-	600,000,000
Shares held by domestic natural persons	78,501	65,418
subtotal	2,094,137,906	4,235,114,922
Shares not subject to selling restrictions:		
RMB-denominated ordinary shares	10,088,744,435	5,917,287,029
Domestically listed foreign shares	1,338,660,000	1,115,550,000
Subtotal	11,427,404,435	7,032,837,029
	-	-
Total	13,521,542,341	11,267,951,951

The movement of share capital is due to the surplus reserve transferring to share capital and the elimination of restrictions to the shares subject to selling restrictions.

Pursuant to the 8th session of the 6th Board of Directors meeting and the 2010 Annual General Meeting held on 22 April 2011 and 30 May 2011 respectively, the Company implemented its plan of transferring capital reserve into share capital at the rate of “2 shares for every 10 shares” to all shareholders in the basis of the 11,267,951,951 shares on 31 December 2010. Upon the completion of the transfer, the Company’s total share capital increased to RMB 13,521,542,341. Beijing Xinghua Certificated Public Accountants has verified the capital increase and issued the capital verification report 2011 JINGKUAIXINGYAN No.6-049 on 24 November 2011. The Company has obtained the renewed Business License after the increase of capital on 6 December 2011.

The Company issued 2,985,049,504 shares at RMB 1.00 per share non-publicly in December 2010. Except that the 495,049,504 RMB common shares (A shares), the shares held by state-owned legal persons, subscribed by Being E-TOWN International Investment & Development Co., Ltd. may not be sold within 36 months from the issuing date, the other non-public offering of restricted shares subscribed by other investors was listed for transaction on 26 December 2011.

V. Notes to the financial statements (continued)

38. Capital reserve

	Note	Balance at the beginning of the year RMB	Additions during the year RMB	Settlements during the year RMB	Balance at the end of the year RMB
Share premiums	V、37	17,318,645,850	-	2,253,590,390	15,065,055,460
Other capital reserves					
- Available-for-sale financial assets	(1)	(50,918,687)	50,918,687	-	-
- Equity investment provision	(2)	259,913,487	-	-	259,913,487
- Acquisition of minority interests		(43,286,499)	21,266,498	-	(22,020,001)
Total		<u>17,484,354,151</u>	<u>72,185,185</u>	<u>2,253,590,390</u>	<u>15,302,948,946</u>

- (1) In other capital reserves, the available-for-sale financial assets arose from the change in the fair value of the equity interest in 2011 caused by the reverse of provision for impairment in TPV Technology and Electronic City in previous years.
- (2) The other capital reserves arose from the difference between consideration of acquisition and the net assets acquired in the acquisition of BOE Display from the minorities' shareholders

39. Surplus reserve

	Balance at the beginning of the year RMB	Balance at the end of the year RMB
Statutory surplus reserve	209,421,304	209,421,304
Discretionary surplus reserve	<u>289,671,309</u>	<u>289,671,309</u>
Total	<u>499,092,613</u>	<u>499,092,613</u>

As at 31 December 2011, the Company was still at accumulated losses, and it was not required to appropriate the statutory surplus reserve and discretionary surplus reserve.

V. Notes to the financial statements (continued)**40. Operating income**

	2011	2010
	RMB	RMB
Operating income from principal activities	12,235,776,519	7,730,737,379
- Sale of goods	12,235,776,519	7,730,737,379
Other operating income	505,637,043	294,553,469
- Sale of other goods	99,102,609	53,817,074
- Sale of raw materials	75,371,047	38,415,123
-Rental income of investment properties	251,509,277	162,853,254
- Others	79,654,110	39,468,018
Operating income	<u>12,741,413,562</u>	<u>8,025,290,848</u>

In 2011, the Group's sales to the top five customers for the year amounted to RMB 3,511,460,179 (2010: RMB 2,441,715,705), which accounted for 28% (2010: 30%) of the total sales.

41. Operating cost

	2011	2010
	RMB	RMB
Operating cost	13,068,871,671	8,106,168,527
- Sale of goods	13,068,871,671	8,106,168,527
Other operating cost	372,357,191	181,984,503
- Sale of other goods	128,343,958	36,177,601
- Sale of raw materials	67,969,865	35,520,168
-Rental cost of investment properties	104,491,996	70,350,422
- Others	71,551,372	39,936,312
Operating cost	<u>13,441,228,862</u>	<u>8,288,153,030</u>

V. Notes to the financial statements (continued)**42. Business taxes and surcharges**

	<u>2011</u>	<u>2010</u>	<u>Taxation basis and rates</u>
	RMB	RMB	
Business tax	22,176,147	15,013,444	5% of operating income
City maintenance and construction tax	4,665,620	3,427,432	7% of VAT and business tax paid
Education surcharge	2,703,230	1,723,864	2%, 3% of VAT and business tax paid
Others	20,345	27,662	
Total	<u>29,565,342</u>	<u>20,192,402</u>	

43. Selling and distribution expenses

Selling and distribution expenses mainly include the staff cost and other expenses in the selling activities.

44. General and administrative expenses

General and administrative expenses mainly include the staff cost, research and other expenses.

45. Financial Expenses/(Income)

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Interest expenses from loans	915,332,455	280,567,867
Less: Capitalised borrowing costs	404,038,588	55,414,266
Interest income from deposits and receivables	(344,569,323)	(230,719,396)
Net exchange gains	(148,107,305)	(18,397,080)
Other financial expenses	11,064,910	10,799,614
Total	<u>29,682,149</u>	<u>(13,163,261)</u>

V. Notes to the financial statements (continued)

46. Impairment losses

	2011 RMB	2010 RMB
Impairment losses of receivables	12,974,846	9,368,040
Impairment losses of inventories	604,228,415	337,501,279
Impairment losses of available-for-sale financial Assets	150,099,655	-
Impairment losses of fixed assets	608,306,707	107,644,181
Impairment losses of construction in progress	-	118,310
Impairment losses of intangible assets	424,308	-
Impairment losses of goodwill	4,423,876	-
Total	<u>1,380,457,807</u>	<u>454,631,810</u>

47. (Losses)/gains from changes in fair value

	2011 RMB	2010 RMB
(Losses)/gains from changes in fair value of financial assets held for trading	<u>(67,794,013)</u>	<u>67,794,013</u>

48. Investment income/(losses)

(1) Investment income/(losses) by item

	Note	2011 RMB	2010 RMB
Long-term equity investments losses under equity method	(2)	(5,205,134)	(6,676,583)
Income from disposal of investments	(3)	3,648,147,580	-
Investment income from available-for-sale financial assets	(4)	4,408,804	3,329,419
Investment income from disposal of financial assets held for trading		59,123,876	30,150
Investment income from other long-term equity	(5)	898,000,000	-
Total		<u>4,604,475,126</u>	<u>(3,317,014)</u>

V. Notes to the financial statements (continued)

48. Investment income/(losses) (continued)

(2) Losses of long-term equity investments under equity method are as follows:

	2011	2010
	RMB	RMB
Nissin	(6,469,072)	(6,880,769)
Nittan	1,402,648	405,462
Julong	(17,981)	(36,806)
Infi-Hailin	(1,454)	-
Orient Hengtong	(119,275)	(164,470)
Total	<u>(5,205,134)</u>	<u>(6,676,583)</u>

- (3) During the year ended 31 December 2011, BOE OT transferred its 80% shareholding of BOE Energy Investment and recognised investment income with the amount of RMB 3,592,000,000. The related details of the share transfer see Note IV. 3(2). Moreover, during the year ended 31 December 2011, ZJBOE has completed the capital reorganisation by means of absorption merger, which lead to the control loses of the Company to ZJBOE. The accumulative total losses of ZJBOE which has been identified by the Company upon the control lose day were revised and the gains RMB 56,147,580 incurred when the control was lost, were recognised as investment income for the current period. See Note IV. 3(1).
- (4) The Group's income received from available-for-sale financial assets in 2011 was dividends from TPV technology and Electronic Zone.
- (5) During the year ended 31 December 2011, BOE OT transferred its 80% shareholding of BOE Energy Investment. After the transfer, BOE Energy Investment no longer has been included in the consolidated financial statement. As for the rest 20% shareholdings of the equity investment after the disposal, the Group re-measured the value on the day when control was lost, and the difference between the fair value and the original investment was recognised as the investment income for the current period with the amount of RMB 898,000,000.

V. Notes to the financial statements (continued)

49. Non-operating income

(1) Non-operating income by item is as follows:

	Note	2011 RMB	2010 RMB
Total gains on disposal of non-current assets		13,181,161	3,683,496
Government grants	(2)	666,446,749	76,412,990
Penalty income		2,383,375	1,088,902
Gains from acquisition of subsidiaries	(3)	2,295,471	-
Others		13,915,617	11,982,681
Total		<u>698,222,373</u>	<u>93,168,069</u>

(2) Details of government grants

	2011 RMB	2010 RMB
Interests subsidiaries	165,289,853	10,970,250
Other subsidies of scientific research and development	<u>501,156,896</u>	<u>65,442,740</u>
Total	<u>666,446,749</u>	<u>76,412,990</u>

(3) The gain in 2011 was realized from the acquisition of Changhong Innovation purchased by BOE Multimedia.

50. Non-operating expenses

	2011 RMB	2010 RMB
Losses on disposal of fixed assets	2,070,499	11,876,443
Donations	-	1,000,000
Penalty expense	435,021	751,486
Others	<u>6,535,590</u>	<u>640,849</u>
Total	<u>9,041,110</u>	<u>14,268,778</u>

V. Notes to the financial statements (continued)

51. Income tax

	Note	2011 RMB	2010 RMB
Current tax expenses for the period based on tax law and corresponding regulations		29,591,760	19,396,370
Deferred taxation adjustments	(1)	122,818,219	7,276,213
Total		<u>152,409,979</u>	<u>26,672,583</u>

(1) The analysis of deferred tax adjustments is set out below:

	2011 RMB	2010 RMB
Origination and reversal of temporary differences	<u>122,818,219</u>	<u>7,276,213</u>

(2) Reconciliation between income tax expenses and accounting losses is as follows:

	2011 RMB	2010 RMB
Profit/(losses) before taxation	846,087,296	(2,241,360,223)
Expected income tax expenses at a tax rate of 15%	126,913,094	(336,204,033)
Add: Difference in effective tax rate of subsidiaries	(43,852,341)	(11,918,102)
Tax effect of non-deductible expenses	39,494,936	24,691,882
Tax effect of non-taxable income	(50,594,681)	(21,804,556)
Utilisation of prior year tax losses	(426,827,355)	(25,140,308)
Deductible losses of deferred tax assets not recognised	260,125,881	271,880,363
Changes of deductible temporary differences not recognised	247,150,445	125,167,337
Income tax expenses	<u>152,409,979</u>	<u>26,672,583</u>

V. Notes to the financial statements (continued)

52. Calculation of basic earnings/(losses) per share and diluted earnings/(losses) per share

(1) Basic earnings/(losses) per share and diluted earnings/(losses) per share

Basic earnings per share is calculated by dividing consolidated net profit or loss of the Company attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding; diluted earnings per share is calculated by dividing adjusted consolidated net profit or loss of the Company attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding:

	2011 RMB	2010 RMB
Consolidated net profit/(losses) of the Company attributable to ordinary shareholders	560,866,477	(2,003,813,083)
Weighted average number of ordinary shares outstanding	13,521,542,341	9,939,482,936
Basic/Dilution earnings/(losses) per share (RMB/share)	0.041	(0.202)

The Group does not have any potential dilutive ordinary shares among the shares stated above.

(2) Calculation of weighted average number of the Company's ordinary shares:

	2011 RMB	2010 RMB
Issued ordinary shares on 1 January 2011	11,267,951,951	8,282,902,447
Add: Share numbers increased from capital reserve transferring to share capital	2,253,590,390	1,656,580,489
Issued ordinary shares on 1 January 2011 after adjustment	13,521,542,341	9,939,482,936
Issued ordinary shares during current period	-	-
Weighted average number of ordinary shares on 31 December 2011	13,521,542,341	9,939,482,936

V. Notes to the financial statements (continued)

52. Calculation of basic earnings/(losses) per share and diluted earnings/(losses) per share (continued)

For the ordinary share numbers increased from capital reserve transferring to share capital, the Company readjusted and disclosed the weighted average number of ordinary shares and earnings per share of the comparison period. In December 2010, the Company issued Renminbi ordinary share with the amount of 2,985,049,504. In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9 - Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC, the weighted average number of the Company’s ordinary shares is calculated from the next month from the issuing date.

53. Other comprehensive income

	<u>2011</u> RMB	<u>2010</u> RMB
1. Gains/(Losses) arising from available-for-sale financial assets	50,918,687	(10,009,650)
2. Translation differences of financial statements denominated in foreign currency	(2,172,444)	959,468
Total	<u>48,746,243</u>	<u>(9,050,182)</u>

V. Notes to the financial statements (continued)

54. Notes to cash flow statement

(1) Supplement to cash flow statement

	2011 RMB	2010 RMB
1. Reconciliation of net profit/loss to cash flows from operating activities:		
Net profit	693,677,317	(2,268,032,806)
Add: Impairment provisions for assets	1,380,457,807	454,631,810
Depreciation of fixed assets and investment property	2,801,104,086	1,681,547,740
Amortisation of intangible assets	96,126,570	68,612,026
Amortisation of long-term deferred expenses	12,337,685	6,373,241
Gains on disposal of fixed assets, intangible assets, and other long-term assets	(13,181,161)	(3,683,496)
Losses on scrapping of fixed assets	2,070,499	11,876,443
Losses/(gains) from changes in fair value	67,794,013	(67,794,013)
Financial expenses	3,298,833	4,227,035
Income/(Losses) arising from investments	(4,604,475,126)	3,317,014
Gains from share acquisition	(2,295,471)	-
Gains from Government subsidiaries	(266,399,024)	-
Decrease in deferred tax assets	3,161,078	2,343,508
Increase in deferred tax liabilities	119,657,141	4,932,705
Increase in gross inventories	(1,444,448,016)	(718,122,474)
Increase in operating receivables	(3,601,818,616)	(1,176,739,158)
Increase in operating payables	3,974,401,658	943,195,131
Net cash outflow from operating activities	<u>(778,530,727)</u>	<u>(1,053,315,294)</u>
2. Change in cash and cash equivalents:		
Cash at the end of the year	12,959,533,670	19,097,948,638
Less: Cash at the beginning of the year	<u>19,097,948,638</u>	<u>15,230,490,504</u>
Net (decrease)/increase in cash and cash equivalents	<u>(6,138,414,968)</u>	<u>3,867,458,134</u>

V. Notes to the financial statements (continued)**54. Notes to cash flow statement (continued)**

(2) Information on acquisition of subsidiaries during the current year:

	2011 RMB	2010 RMB
1. Consideration of acquisition	15,300,000	221,070,601
2. Cash and cash equivalents paid for acquiring subsidiaries	15,300,000	221,070,601
Less: cash and cash Equivalents held by subsidiaries	1,649,928	73,819,910
3. Net cash paid for the acquisition	13,650,072	147,250,691
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	142,742,214	307,895,971
Non-current assets	7,758	367,934,662
Current liabilities	108,249,048	(415,302,999)
Non-current liabilities	-	(30,430,645)

(3) Details of cash and cash equivalents

	2011 RMB	2010 RMB
Cash on hand	599,473	2,718,357
Bank deposits available on demand	12,958,934,197	19,095,230,281
Closing balance of cash and cash equivalents	<u>12,959,533,670</u>	<u>19,097,948,638</u>

Note: Cash and cash equivalents disclosed above exclude other monetary with restricted usage.

55. Notes of statement of changes in equity for the year

“The effect of change in scope of consolidation” in statement of changes in equity movement statement includes the increased minority interest amounting to RMB 39,252,093 due to the disposal of ZJBOE and the acquisition of Changhong Innovation in 2011.

VI. Related party relationships and transactions

1. Parent of the Company

Company_ name	Related_ party relationship	Type	Registered place	Legal_ representative	Business nature	Registered capital	Shareholding percentage (%)	Proportion of voting rights (%)	Organisation code
Electronics Holding	Ultimate holding company	Limited Liability company(state-owned)	No. 12, Jiuxianqiao Road Chaoyang District, Beijing	Wang Yan	Operation and management of state-owned assets within authorization	RMB 1,307,370,000	2.04%	8.41%	63364799-8
BOID	Direct holding company	Other limited liability corporations	No. 10, Jiuxianqiao Road Chaoyang District, Beijing	Wang Dongsheng	Manufacture and sale electronic product	RMB 680,982,000	6.37%	6.37%	10110124-9

2. For information on the Company's subsidiaries, refer to Note IV.1.

3. For information on the Company's associates, refer to Note V.12(2).

4. For information on the Company's joint ventures, refer to Note V.12(3).

VI. Related party relationships and transactions (continued)

5. Other related parties other than key management personnel

Name of other related parties	Related party relationship
Beijing State-owned Assets Management Co., Ltd. (“BSOAMC”)	Investors that exercise significant influence over the Group
Beijing E-TOWN International Investment & Development Co., Ltd.	Enterprise that holds over 5% equity of the Company
BETIDC	Enterprise that holds over 5% equity of the Company
Hefei Rongke Project Investment Co., Ltd.	Enterprise that holds over 5% equity of the Company
Hefei Xin City State Asset Management Co., Ltd.	Enterprise that holds over 5% equity of the Company
Hefei Lanke Investment Co., Ltd. (Hefei Lanke)	Enterprise that holds over 5% equity of the Company
Electronic City	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Sevenstar Huasheng Electronics&Machinery Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Sevenstar Front Electronics Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Sevenstar-hitech Electronics Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Sevenstar Electronics Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Sevenstar Flight Electronics Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Jile Electronics Group Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing BBEF Science Technology Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Zhengdong Electronic Power Group Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Orient Electronics Material Corp.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Dongdian Industrial Development Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Beijing Jiuxin Property Management Co., Ltd.	Enterprises that are controlled by the Company’s ultimate holding company
Nissin	Associates
Nittan	Associates
Julong	Associates
Infi-Hailin	Associates
BOE Energy Investment	Associates
Orient Heng Tong	Joint Venture

VI. Related party relationships and transactions (continued)

6. Transaction amounts with related parties:

- (1) The transactions with related parties were conducted under normal commercial terms or relevant agreements, as follows:

The Group

	Note	2011		2010	
		Amount	Percentage on similar deals	Amount	Percentage on similar deals
		RMB	(%)	RMB	(%)
Sales of goods	(i)	562,947	-	11,202	-
Purchase of goods	(ii)	33,285,675	-	28,867,874	-
Rendering of services	(iii)	2,410,513	3%	3,239,398	9%
Receiving services	(iv)	4,308,782	16%	5,507,889	72%
Related-party loans and advanced disbursement payable	(v)	824,021	100%	844,203	100%
Collection and payment for other companies	(vi)	34,000,000	100%	-	-
Lease income	(vii)	2,945,653	1%	3,919,202	2%
Guarantees expense	(viii)	2,087,140	100%	2,663,159	100%
Others	(x)	-	-	6,360,600	-

The company

	Note	2011		2010	
		Amount	Percentage on similar deals	Amount	Percentage on similar deals
		RMB	(%)	RMB	(%)
Purchase of goods	(ii)	14,725,673	22%	7,972,543	68%
Rendering of services	(iii)	488,236,885	80%	756,254,741	80%
Receiving services	(iv)	73,535,914	100%	361,141,143	100%
Related-party loans and advanced disbursement payable	(v)	132,442,652	100%	352,262,102	100%
Collection and payment for other companies	(vi)	2,034,100,000	100%	-	-
Lease income	(vii)	28,194,594	48%	29,953,931	48%
Guarantees income	(ix)	66,720,000	100%	66,720,000	100%

- (i) Sales of goods primarily represented the sale of precision electronic metal parts and semiconductor devices.
- (ii) Purchase of goods mainly represented the purchase of materials and public service directly related to the Group's and the Company's business.
- (iii) Rendering of services represented property management business, water, electricity and gas supply, equipment repair and other services provided.
- (iv) Receiving services mainly represented property management services accepted and the income related to technology development.
- (v) Advanced disbursement payable represented payment of other expenses of BOE ID. With the amount of RMB 824,021, and the loans that the Company gave to subsidiaries.

VI. Related party relationships and transactions (continued)

6. Transaction amounts with the related parties: (continued)

- (vi) Collection and payment represented the refurbish fund of urban infrastructure appropriated from Electronic City collected and paid by the Group and the Company, and the collection of BOE OT's share transfer of BOE Energy Investment with the amount of RMB 2,000,100,000.
 - (vii) Lease income represented the rental fee for related parties taking the property on lease from the Group and the Company.
 - (viii) Guarantees expense represented the guarantee fee for the syndicated loan guarantee provided by Electronics Holding and accepted by BOE OT.
 - (ix) Guarantees income represented the Company's guarantee fee income for providing syndicated loan guarantee to BOE OT.
 - (x) Others in 2010 represented the land investment premium that BOE Display refunded to Being E-TOWN International Investment & Development Co., Ltd.
- (2) Transactions with its key management personnel:

	<u>2011</u> RMB	<u>2010</u> RMB
Remuneration of key management personnel	<u>11,508 thousand</u>	<u>10,215 thousand</u>

VI. Related party relationships and transactions (continued)

7. The balances of transactions with related parties as at 31 December 2011 are set out as follows:

(1) The Group:

	2011	2010
	RMB	RMB
Accounts Receivable	1,666,120	2,263,043
Prepayments	1,053,819	3,940,000
Subtotal	<u>2,719,939</u>	<u>6,203,043</u>
Accounts payable	7,022,553	7,848,003
Other payables	6,678,644	6,281,283
Provisions	2,770,804	5,409,300
Subtotal	<u>16,472,001</u>	<u>19,538,586</u>

(2) The Company:

	2011	2010
	RMB	RMB
Accounts Receivable	49,462,856	47,161,239
Prepayments	1,054,931	4,380,624
Other Receivables	364,670,701	513,496,073
Subtotal	<u>415,188,488</u>	<u>565,037,936</u>
Accounts payable	47,338	65,648
Other payables	2,761,931,707	264,746,037
Receivable in advance	285,600,000	612,000,000
Subtotal	<u>3,047,579,045</u>	<u>876,811,685</u>

VII. Contingencies

1. Outstanding litigations and arbitration

The Group is a defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. Although the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse impact on the financial position or operating results of the Group.

2. Guarantees provided for other enterprises

(1) Guarantees provided for external enterprises

As at 31 December 2011, no guarantees were provided for external enterprises of the Group.

(2) Guarantees provided for internal enterprises

As at 31 December 2011, the Company and Electronics Holdings provided maximum co-guarantees amounting to USD 740,000,000 (2010: USD 740,000,000) for the long-term loans which were borrowed by BOE OT. As at 31 December 2011, the guarantee amount actually provided by the Company was RMB 2,483,563,824 (2010: RMB 2,568,770,448). The Company charged a guarantee fee to BOEOT; the latest expiration month of aforesaid guarantee is in April 2014.

VIII. Commitments

1. Capital commitments

(1) The Group:

	2011 RMB	2010 RMB
Investment contracts entered into but not performed or performed partially	2,817,048,043	18,899,329,182
Investment contracts authorized but not entered into	21,964,845	-
Total	<u>2,839,012,888</u>	<u>18,899,329,182</u>

(2) The Company:

	2011 RMB	2010 RMB
Investment contracts entered into but not performed or partially performed	26,401,235	8,777,414,178
Investment contracts authorized but not entered into	21,964,845	-
Total	<u>48,366,080</u>	<u>8,777,414,178</u>

The Group and the Company's investment contracts entered into but not performed or partially performed mainly included the fixed assets and intangible assets that BOE Display planed to purchase in 2012.

Except the aforesaid, pursuant to the resolution approved by the 2011 first Extraordinary General Meeting, the Company decided to establish the 5.5G AM-OLED TFT-LCD production line ("AM-OLED project company") in Erdos, inner Mongolia. The budget was estimated amounting to 22 billion. The Company injected 2 billion by cash to Yuansheng Optoelectronics, the AM-OLED project company, in December 2011, see Note IV.1(4)(f)).

VIII. Commitments (continued)**2. Operating lease commitments****(1) The Group**

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the Group's properties were payable as follows:

	<u>2011</u> RMB	<u>2010</u> RMB
Within 1 year (inclusive)	11,408,873	11,728,948
After 1 year but within 2 years (inclusive)	7,870,972	10,020,224
After 2 years but within 3 years (inclusive)	6,252,318	6,276,462
After 3 years (inclusive)	<u>3,025,814</u>	<u>8,874,885</u>
Total	<u>28,557,977</u>	<u>36,900,519</u>

(2) The Company

As at 31 December, the total future minimum lease payments of the Company were payable as follows:

	<u>2011</u> RMB	<u>2010</u> RMB
Within 1 year (inclusive)	1,249,600	1,102,500
After 1 year but within 2 years (inclusive)	510,650	812,000
After 2 years but within 3 years (inclusive)	-	390,000
Total	<u>1,760,250</u>	<u>2,304,500</u>

IX. Post balance sheet events

No post balance sheet events need to disclose in this statement.

X. Other significant events

1. Segment reporting

(1) Segment reporting considerations

The Group management reviews the operation performance and allocates resources according to the business segments below.

- (a) TFT-LCD Business - The products are mainly used for display, laptop, LCD TV and mobile electronic products.
- (b) Back light products Business - The products are mainly used for LCD.
- (c) Display System products Business – The products mainly consist of LCD and LCD TV.
- (d) Others- Except the aforesaid business, the other business mainly includes Precision Electronic Components and Materials Business, Photovoltaic Business and property management & lease of real estates, etc.

The main reason to separate the segments is that the Group independently manages the TFT-LCD Business, the Back light products Business, Display System products Business and other businesses. Because the business segments manufacture and distribute different products, apply different manufacturing processes and specifies in gross profit, the business segments are managed independently. The management evaluates the performance and allocates resources according to the profit of each business segment and does not take financing cost and investment income into account.

X. Other significant events (continued)

1. Segment reporting

(2) Accounting policy for the measurements of segment profit or loss, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's management regularly reviews the assets, liabilities, revenue, cost and results of operations, attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible, other non-current and current assets, such as accounts receivable, with the exception of deferred tax assets and other unallocated corporate assets. Segment liabilities include payables, bank borrowings and other non-current liabilities attributable to the individual segments, but exclude deferred tax liabilities and other unallocated corporate liabilities.

Financial performance is operating income (including operating income from external customers and inter-segment operating income) after deducting expenses, depreciation, amortization, impairment losses, gains or losses from changes in fair value, investment gain, non-operating income and expenses and income tax expenses attributable to the individual segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders.

X. Other significant events (continued)

1. Segment reporting (continued)

(3) Primary segment reporting (business segments)

	2011						
	TFT-LCD s	Back light products Business	Display System	Others	Elimination	Remaining items	Total
Operating income	13,978,321,401	1,617,357,113	1,804,804,597	1,571,361,134	(6,230,430,683)	-	12,741,413,562
Including:							
-external transaction	9,893,361,460	686,945,337	1,750,183,492	410,923,273	-	-	12,741,413,562
-segment transaction	4,084,959,941	930,411,776	54,621,105	1,160,437,861	(6,230,430,683)	-	-
Operating expenses	14,200,616,348	1,633,032,245	1,999,102,492	892,676,722	(5,988,806,698)	(152,113,580)	12,584,507,529
Operating profits/losses	(222,294,947)	(15,675,132)	(194,297,895)	678,684,412	(241,623,985)	152,113,580	156,906,033
Profits/ (losses)	402,501,876	(6,532,501)	(190,071,047)	729,699,373	(241,623,985)	152,113,580	846,087,296
Income tax	(16,583,493)	1,162,643	(2,328,888)	8,621,139	148,587,785	12,950,793	152,409,979
net profits/(Net losses)	419,085,369	(7,695,144)	(187,742,159)	721,078,234	(390,211,770)	139,162,787	693,677,317
Total assets	65,417,243,529	886,222,969	1,410,825,346	34,653,262,097	(33,646,030,383)	47,892,088	68,769,415,646
Total liabilities	33,262,539,791	692,901,476	942,007,938	4,098,266,101	(5,921,008,342)	649,224,776	33,723,931,740
Supplementary information:							
Impairment loss for current period	1,208,711,099	4,029,369	29,354,440	335,651,052	(197,288,153)	-	1,380,457,807
Depreciation and amortization expense	2,727,494,164	23,913,049	64,543,479	134,194,699	(40,577,050)	-	2,909,568,341
Capital expenditure	17,838,559,501	20,248,362	43,017,545	182,175,352	(459,096,579)	-	17,624,904,181
Investment in associates and joint ventures	-	-	-	34,691,173	898,000,000	-	932,691,173
Investment profit from investment in associates and joint ventures	-	-	-	(5,205,134)	-	-	(5,205,134)
Net interest expenses	546,744,286	5,025,146	13,286,026	32,744,498	-	(75,441,179)	522,358,777

X. Other significant events (continued)

1. Segment reporting (continued)

(3) Primary segment reporting (business segments) (continued)

	2010						
	TFT-LCE	Back light products Business	Display System	Others	Elimination	Remaining items	Total
Operating income	6,354,605,506	1,370,029,321	576,510,616	1,912,558,164	(2,188,412,759)	-	8,025,290,848
Including:	5,560,939,394	939,868,065	555,415,929	969,067,460	-	-	8,025,290,848
-external transaction							
-segment transaction	793,666,112	430,161,256	21,094,687	943,490,704	(2,188,412,759)	-	-
Operating expenses	8,083,774,670	1,398,378,055	668,402,363	1,949,407,461	(1,629,942,163)	(124,470,024)	10,345,550,362
Operating (losses)/profits	(1,729,169,164)	(28,348,734)	(91,891,747)	(36,849,297)	(558,470,596)	124,470,024	(2,320,259,514)
(losses) /Profits	(1,685,074,081)	(24,291,269)	(91,175,517)	(9,215,737)	(556,073,643)	124,470,024	(2,241,360,223)
Income tax	17,371,413	1,418,204	(1,435,356)	7,805,783	1,512,539	-	26,672,583
(Net losses)/net profits	(1,702,445,494)	(25,709,473)	(89,740,161)	(17,021,520)	(557,586,182)	124,470,024	(2,268,032,806)
Total assets	38,576,940,489	839,003,823	1,157,709,209	32,946,430,699	(19,341,184,617)	51,053,166	54,229,952,769
Total liabilities	17,493,038,381	639,128,994	813,058,648	2,331,162,924	(1,876,037,860)	569,793,429	19,970,144,516
Supplementary information:							
Impairment loss for current period	422,782,755	164,174	10,768,761	21,127,842	(211,722)	-	454,631,810
Depreciation and amortization expense	1,600,173,484	17,513,504	19,733,595	117,271,479	(9,097,129)	-	1,745,594,933
Capital expenditure	16,413,032,466	24,953,841	51,490,313	389,103,896	(492,802,772)	-	16,385,777,744
Investment in associates and joint ventures	-	-	-	37,546,307	-	-	37,546,307
Investment profit from investment in associates and joint ventures	-	-	-	(6,676,583)	-	-	(6,676,583)
Net interest expenses	249,495,945	8,761,643	7,784,597	36,390,726	(67,994,558)	1,514,862	235,953,215

X. Other significant events (continued)

1. Segment reporting (continued)

(4) Secondary segment reporting (geographical segments)

- (i) Divided based on the location at which the services were provided or the goods delivered.

The information of the Group's external transactions based on the location is as follows

	Revenue from external customers	
	2011	2010
	RMB	RMB
PRC	7,732,219,518	4,264,217,264
Other Asian regions	4,166,283,160	3,674,546,671
Europe	372,612,469	64,239,503
America	400,006,446	22,287,410
Other regions	70,291,969	-
Total	12,741,413,562	8,025,290,848

- (ii) Divided based on assets location

The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and jointly controlled enterprises. Most of the non-current assets in the Group are located in the PRC.

(5) Main clients

Operating income of TFT-LCD Business from one customer of the Group amounting to RMB 2,409,847,615 (2010: RMB 645,989,934), represents approximately 19% (2010: 8%) of the Group's total operating income.

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analysis the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group's Board of Directors of has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and the record of previous transactions. Receivables are due within 15 to 120 days from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In monitoring customer credit risk, customers are grouped according to some factors, such as ageing and maturity date, etc.

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(1) Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, the Group and the Company's accounts receivable and other receivables due from the top five customers account for 13% and 10% of the total receivables respectively (2010: 24% and 7%). In addition, the accounts receivable not overdue or impaired is mainly related to many clients who don't have payment in arrears records recently.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As mentioned in Notes VII, as at 31 December 2011, the Group does not provide any external guarantees which would expose the Group or the Company to credit risk.

(2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, (subject to approval by the Company's board when the borrowings exceed certain predetermined levels). The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(2) Liquidity risk (continued)

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is floating, the actual interest rate as at 31 December is adopted) are as follows:

	Contract cash flow not discounted in the year of 2011					Balance of Balance Sheet RMB
	Within 1 year or payable immediately	1 and 2 years	2 and 5 years	Over 5 years	Total	
	RMB	RMB	RMB	RMB	RMB	
Financial Assets						
Cash at bank and on hand	20,325,469,116	-	-	-	20,325,469,116	20,325,469,116
Bills Receivable	340,293,997	-	-	-	340,293,997	340,293,997
Accounts Receivable	2,560,795,545	-	-	-	2,560,795,545	2,560,795,545
Interests Receivable	105,243,519	-	-	-	105,243,519	105,243,519
Other Receivables	1,735,824,884	-	-	-	1,735,824,884	1,735,824,884
Available-for-sale Financial Assets	74,718,931	-	-	-	74,718,931	74,718,931
Subtotal	25,142,345,992	-	-	-	25,142,345,992	25,142,345,992
Financial Liabilities						
Short-term Loans	(6,577,404,760)	-	-	-	(6,577,404,760)	(6,487,193,510)
Bills Payable	(27,918,268)	-	-	-	(27,918,268)	(27,918,268)
Accounts Payable	(3,630,464,475)	-	-	-	(3,630,464,475)	(3,630,464,475)
Interests Payable	(110,964,115)	-	-	-	(110,964,115)	(110,964,115)
Dividends Payable	(6,451,170)	-	-	-	(6,451,170)	(6,451,170)
Other payables	(4,285,822,157)	-	-	-	(4,285,822,157)	(4,285,822,157)
Non-current Liabilities due within one year	(1,761,967,837)	-	-	-	(1,761,967,837)	(1,716,776,716)
Long-term Loans	(820,273,307)	(2,241,691,048)	(8,937,228,591)	(6,321,165,611)	(18,320,358,557)	(14,700,018,374)
Subtotal	(17,221,266,089)	(2,241,691,048)	(8,937,228,591)	(6,321,165,611)	(34,721,351,339)	(30,965,608,785)
Total	7,921,079,903	(2,241,691,048)	(8,937,228,591)	(6,321,165,611)	(9,579,005,347)	(5,823,262,793)

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(2) Liquidity risk (continued)

	Contract cash flow not discounted in the year of 2010					Balance of
	Within 1 year or payable immediately	1 and 2 years	2 and 5 years	Over 5 years	Total	Balance Sheet
	RMB	RMB	RMB	RMB	RMB	RMB
Financial Assets						
Cash at bank and on hand	23,997,831,673	-	-	-	23,997,831,673	23,997,831,673
Financial assets held for trading	67,794,013	-	-	-	67,794,013	67,794,013
Bills Receivable	378,937,778	-	-	-	378,937,778	378,937,778
Accounts Receivable	1,263,204,267	-	-	-	1,263,204,267	1,263,204,267
Interests Receivable	57,851,997	-	-	-	57,851,997	57,851,997
Other Receivables	333,128,771	-	-	-	333,128,771	333,128,771
Available-for-sale Financial Assets	102,814,935	71,084,964	-	-	173,899,899	173,899,899
Subtotal	26,201,563,434	71,084,964	-	-	26,272,648,398	26,272,648,398
Financial Liabilities						
Short-term Loans	(5,038,654,295)	-	-	-	(5,038,654,295)	(4,964,412,066)
Bills Payable	(37,148,093)	-	-	-	(37,148,093)	(37,148,093)
Accounts Payable	(2,267,112,387)	-	-	-	(2,267,112,387)	(2,267,112,387)
Interests Payable	(55,863,170)	-	-	-	(55,863,170)	(55,863,170)
Dividends Payable	(6,453,111)	-	-	-	(6,453,111)	(6,453,111)
Other payables	(3,091,332,938)	-	-	-	(3,091,332,938)	(3,091,332,938)
Non-current liabilities due within one year	(262,338,563)	-	-	-	(262,338,563)	(260,068,100)
Long-term Loans	(307,243,655)	(1,700,419,578)	(3,948,605,108)	(2,691,791,960)	(8,648,060,301)	(7,504,827,507)
Subtotal	(11,066,146,212)	(1,700,419,578)	(3,948,605,108)	(2,691,791,960)	(19,406,962,858)	(18,187,217,372)
Total	15,135,417,222	(1,629,334,614)	(3,948,605,108)	(2,691,791,960)	6,865,685,540	8,085,431,026

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(2) Liquidity risk (continued)

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Company's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 31 December is adopted) are as follows:

	Contract cash flow not discounted in the year of 2011				Balance of Balance Sheet
	Within 1 year or payable immediately	1 and 2 years	2 and 5 years	Total	
	RMB	RMB	RMB	RMB	RMB
Financial Assets					
Cash at bank and on hand	3,043,542,028	-	-	3,043,542,028	3,043,542,028
Bills Receivables	3,863,762	-	-	3,863,762	3,863,762
Accounts Receivable	55,112,379	-	-	55,112,379	55,112,379
Interests Receivable	9,141,082	-	-	9,141,082	9,141,082
Dividend Receivable	8,204,147	-	-	8,204,147	8,204,147
Other Receivables	389,156,441	-	-	389,156,441	389,156,441
Available-for-sale Financial Assets	74,718,931	-	-	74,718,931	74,718,931
Subtotal	3,583,738,770	-	-	3,583,738,770	3,583,738,770
Financial Liabilities					
Short-term Loans	(35,187,966)	-	-	(35,187,966)	(34,663,422)
Accounts Payable	(13,236,221)	-	-	(13,236,221)	(13,236,221)
Interests Payable	(1,088,911)	-	-	(1,088,911)	(1,088,911)
Dividends Payable	(6,451,170)	-	-	(6,451,170)	(6,451,170)
Other Payables	(2,893,384,484)	-	-	(2,893,384,484)	(2,893,384,484)
Non-current Liabilities due within one year	(100,000,000)	-	-	(100,000,000)	(100,000,000)
Long-term loans	-	(50,000,000)	(50,000,000)	(100,000,000)	(100,000,000)
Subtotal	(3,049,348,752)	(50,000,000)	(50,000,000)	(3,149,348,752)	(3,148,824,208)
Total	534,390,018	(50,000,000)	(50,000,000)	434,390,018	434,914,562

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(2) Liquidity risk (continued)

	Contract cash flow not discounted in the year of 2010				Balance of Balance Sheet RMB
	Within 1 year or payable immediately RMB	1 and 2 years RMB	2 and 5 years RMB	Total RMB	
Financial Assets					
Cash at bank and on hand	11,570,776,269	-	-	11,570,776,269	11,570,776,269
Bills Receivable	1,309,602	-	-	1,309,602	1,309,602
Accounts Receivable	51,608,542	-	-	51,608,542	51,608,542
Interests Receivable	13,899,504	-	-	13,899,504	13,899,504
Dividends Receivable	8,204,147	-	-	8,204,147	8,204,147
Other Receivables	521,691,925	-	-	521,691,925	521,691,925
Available-for-sale Financial Assets	102,814,935	71,084,964	-	173,899,899	173,899,899
Subtotal	12,270,304,924	71,084,964	-	12,341,389,888	12,341,389,888
Financial Liabilities					
Short-term Loan	(76,016,264)	-	-	(76,016,264)	(74,889,216)
Accounts Payable	(5,061,943)	-	-	(5,061,943)	(5,061,943)
Interests Payable	(1,324,503)	-	-	(1,324,503)	(1,324,503)
Dividends Payable	(6,453,111)	-	-	(6,453,111)	(6,453,111)
Other Payables	(387,298,564)	-	-	(387,298,564)	(387,298,564)
Non-current liabilities due within one year	(200,000,000)	-	-	(200,000,000)	(200,000,000)
	(676,154,385)	-	-	(676,154,385)	(675,027,337)
Total	11,594,150,539	71,084,964	-	11,665,235,503	11,666,362,551

(3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

- (a) As at 31 December, the Group held the following interest-bearing financial instruments stated in Note V. 23, 32, and 34:

	2011 RMB	2010 RMB
Fixed rate financial liabilities		
Financial liabilities		
-Short-term loan	6,397,805,655	4,516,325,488
-Non-current liabilities due within one year	489,280,000	200,000,000
- Long-term loans	200,000,000	156,132,730
Total	7,087,085,655	4,872,458,218

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(3) Interest rate risk (continued)

- (a) As at 31 December, the Group held the following interest-bearing financial instruments stated in Note V. 23, 32, and 34: (continued)

	2011	2010
	RMB	RMB
Variable rate financial liabilities		
Financial liabilities		
- Short-term loan	89,387,855	448,086,578
- Non-current liabilities due within one year	1,227,496,716	60,068,100
- Long-term loans	14,500,018,374	7,348,694,777
Total	<u>15,816,902,945</u>	<u>7,856,849,455</u>

- (b) As at 31 December, the Company held the following interest-bearing financial instruments stated in Note XI. 19、27、28:

	2011	2010
	RMB	RMB
Fixed rate financial liabilities		
- Short-term loans	34,663,422	74,889,216
- Non-current liabilities due within one year	100,000,000	200,000,000
- Long-term loans	100,000,000	-
Total	<u>234,663,422</u>	<u>274,889,216</u>

- (c) Sensitivity analysis

As at 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group and the Company's net profit and equity by RMB 158,170,000 and RMB 0 respectively (2010: RMB 78,570,000 and RMB 0 respectively).

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(3) Interest rate risk (continued)

In respect of the exposure to fair value interest rate risk arising from financial instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as the financial instrument stated above revaluated by the new interest rate estimated to change at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group or the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

(4) Foreign currency risk

In respect of accounts receivable and payables denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (a) The Group's exposure as at 31 December to currency risk arising from recognised assets or liabilities denominated in foreign currencies is given in the table below. For presentation purposes, the amounts of the exposure are shown in renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

	2011			2010		
	USD	JPY	HKD	USD	JPY	HKD
Cash at bank and on hand	715,535,202	11,433,187	992,741	733,739,647	141,818,867	1,041,900
Accounts receivable	1,751,861,658	-	-	860,185,055	-	-
Prepayment	14,716,906	41,200	-	10,976,505	1,313,325	-
Other receivable	134,581	4,464,120	-	807,266	4,751,073	-
Available-for-sale financial assets	-	-	28,043,307	-	-	102,814,935
Subtotal	2,482,248,347	15,938,507	29,036,048	1,605,708,473	147,883,265	103,856,835
Short-term loans	(508,579,575)	(5,954,966,222)	-	(492,164,532)	(4,137,243,779)	-
Accounts payable	(1,116,724,574)	(346,182,620)	-	(707,801,318)	(444,826,431)	-
Advances from customers	(30,208,134)	-	-	(25,803,070)	-	-
Other payables	(844,848,373)	(1,104,265,596)	-	(317,075,359)	(675,555,521)	-
Non-current liabilities due within one year	(557,760,108)	(389,280,000)	-	(19,868,100)	-	-
Long-term loans	(6,828,081,691)	-	-	(5,106,441,486)	(154,332,730)	-
Subtotal	(9,886,202,455)	(7,794,694,438)	-	(6,669,153,865)	(5,411,958,461)	-
Gross balance sheet exposure	(7,403,954,108)	(7,778,755,931)	29,036,048	(5,063,445,392)	(5,264,075,196)	103,856,835

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(4) Foreign currency risk (continued)

- (b) The Company's exposure as at 31 December to currency risk arising from recognised assets or liabilities denominated in foreign currencies is as follows.

	2011			2010		
	USD	JPY	HKD	USD	JPY	HKD
Cash at bank and on hand	9,663,685	4,162	992,741	14,911,884	30,708	1,041,900
Available-for-sale financial assets	-	-	28,043,307	-	-	102,814,935
Prepayment	151,222	41,200	-	-	-	-
Subtotal	9,814,907	45,362	29,036,048	14,911,884	30,708	103,856,835
Short-term loan	-	(34,663,422)	-	-	(74,889,216)	-
Accounts payable	(999,405)	(1,916,011)	-	(987,737)	(130,341)	-
Other payable	(10,512,094)	(35,684,000)	-	-	(14,951,863)	-
Subtotal	(11,511,499)	(72,263,433)	-	(987,737)	(89,971,420)	-
Gross balance sheet exposure	(1,696,592)	(72,218,071)	29,036,048	13,924,147	(89,940,712)	103,856,835

- (c) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2011	2010	2011	2010
USD	6.4445	6.7668	6.3009	6.6227
JPY	0.0812	0.0777	0.0811	0.0813
HKD	0.8279	0.8708	0.8107	0.8509

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(4) Foreign currency risk (continued)

(d) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar, JPD and HKD at 31 December would have increased/(decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the year-end date:

The Group:

	Equity RMB	Net profit RMB
As at 31 December 2011		
USD	370,197,705	370,197,705
JPD	388,937,797	388,937,797
HKD	(1,451,802)	(49,637)
Total	<u>757,683,700</u>	<u>759,085,865</u>
As at 31 December 2010		
USD	253,172,270	253,172,270
JPD	263,203,760	263,203,760
HKD	(5,192,842)	(52,095)
Total	<u>511,183,188</u>	<u>516,323,935</u>

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(4) Foreign currency risk (continued)

(d) Sensitivity analysis (continued)

The company:

	Equity	Net Profit
	RMB	RMB
As at 31 December 2011		
USD	84,830	84,830
JPD	3,610,904	3,610,904
HKD	(1,451,802)	(49,637)
Total	<u>2,243,932</u>	<u>3,646,097</u>
As at 31 December 2010		
USD	(696,207)	(696,207)
JPD	4,497,036	4,497,036
HKD	(5,192,842)	(52,095)
Total	<u>(1,392,013)</u>	<u>3,748,734</u>

A 5% weakening of the Renminbi against the US dollar, JPD and HKD at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates have been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for the previous year.

(5) Other price risks

Other price risks mainly include stock price risk and commodity price risk etc.

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(6) Fair value

Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011

Assets	Level 1	Level 2	Total
Available-for-sale financial assets	28,043,307	46,675,624	74,718,931
Total	28,043,307	46,675,624	74,718,931

31 December 2010

Assets	Level 1	Level 1	Total
Trading financial assets	-	67,794,013	67,794,013
Available-for-sale financial assets	102,814,935	71,084,964	173,899,899
Total	102,814,935	138,878,977	241,693,912

During the year ended 31 December 2011, there were no significant transfers between instruments in Level 1 and Level 2.

During the year ended 31 December 2011, there were no changes in valuation technique of fair value.

X. Other significant events (continued)

2. Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

(7) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair value of financial assets, financial liabilities and items set out in Note X. 2(6) above that measured at fair value on the balance sheet date.

(a) Debts and equity investments

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets and held-to-maturity investments if there is an active market. If an active market does not exist for available-for-sale financial assets and held-to-maturity investments, the fair value is determined using valuation techniques.

(b) Receivables

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

(c) Loans

The fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

(d) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rates for the financial instruments of comparable credit status at the balance sheet date.

X. Other significant events (continued)

3. Assets and liabilities measured at fair value

<u>Item</u>	<u>note</u>	<u>Balance at the beginning of the year</u>	<u>Changes in fair value for the year</u>	<u>Cumulative changes in fair value recognised in equity</u>	<u>Impairment provided for the year</u>	<u>Balance at the end of the year</u>
Trading financial assets	V.2	67,794,013	(67,794,013)	-	-	-
Available-for-sale financial assets	V.10	173,899,899	-	50,918,687	(150,099,655)	74,718,931

XI. Notes of financial statements of the Company

1. Cash at bank and on hand

	2011			2010		
	Original currency	Exchange rate	RMB/RMB equivalents	Original currency	Exchange rate	RMB/RMB equivalents
Cash on hand:						
- RMB			38,126			21,461
- USD	20,025	6.3009	126,174	20,662	6.6227	136,838
- HKD	9,665	0.8107	7,835	9,665	0.8509	8,224
- JPK	51,325	0.0811	4,162	377,895	0.0813	30,708
- Korean Won	521,170	0.0055	2,856	521,165	0.0059	3,065
- Other foreign currencies			93,839			112,526
Subtotal			272,992			312,822
			-----			-----
Current deposit:						
- RMB			2,941,072,124			11,462,674,725
- USD	1,513,674	6.3009	9,537,511	2,230,970	6.6227	14,775,046
- HKD	1,214,884	0.8107	984,906	1,214,759	0.8509	1,033,676
Subtotal			2,951,594,541			1,478,483,447
			-----			-----
Other monetary funds						
- RMB			91,674,495			91,980,000
Total			3,043,542,028			11,570,776,269
			=====			=====

As at 31 December 2011, the other monetary funds pledged by the Company amounted to RMB 41,642,000 (2010: RMB 82,700,000) for short-term loans amounting to JPY 427,400,000. The rest of the other monetary funds amounting to RMB 50,032,495 were the deposits in commercial banks as security (2010: RMB 9,280,000).

XI. Notes of financial statements of the Company (continued)

2. Bills receivable

Classification of bills receivable

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Bank acceptance bills	<u>3,863,762</u>	<u>1,309,602</u>

All of the above bills are due within one year.

As at 31 December 2011, no bank acceptance bills were pledged by the Company (2010: nil).

As at 31 December 2011, the Company's outstanding endorsed bank acceptance bills amounted to RMB 3,038,561 (2010: nil), all of which will be due before 26 June 2012 (2010:nil).

During the year ended 31 December 2011, there was no amount transferred to accounts receivable from acceptance bills due to non-performance of the issuers by the Company (2010: nil).

No amount due from shareholders who hold 5% or more of the voting rights of the Company was included in the above balance of bills receivable.

3. Accounts receivable

(1) The Company's accounts receivable by customer type:

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Amounts due from subsidiaries	48,270,854	45,224,314
Amounts due from other related parties	1,192,002	1,936,925
Amounts due from other customers	<u>8,687,231</u>	<u>7,272,989</u>
Subtotal	58,150,087	54,434,228
Less: provision for bad and doubtful debts	<u>3,037,708</u>	<u>2,825,686</u>
Total	<u>55,112,379</u>	<u>51,608,542</u>

As at 31 December 2011, the Company had no accounts receivable denominated in foreign currencies (2010: nil).

XI. Notes of financial statements of the Company (continued)

3. Accounts receivable (continued)

- (1) The Company's accounts receivable by customer type: (continued)

As at 31 December 2011, the total amount of accounts receivables due from related parties accounted for 85% of the total amounts receivable (2010: 87%).

- (2) The ageing analysis of accounts receivable is as follows:

Ageing	2011			2010		
	Carrying amount		Provision	Carrying amount		Provision
	Amount RMB	Percentage (%)		Amount RMB	Percentage (%)	
Within 1 year						
(inclusive)	12,528,375	22%	212,022	30,060,136	55%	9,949
1 and 2 years						
(inclusive)	21,247,620	36%	9,949	15,474,020	29%	504,219
2 and 3 years						
(inclusive)	15,474,020	27%	504,219	6,628,220	12%	81,864
Over 3 years						
(inclusive)	8,900,072	15%	2,311,518	2,271,852	4%	2,229,654
Total	58,150,087	100%	3,037,708	54,434,228	100%	2,825,686

The ageing is counted starting from the date when accounts receivable is recognised.

As at 31 December 2011, receivables are assessed for impairment both on an individual basis and on a collective group basis. All impairment losses are recognized in loss, when its present value of the estimated future cash flows is less than the carrying amount.

- (3) During the year ended 31 December 2011, the Company had no individually significant write-off or recovery of doubtful debts which had been fully or substantially provided for in prior years.
- (4) As at 31 December 2010, the total amount of accounts receivable due from the top five debtors of the Company are as follows:

	2011 RMB	2010 RMB
Amounts (RMB)	46,900,600	42,768,025
Percentage of total accounts receivable	81%	79%

As at 31 December 2011, the Company's accounts receivable aged more than one year due from the top five debtors is RMB 41,954,103 (2010: RMB 22,150,344).

- (5) As at 31 December 2011, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable (2010: nil).

XI. Notes of financial statements of the Company (continued)

4. Prepayments

- (1) The Company's prepayments by category:

	<u>2011</u>	<u>2010</u>
	<u>RMB</u>	<u>RMB</u>
Prepayment for inventory	1,748,005	5,799,873
Others	1,234,705	1,462,026
Total	<u>2,982,710</u>	<u>7,261,899</u>

- (2) The ageing analysis of prepayments is as follows:

<u>Ageing</u>	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
	<u>RMB</u>		<u>RMB</u>	
Within 1 year (inclusive)	2,977,710	100%	7,261,899	100%
1 and 2 years (inclusive)	5,000	-	-	-
Total	<u>2,982,710</u>	<u>100%</u>	<u>7,261,899</u>	<u>100%</u>

The ageing is counted starting from the date when prepayments is recognised.

As at 31 December 2011, the Company's prepayments due from related parties amounted to RMB 1,054,931 (2010: RMB 4,380,624).

As at 31 December 2011, the Company's significant amount which exceeds 30% of the total prepayments is the prepayment for inventory, in the amount of RMB 1,031,629.

- (3) As at 31 December 2011, the total amount of prepayments due from the top five Company debtors are as follows:

	<u>2011</u>	<u>2010</u>
Amounts (RMB)	1,804,671	6,428,315
Percentage of total prepayments	61%	89%

- (4) As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayments (2010: nil).

XI. Notes of financial statements of the Company (continued)**5. Interests receivable**

	Opening balance	Addition during the year	Reduction during the year	Closing balance
	RMB	RMB	RMB	RMB
Amounts from time deposits	<u>13,899,504</u>	<u>84,002,541</u>	<u>88,760,963</u>	<u>9,141,082</u>

As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of interests receivable.

As at 31 December 2011, no significant amount of interests receivable of the Company is denominated in foreign currency.

6. Dividends receivable

	2011	2010
	RMB	RMB
Yinghe Century	<u>8,204,147</u>	<u>8,204,147</u>

7. Other receivables

(1) The Company's other receivables by customer type:

	2011	2010
	RMB	RMB
Amounts due from subsidiaries	364,670,701	513,496,073
Amounts due from other customers	<u>24,645,896</u>	<u>8,423,300</u>
Subtotal	<u>389,316,597</u>	<u>521,919,373</u>
Less: provision for bad and doubtful debts	<u>160,156</u>	<u>227,448</u>
Total	<u>389,156,441</u>	<u>521,691,925</u>

As at 31 December 2011, no other receivable of the Company is denominated in foreign currency (2010: nil).

As at 31 December 2011, the Company's other receivables due from related parties accounts for 94% of the total other receivables (2010: 98%).

XI. Notes of financial statements of the Company (continued)

7. Other receivables (continued)

- (2) The ageing analysis of other receivables is as follows:

	2011	2010
	RMB	RMB
Within 1 year (inclusive)	322,472,866	349,230,195
1 and 2 years (inclusive)	17,543,596	121,534,670
2 and 3 years (inclusive)	488,330	18,983,880
Over 3 years(inclusive)	48,811,805	32,170,628
Subtotal	<u>389,316,597</u>	<u>521,919,373</u>
	-----	-----
Less: provision for bad and doubtful debts	160,156	227,448
Total	<u><u>389,156,441</u></u>	<u><u>521,691,925</u></u>

The ageing begins from the date other receivables is recognised.

As at 31 December 2011, receivables are assessed for impairment both on an individual basis and on a collective group basis. All impairment losses are recognized in loss, when its present value of the estimated future cash flows is less than the carrying amount.

- (3) During the year ended on 31 December 2011, the Company does not have any individually significant other receivables with full bad-debts provision or with a significant bad-debts provision made in prior years which have been fully or partly written off during the year.
- (4) As at 31 December 2011, the total other receivables due from the Company's top five are as follows:

	2011	2010
	RMB	RMB
Amounts (RMB)	327,918,960	471,641,372
Percentage of total other receivables	84%	90%

As at 31 December 2011, the Company's other receivables ageing more than three years due from the top five debtors amounted to RMB 3,375,950 (2010: RMB 19,742,826).

- (5) As at 31 December 2011, no amount due from shareholders who hold 5% or more of the voting rights of the Company was included in the above balance of other receivables (2010: nil).

XI. Notes of financial statements of the Company (continued)

8. Inventories

(1) The Company's inventories by category:

	2011			2010		
	Book value RMB	Provision RMB	Carrying amount RMB	Book value RMB	Provision RMB	Carrying amount RMB
Raw materials	1,306,051	-	1,306,051	1,566,813	-	1,566,813
Work in progress	9,511,819	9,511,819	-	9,511,819	9,511,819	-
Finished goods	4,618,527	4,618,527	-	4,618,527	4,618,527	-
Total	<u>15,436,397</u>	<u>14,130,346</u>	<u>1,306,051</u>	<u>15,697,159</u>	<u>14,130,346</u>	<u>1,566,813</u>

As at 31 December 2011, the Company's closing balance of inventories did not include capitalised borrowing cost (2010: nil).

As at 31 December 2011, the Company had no inventory used for guarantee purposes (2010: nil).

(2) Provision for diminution in value of inventories:

	Opening balance RMB	Provision RMB	Write off RMB	Closing balance RMB
Work in progress	9,511,819	-	-	9,511,819
Finished goods	4,618,527	-	-	4,618,527
Total	<u>14,130,346</u>	<u>-</u>	<u>-</u>	<u>14,130,346</u>

As at 31 December 2011, the provision for diminution in value of Company's inventories was primarily due to the obsolete inventories.

9. Other current assets

	2011 RMB	2010 RMB
VAT deductible	28,593,586	22,389,271
Others	204,158	-
Total	<u>28,797,744</u>	<u>22,389,271</u>

XI. Notes of financial statements of the Company (continued)

10. Long-term equity investments

(1) The Company's long-term equity investments by category:

	2011 RMB	2010 RMB
Investments in subsidiaries	27,675,223,354	16,799,285,004
Investments in associates	32,540,424	35,276,283
Other long-term equity investments	127,289,635	21,373,000
Subtotal	<u>27,835,053,413</u>	<u>16,855,934,287</u>
	-----	-----
Less: Provision for impairment	178,518,153	13,171,550
Total	<u>27,656,535,260</u>	<u>16,842,762,737</u>

As at 31 December 2011, the Company took full provision for impairment in an amount of RMB 72,416,550 to its subsidiaries Beijing BOE Special Display Technology Co., Ltd. and Beijing BOE Digital Technology Co., Ltd. in total, and the provision for other long-term equity investments was in an amount of RMB 106,101,603. Moreover, the Company wrote off the 100% impairment provision for other long-term equity investments of Beijing Telecom Xinke Network System Co., Ltd. in an amount of RMB 475,000 (see note V. 12 (4)).

(2) The Company's investments in associates are listed in V. 12(2).

XI. Notes of financial statements of the Company (continued)

11. Investment properties

	<u>Buildings</u> RMB
Cost:	
Balance at the beginning of the year	200,282,218
Additions during the year	-
Disposals during the year	<u>(9,764,131)</u>
Balance at the end of the year	<u>190,518,087</u> -----
Less: Accumulated depreciation	
Balance at the beginning of the year	12,715,141
Additions during the year	4,894,181
Disposals during the year	<u>-</u>
Balance at the end of the year	<u>17,609,322</u> =====
Carrying amounts:	
At the end of the year	<u>172,908,765</u>
At the beginning of the year	<u>187,567,077</u>

As at 31 December 2011, there is no restriction placed on the ownership of the Company's investment properties (2010: nil).

XI. Notes of financial statements of the Company (continued)

12. Fixed assets

(1) The Company's fixed-assets status as at 31 December is as follows:

	Plants & buildings RMB	Equipment RMB	Others RMB	Total RMB
Cost:				
Balance at the beginning of the year	359,136,051	195,181,618	5,526,216	559,843,885
Additions during the year	856,186	25,301,895	1,347,761	27,505,842
Transfer from construction in progress	-	15,007,837	-	15,007,837
Disposals during the year	(12,775,639)	(4,314,590)	(649,380)	(17,739,609)
Balance at the end of the year	347,216,598	231,176,760	6,224,597	584,617,955
Less: Accumulated depreciation				
Balance at the beginning of the year	101,451,596	73,483,384	2,748,620	177,683,600
Charge for the year	13,541,830	20,809,673	652,705	35,004,208
Disposals during the year	(12,775,639)	(12,987,385)	(559,264)	(26,322,288)
Balance at the end of the year	102,217,787	81,305,672	2,842,061	186,365,520
Less: Provision for impairment				
Balance at the beginning of the year	-	5,156,350	-	5,156,350
Balance at the end of the year	-	5,156,350	-	5,156,350
Carrying amounts:				
As at the end of the year	244,998,811	144,714,738	3,382,536	393,096,085
As at the beginning of the year	257,684,455	116,541,884	2,777,596	377,003,935

As at 31 December 2011, there is no restriction placed on the ownership of the Company's fixed assets (2010: nil).

The Company had no individually significant asset impairment losses during the year (2010: nil).

XI. Notes of financial statements of the Company (continued)

12. Fixed assets (continued)

- (1) The Company's fixed-assets status as at 31 December is as follows:
(continued)

As at 31 December 2011, the condition of the Company's fixed assets acquired under finance lease, see Notes V. 14 (2).

13. Construction in progress

- (1) The analysis of the Company's construction in progress is as follows:

	2011 RMB	2010 RMB
Cost		
Balance at the beginning of the year	15,050,501	164,682,016
Additions during the year	27,811,215	286,175,302
Transfer to fixed assets	(15,007,837)	(245,497,832)
Transfer to investment property	-	(186,609,516)
Transfer to intangible assets	(1,020,886)	(3,699,469)
Balance at the end of the year	26,832,993	15,050,501
	-----	-----
Less: Provision for impairment		
Balance at the beginning of the year	-	21,628,995
Transfer to investment property	-	(21,628,995)
Balance at the end of the year	-	-
	-----	-----
Carrying amounts		
At the end of the year	26,832,993	15,050,501
At the beginning of the year	15,050,501	143,053,021

The carrying amounts of the Company's construction in progress did not include capitalised borrowing cost at the end of the year (2010: nil).

As at 31 December 2011, there is no restriction placed on the ownership of the Company's construction in progress (2010: nil).

XI. Notes of financial statements of the Company (continued)

13. Construction in progress (continued)

(2) The condition of changes in major construction in progress during the year

	Budget	Balance at the beginning of the year	Additions during the year	Decrease during the year	Balance at the end of the year	Percentage of total input/budget	Source of fund
	RMB	RMB	RMB	RMB	RMB		
National Engineering laboratory of TFT-LCD	259,020,000	1,298,590	1,870,893	(655,578)	2,513,905	93%	Self-financing
Others	-	13,751,911	25,940,322	(15,373,145)	24,319,088		
Total	259,020,000	15,050,501	27,811,215	(16,028,723)	26,832,993		

XI. Notes of financial statements of the Company (continued)

14. Intangible assets

	Land use right RMB	Software RMB	Patent RMB	Total RMB
Cost:				
Balance at the beginning of the year	63,883,735	9,673,319	547,560	74,104,614
Addition for the year	31,132,347	13,221,686	-	44,354,033
Transfer from construction in progress	-	1,020,886	-	1,020,886
Balance at the end of the year	95,016,082	23,915,891	547,560	119,479,533
Less: Accumulated Amortisation				
Balance at the beginning of the year	11,469,346	4,234,166	53,430	15,756,942
Addition for the year	1,458,531	2,732,430	53,420	4,244,381
Balance at the end of the year	12,927,877	6,966,596	106,850	20,001,323
Carrying amounts:				
At the end of the year	82,088,205	16,949,295	440,710	99,478,210
At the beginning of the year	52,414,389	5,439,153	494,130	58,347,672

As at 31 December 2011, the carrying amounts of the Company's intangible assets did not include capitalised borrowing cost (2010: nil).

As at 31 December 2011, there is no restriction placed on the ownership of the Company's intangible assets (2010: nil).

XI. Notes of financial statements of the Company (continued)

15. Deferred tax assets

In accordance with the accounting policy set out in Note II.25, as at 31 December 2011, as there is much uncertainty that whether the Company can have adequate taxable profits in future to utilise the deductible temporary difference, the Company did not recognise the deferred tax assets in respect of tax credits (deductible temporary differences) of RMB 345,548,080.

16. Other non-current assets

(1) The Company's non-current assets by category:

	2011	2010
	RMB	RMB
Prepayment for fixed assets	622,500	9,228,992
Prepayment for intangible assets	3,834,780	-
Prepayment for know-how license contract	-	48,350,704
Prepayment for Construction	-	532,522
Total	<u>4,457,280</u>	<u>58,112,218</u>

(2) As at 31 December 2011, the Company's non-current assets are mainly prepayments and other related assets that are classified as non-current assets.

17. Details of provisions for impairment

	Note	Balance at the beginning of the year	Additions during the year	Deduction during the year		Balance at the end of the year
		RMB	RMB	Reversal RMB	Write off RMB	RMB
Provision for receivables	XI.3,7	3,053,134	268,890	124,160	-	3,197,864
Inventories	XI.8	14,130,346	-	-	-	14,130,346
Available-for-sale financial assets	V.10	-	150,099,655	-	-	150,099,655
Held-to-maturity investments	V.11	17,960,946	-	-	-	17,960,946
Long-term equity investments	XI.10	13,171,550	165,821,603	-	475,000	178,518,153
Fixed assets	XI.12	5,156,350	-	-	-	5,156,350
Total		<u>53,472,326</u>	<u>316,190,148</u>	<u>124,160</u>	<u>475,000</u>	<u>369,063,314</u>

Please refer to the relevant asset notes for reasons of the provisions above.

XI. Notes of financial statements of the Company (continued)

18. Restricted assets

As at 31 December 2011, the other monetary funds pledged by the Company amounted to RMB 41,642,000 for short-term loans amounting to JPY 427,400,000, and the other restricted deposit as security in commercial banks was RMB 50,032,495 (see notes XI.1). The expiration date is 6 August 2012.

As at 31 December 2011, the Company's outstanding endorsed bank acceptance bills amounted to RMB 3,038,561, all of which will be due before 26 June 2012.

There is no other restriction placed on the Company's ownership of assets.

19. Short-term Loan

	2011				
	Principal	Exchange rate	RMB/ RMB equivalent	Annual interest rate	Credit/Guarantee Security/Pledge
Bank Loan - JPY	427,400,000	0.0811	<u>34,663,422</u>	4.22%-5.01%	Pledge
	2010				
	Principal	Exchange rate	RMB/ RMB equivalent	Annual interest rate	Credit/Guarantee Security/Pledge
Bank Loan - JPY	921,600,000	0.0813	<u>74,889,216</u>	2.63%~4.08%	Pledge

As at 31 December 2011, the Company's short-term loans were pledged by cash at bank and on hand with carrying amounts RMB 41,642,000 (2010: RMB 82,700,000).

20. Accounts payable

(1) The Company's accounts payable by category:

	2011 RMB	2010 RMB
Accounts payable to group's subsidiaries	47,338	65,648
Accounts payable to The third parties	<u>13,188,883</u>	<u>4,996,295</u>
Total	<u>13,236,221</u>	<u>5,061,943</u>

XI. Notes of financial statements of the Company (continued)**20. Accounts payable (continued)**

(2) The company's accounts payable are as follows:

	2011			2010		
	Original currency	Exchange rate	RMB /RMB equivalents	Original currency	Exchange rate	RMB /RMB equivalents
- RMB			10,320,805			3,943,865
- USD	158,613	6.3009	999,405	149,144	6.6227	987,737
- JPY	23,625,295	0.0811	1,916,011	1,604,000	0.0813	130,341
Total			<u>13,236,221</u>			<u>5,061,943</u>

As at 31 December 2011, no amount due to shareholders who hold 5% or more of the Company's voting rights is included in the above balance of accounts payable (2010: nil).

21. Advances from customers

As at 31 December 2011, the balance represents the advances from customers when the Company sells products.

As at 31 December 2011, the Company had no individually significant advances from customers ageing more than one year (2010: nil).

No amount due to shareholders who hold 5% or more of the Company's voting rights was included in the above balance of advances from customers.

XI. Notes of financial statements of the Company (continued)

22. Employee benefits payable

	Balance at the beginning of the year	Additions during the year	Reductions during the year	Balance at the end of the year
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	14,663,088	149,372,389	120,510,487	43,524,990
Staff welfare fees	-	15,047,723	15,047,723	-
Social insurances				
Including: Medical insurance premium	14,384,633	4,819,310	4,904,323	14,299,620
Pension insurance premium	-	9,468,546	9,468,546	-
Unemployment insurance premium	-	471,628	471,628	-
Work injury insurance premium	-	505,429	478,256	27,173
Maternity insurance premium	3,568	307,197	260,148	50,617
Housing fund	-	5,347,103	5,347,103	-
Labor union fee, staff and workers' education fee	2,719,373	5,432,764	4,544,984	3,607,153
Termination benefits (including early retirement fee)	-	255,495	255,495	-
Others	-	6,311,417	6,127,502	183,915
Total	31,770,662	197,339,001	167,416,195	61,693,468

As at 31 December 2011, no arrears are included in the above balance of employee benefits payable.

23. Taxes payable

	2011 RMB	2010 RMB
Business tax	1,098,583	853,337
Individual income tax	1,426,596	1,284,935
Corporate income tax	19,104,083	-
Education surcharge	32,958	25,600
Others	76,901	59,734
Total	21,739,121	2,223,606

24. Interests payable

As at 31 December 2011, the interests payable for the long term loans that pay interests in installments and pay off principal at maturity date and the interests payable for short-term loans were RMB 1,088,911 (2010: RMB 1,324,503).

XI. Notes of financial statements of the Company (continued)

25. Dividends payable

	2011	2010
	RMB	RMB
Beijing Picture Tubes Factory	1,504,649	1,504,649
Beijing Huayin Industrial Development Company	1,436,963	1,436,963
Internal employee's share	2,603,025	2,604,966
Others	906,533	906,533
Total	6,451,170	6,453,111

As at 31 December 2011, dividend payables mainly represented the unclaimed dividends for non-transferable shareholders.

As at 31 December 2011, the Company had no individually significant dividend payable denominated in foreign currency (2010: nil).

26. Other payables

The Company's other payables are as follows:

	2011	2010
	RMB	RMB
Projects and equipment	213,869,476	265,150,407
Agency fee payable	14,946,358	19,481,193
Advanced disbursement	2,604,270,653	14,486,645
Technological development cost	35,684,000	52,981,600
Technology royalties	10,512,094	-
Others	14,101,903	35,198,719
Total	2,893,384,484	387,298,564

As at 31 December 2011, the Company owned the collection of BOE OT's share transfer of BOE Energy Investment with the amount of RMB 2,000,100,000. The related details of the share transfer transaction see Note. IV. 3(2). The Company owned other payables towards Dai Nippon Printing Co., Ltd. and Sumitomo Chemical respectively amounting to JPY 440,000,000, in equivalent to RMB 35,684,000, and USD 1,668,995, in equivalent to RMB 10,512,094.

As at 31 December 2011, no amount due to the shareholders who hold 5% or more of the Company's or related parties' voting was included in the balance of other payables (2010: nil).

XI. Notes of financial statements of the Company (continued)

26. Other payables (continued)

As at 31 December 2011, the Company's individually significant other payables more than one year mainly consisted of construction on consignment funds and lease deposit.

27. Non-current liabilities due within one year

The Company's non-current liabilities due within one year are as follows:

	2011		
	RMB /RMB equivalents	Interest rate	Credited/ Collateralized /Guaranteed/ Pledged
Bank loans - RMB	<u>100,000,000</u>	interest free	Credited
	2010		
	RMB /RMB equivalents	Interest rate	Credited/ Collateralized /Guaranteed/ Pledged
Bank loans - RMB	<u>200,000,000</u>	interest free	Credited

28. Long-term loans

As at 31 December 2011, the Company's long-term loans are as follows:

	2011 RMB	2010 RMB
Bank loans	<u>100,000,000</u>	<u>-</u>

As at 31 December 2011, the Company had no renewed long-term loans because of overdue loans (2010: nil).

XI. Notes of financial statements of the Company (continued)

29. Other non-current liabilities

As at 31 December 2010 and 2011, the balance of non-current liabilities represents the government grant received but not meet revenue recognition.

	2011 RMB	2010 RMB
Other non-current liabilities related to assets		
Research platform for generic technology of flat panel display	12,500,000	14,642,857
Construction of National Engineering Laboratory for TFT-LCD technology	25,000,000	29,285,714
Subtotal	37,500,000	43,928,571
Other non-current liabilities related to income		
Technological development of TFT-LCD platform for large dimension HDTV	2,686,500	4,298,400
Technological development of array base plate integration	595,000	7,140,000
Other subsidies of scientific research and development subtotal	19,282,472	9,047,093
	22,563,972	20,485,493
Total	60,063,972	64,414,064

30. Capital reserve

	Notes	Balance at the beginning of the year RMB	Additions during the year RMB	Settlements during the year RMB	Balance at the end of the year RMB
Share premiums		17,318,645,850	-	2,253,590,390	15,065,055,460
Other capital reserves					
-Available-for-sale financial assets	V.38(1)	(50,918,687)	50,918,687	-	-
-Transfer from items under previous standards		29,538,085	-	-	29,538,085
Total		17,297,265,248	50,918,687	2,253,590,390	15,094,593,545

XI. Notes of financial statements of the Company (continued)

31. Operating income

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Operating income from principal activities	-	3,268,316
- Sale of goods	-	3,268,316
Other operating income	653,951,956	911,040,703
-Rental income of investment properties	58,684,462	62,358,364
-Technological development income	462,810,208	708,694,000
-Others	132,457,286	139,988,339
Operating income	<u>653,951,956</u>	<u>914,309,019</u>

As at 31 December 2011, the Company's sales to the top five customers for the year amounted to RMB 567,930,298 (2010: RMB 795,539,021), which accounted for 87% of the total sales (2010: 87%).

32. Operating cost

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Operating cost	-	2,787,845
- Sale of goods	-	2,787,845
Other operating cost	271,617,257	620,540,220
-Rental cost of investment properties	19,639,775	15,176,704
-Technological development cost	189,148,244	551,312,284
-Others	62,829,238	54,051,232
Operating cost	<u>271,617,257</u>	<u>623,328,065</u>

33. Business taxes and surcharges

	<u>2011</u>	<u>2010</u>	<u>Taxation basis and rates</u>
Business tax	5,894,803	7,293,215	5% of operating income
City maintenance and construction tax	523,839	535,955	7% of VAT and business tax paid
Education surcharge	224,502	229,694	3% of VAT and business tax paid
Total	<u>6,643,144</u>	<u>8,058,864</u>	

XI. Notes of financial statements of the Company (continued)

34. Financial Expenses

	2011 RMB	2010 RMB
Interest expenses from loans and payables	2,041,937	1,049,104
Interest income from deposits and receivables	(84,002,541)	(61,307,342)
Net exchange (gains)/losses	(4,260,646)	392,852
Other financial income/expenses	(117,372)	72,906
Total	<u>(86,338,622)</u>	<u>(59,792,480)</u>

35. Impairment losses

	2011 RMB	2010 RMB
Receivables	144,730	2,175,698
Available-for-sale financial assets	150,099,655	-
Long-term equity investment	165,821,603	-
Total	<u>316,065,988</u>	<u>2,175,698</u>

36. Investment losses

(1) Investment losses by item

	Note	2011 RMB	2010 RMB
Long-term equity investments loss under equity method	(2)	(5,085,859)	(6,512,113)
Losses from disposal of investments	(3)	-	(702,742)
Investment income from available-for-sale financial assets		4,408,804	3,329,419
Total		<u>(677,055)</u>	<u>(3,885,436)</u>

XI. Notes of financial statements of the Company (continued)**36. Investment losses (continued)**

- (2) Details of long-term equity investments (losses)/income under equity method are as follows:

	<u>2011</u>	<u>2010</u>
	<u>RMB</u>	<u>RMB</u>
Nissin	(6,469,072)	(6,880,769)
Nittan	1,402,648	405,462
Julong	(17,981)	(36,806)
Infi-Hailin	(1,454)	-
Total	<u>(5,085,859)</u>	<u>(6,512,113)</u>

37. Non-operating income

- (1) Non-operating income by item is as follows:

	<u>Note</u>	<u>2011</u>	<u>2010</u>
		<u>RMB</u>	<u>RMB</u>
Total gains on disposal of non-current assets	(2)	190,886	3,266,788
Government grants	(3)	31,368,818	35,366,455
Penalty income		359,534	385,530
Others		173,908	469,820
Total		<u>32,093,146</u>	<u>39,488,593</u>

- (2) Gains on disposal of non-current assets

Gains on disposal of non-current assets mainly included the non-operating income arose from the disposal of equipments amounting to RMB 190,886.

- (3) Details of government grants

	<u>2011</u>	<u>2010</u>
	<u>RMB</u>	<u>RMB</u>
Research project subsidy	25,198,926	30,979,063
Patent subsidy	994,180	251,750
Interest discount of import and export products	2,047,800	2,940,283
Others	3,127,912	1,195,359
Total	<u>31,368,818</u>	<u>35,366,455</u>

XI. Notes of financial statements of the Company (continued)**38. Non-operating expenses**

	2011	2010
	RMB	RMB
Losses on disposal of fixed assets	168,532	2,311,048
Donations	-	1,000,000
Penalty	39,350	-
Others	40,746	2,000
Total	248,628	3,313,048

39. Income tax

Reconciliation between income tax expenses and accounting profits is as follows:

	2011	2010
	RMB	RMB
(Losses)/Profits before taxation	(165,963,976)	161,878,301
Expected income tax expenses at a tax rate of 15%	(24,894,596)	24,281,745
Add: Tax effect of non-deductible expenses	1,361,896	15,731,438
Tax effect of non-taxable income	(1,437,680)	(2,545,915)
Utilisation of prior year tax losses	(7,757,749)	(23,429,312)
Deductible temporary difference not recognised	51,832,212	121,966
Income tax expenses	19,104,083	14,159,922

40. Other comprehensive income

	2011	2010
	RMB	RMB
Gains/(Losses) arising from available-for-sale financial assets	50,918,687	(10,009,650)

XI. Notes of financial statements of the Company (continued)

41. Notes to cash flow statement

(1) Supplement to cash flow statement

	<u>2011</u> RMB	<u>2010</u> RMB
1. Reconciliation of net profit to cash flows from operating activities:		
Net (losses)/profit	(185,068,059)	147,718,379
Add: Impairment provisions for assets	316,065,988	2,175,698
Depreciation of fixed assets and investment property	39,898,389	21,795,105
Amortisation of intangible assets	4,244,381	2,462,313
Amortisation of long-term deferred expenses	1,112,299	810,006
Gains on disposal of fixed assets, intangible assets, and other long-term assets	(190,886)	(3,266,788)
Losses on scrapping of fixed assets	168,532	2,311,048
Financial income/(expense)	(81,975,029)	(60,269,863)
Losses/(Income) arising from investments	677,055	3,885,436
Decrease/(Increase) in gross inventories	260,762	(1,284,496)
(Increase)/Decrease in operating receivables	(12,445,823)	15,504,676
Increase in operating payables	294,151,522	471,371,023
Net cash inflow from operating activities	<u>376,899,131</u>	<u>603,212,537</u>
2. Change in cash and cash equivalents:		
Cash at the end of the year	2,951,867,533	11,478,796,269
Less: Cash at the beginning of the year	<u>11,478,796,269</u>	<u>2,789,984,272</u>
Net (decrease)/increase in cash and cash equivalents	<u>(8,526,928,736)</u>	<u>8,688,811,997</u>

XI. Notes of financial statements of the Company (continued)

41. Notes to cash flow statement (continued)

(2) Details of cash and cash equivalents

	<u>2011</u>	<u>2010</u>
	RMB	RMB
Cash on hand	272,992	312,822
Bank deposits available on demand	<u>2,951,594,541</u>	<u>11,478,483,447</u>
Closing balance of cash and cash equivalents	<u>2,951,867,533</u>	<u>11,478,796,269</u>

Note: Cash and cash equivalents disclosed above exclude cash with restricted usage.

Supplements

1. Details of extraordinary gain and loss in 2010

	2011 RMB	2010 RMB
Disposal of non-current assets	11,110,662	(8,192,947)
Non-rationed Government grants	666,446,749	76,412,990
Excess of interest in the fair value of investee's identifiable net assets over investment costs of subsidiaries acquired	2,295,471	-
Reversal of impairment provisions of receivable assessed on an individual basis	144,850	1,189,804
(Losses)/gains from changes in fair value of financial assets	(67,794,013)	67,794,013
The investment income from the disposal of trading financial assets	59,123,876	-
The investment income from the long-term equity investments	3,648,147,580	-
Other long-term equity investments	898,000,000	-
Other non-operating net income	9,328,381	10,679,248
Less: Effect on taxation	123,905,218	17,565,212
Total	5,102,898,338	130,317,896
Attributable to: Equity shareholders of the Company	4,432,094,320	71,150,932
Minority interests	670,804,018	59,166,964

Notes: The extraordinary gains and losses above are before-tax values.

Supplement (continued)**2. Earnings per share and return on net assets**

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9 - Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC, the Group’s return on net assets and earnings per share are calculated as follows:

Profit during reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
		RMB	RMB
-Net profit attributable to the Company’s ordinary equity shareholders	2.22%	0.041	0.041
-Net losses exclusive of extraordinary gains and losses attributable to the Company’s ordinary equity shareholders	(15.31%)	(0.286)	(0.286)
		2011 RMB	2010 RMB
Return on net assets inclusive of extraordinary gain and loss		2.22%	(11.77%)
-Net profit/(losses) attributable to the Company’s ordinary equity shareholders inclusive of extraordinary gain/(loss)		560,866,477	(2,003,813,083)
-Weighted average of equity attributable to the Company’s ordinary equity shareholders		25,282,121,445	17,018,878,772
Return on assets exclusive of extraordinary gain and loss		(15.31%)	(12.19%)
-Net losses attributable to the Company’s ordinary equity shareholders exclusive of extraordinary loss		(3,871,227,843)	(2,074,964,015)
-Weighted average of equity attributable to the Company’s ordinary equity shareholders		25,282,121,445	17,018,878,772