比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Turnover	+89%	To RMB5,767 million
Gross Profit	+60%	To RMB1,528 million
Profit attributable to equity holders of the Company	+50%	To RMB1,093 million
Basic earnings per share	+49%	To RMB0.58
Final dividend per share		RMB0.15

HIGHLIGHTS

- Successfully listed on Hong Kong Stock Exchange on 20 December 2007, and raised gross proceeds of approximately HK$6.69 billion (after partial exercise of the over-allotment option and before deduction of any listing related expenses)

- Recorded strong sales of handset components and modules, sales amount increased by approximately 29%

- Recorded a significant growth of approximately 3,409% in assembly business sales

FINANCIAL RESULTS

The board of directors (the "Board") of BYD Electronic (International) Company Limited (the "Company" or "BYD Electronic") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 (the "Year") together with comparative figures in 2006.

The Board recommended the payment of a final dividend of RMB0.15 per share for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2007

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
REVENUE	4	5,767,256	3,043,966
Cost of sales		(4,239,331)	(2,091,470)
Gross profit		1,527,925	952,496
Other income and gains	4	64,295	24,640
Research and development costs		(175,542)	(55,873)
Selling and distribution costs		(54,138)	(35,939)
Administrative expenses		(152,073)	(80,613)
Other expenses		(58,401)	(43,656)
Finance costs	5	(66,182)	(31,566)
PROFIT BEFORE TAX	6	1,085,884	729,489
Tax	7	7,405	1,600
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		1,093,289	731,089
DIVIDENDS			
Proposed final	8	340,837	300,000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic	9	RMB0.58	RMB0.39

CONSOLIDATED BALANCE SHEET
31 December 2007

	Notes	**2007** *RMB'000*	**2006** *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		1,643,129	931,928
Prepaid land lease payments		136,661	—
Prepayments		119,208	125,686
Intangible assets		13,546	6,028
Deferred tax assets		9,706	2,301
Total non-current assets		1,922,250	1,065,943
CURRENT ASSETS			
Inventories		1,062,926	481,213
Trade and bills receivables	10	1,794,005	636,411
Factored trade receivables	11	—	309,139
Prepayments, deposits and other receivables		88,937	19,847
Derivative financial instruments		6,530	4,337
Due from fellow subsidiaries		92,677	74,170
Due from the intermediate holding company		14,257	—
Due from the ultimate holding company		39,000	—
Cash and bank balances		3,194,906	607,977
Pledged bank deposit		19,924	—
Restricted bank deposit		1,860	1,622
Total current assets		6,315,022	2,134,716
Total assets		8,237,272	3,200,659

	Notes	2007	2006
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	1,416,141	508,949
Bank advance on factored trade receivables		—	309,139
Other payables and accruals		489,689	268,674
Tax payable		—	96
Interest-bearing bank borrowings		1,296,983	233,195
Derivative financial instruments		7,280	3,360
Due to the intermediate holding company		—	549,907
Due to the ultimate holding company		—	392,200
Due to fellow subsidiaries		135,391	74,528
Total current liabilities		3,345,484	2,340,048
NET CURRENT ASSETS/(LIABILITIES)		2,969,538	(205,332)
TOTAL ASSETS LESS CURRENT LIABILITIES		4,891,788	860,611
EQUITY			
Issued capital	13	211,929	—
Reserves		4,679,859	860,611
Total equity		4,891,788	860,611

NOTES TO FINANCIAL STATEMENTS
31 December 2007

1. CORPORATE INFORMATION AND REORGANISATION

The company was incorporated in Hong Kong with limited liability on 14 June 2007.

Pursuant to reorganisation to rationalise the structure of the Company, its subsidiaries and the Precision Manufacturing Division (collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies and the Precision Manufacturing Division now comprising the Group on 27 July 2007 (the "Group Reorganisation"). Further details of the Group Reorganisation pursuant thereto are set out in the prospectus of the Company dated 7 December 2007 (the "Prospectus").

The Company's shares have been listed on the Stock Exchange since 20 December 2007 (the "Listing Date").

The registered office of the Company is located at Unit 1712, 17th Floor, Grand Central Plaza, No. 138 Shatin Rural Committee Road, Shatin, Hong Kong.

During the year, the Group was principally engaged in manufacture, assemble and sale of mobile handset components and modules.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

All significant intra-group transactions and balances have been eliminated on combination.

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as a result of the Group Reorganisation. On that basis, the Company has been treated as the holding company of its subsidiaries and the Precision Manufacturing Division for the financial years presented rather than from the date of their acquisitions. Accordingly, the consolidated results of the Group for the years ended 31 December 2006 and 2007 included the results for the Company, its subsidiaries and the Precision Manufacturing Division with effect from 1 January 2006. The comparative consolidated balance sheet as at 31 December 2006 has been prepared on the basis that the existing Group had been in place at that date.

2.1 BASIS OF PREPARATION (continued)

Comparative amounts have not been presented for the Company's balance sheet and the notes thereto because the Company was not in existence on 31 December 2006.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements - Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available for sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HK(IFRIC)-Int 11	*HKFRS 2 — Group and Treasury Share Transactions* [2]
HK(IFRIC)-Int 12	*Service Concession Arrangements* [4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 14	*HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

3. SEGMENT INFORMATION

The Group's primary business segment is the manufacture, assemble and sale of mobile handset components and modules. Since this is the only business segment of the Group and these activities are related and are subject to similar risks and returns, no further analysis thereof is presented.

Segment information is presented below as geographical segment, on the basis which is regarded as the secondary segment reporting basis. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of assets.

	PRC	**US**	**Europe**	**India**	**Asia Pacific (excluding the PRC and India)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007						
Revenue from external customers	2,867,533	953,468	1,024,859	820,043	101,353	5,767,256
Segment assets	4,062,631	335,804	277,798	488,972	3,072,067	8,237,272
Capital expenditure	896,813	—	1,942	178,848	—	1,077,603
Year ended 31 December 2006						
Revenue from external customers	1,086,331	380,053	530,695	459,844	587,043	3,043,966
Segment assets	2,829,136	45,256	155,804	139,716	30,747	3,200,659
Capital expenditure	750,185	—	—	—	—	750,185

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of assembly services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2007	**2006**
	RMB'000	*RMB'000*
Revenue		
Sale of mobile handset components and modules	3,869,150	2,989,879
Assembly services income	1,898,106	54,087
	5,767,256	3,043,966
Other income and gains		
Bank interest income	7,470	827
Sale of scrap materials	34,698	16,084
Sale of materials	883	798
Subcontracting income	5,708	5,065
Others	15,536	1,866
	64,295	24,640

5. FINANCE COSTS

	2007	**2006**
	RMB'000	*RMB'000*
Interest on bank loans, wholly repayable within one year	48,058	4,374
Interest on bills discounted	95	380
Interest on trade receivables factored and other bank charges	7,737	779
Finance charge on an amount due to the ultimate holding company	4,992	26,033
Finance charge on an amount due to the intermediate holding company	5,300	—
	66,182	31,566

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007	**2006**
	RMB'000	*RMB'000*
Depreciation	171,015	60,761
Auditors' remuneration*	1,580	—
Amortisation of intangible assets#	1,987	586
Recognition of prepaid land lease payments#	831	—
Impairment for/(write-back of) trade receivables##	(14,000)	31,690
Provision against obsolete inventories	24,296	18,082
Write off of inventories	—	4,045
Foreign exchange differences, net##	67,046	11,816

* The auditors' remuneration for the year ended 31 December 2006 was borne by the ultimate holding company of the Group.

\# The amortisation of intangible assets and recognition of prepaid land lease payments are included in "Administrative expenses" on the face of the consolidated income statements.

\## Include in "Other expenses" on the face of the consolidated income statement.

7. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

BYD Precision, a wholly-owned subsidiary of the Company, was accredited as a high and new technology enterprise, which the accreditation will expire on 30 June 2008. BYD (Huizhou) Electronic Co., Limited ("BYD Huizhou") and BYD (Tianjin) Co., Limited ("BYD Tianjin"), wholly-owned subsidiaries of the Company, were located in the Economy and Technology Development Zone and were entitled to tax rates of 18% and 15%, respectively. According to the Income Tax Law of the PRC for Foreign Investment Enterprises and approved by relevant tax authorities, BYD Precision and BYD Tianjin, wholly-owned subsidiaries of the Company operating in the PRC, were exempted from the PRC corporate income tax ("CIT") for the two years commencing from their respective first profit-making years, after deducting the tax losses carried forward, and were granted a 50% reduction in tax for the three years thereafter. 2006 and 2007 are the first profit-making years for BYD Precision and BYD Tianjin, respectively. No profit tax has been provided for BYD Huizhou as no assessable profit has been derived.

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the year.

7. TAX (CONTINUED)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions of which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No provision has been made for profit tax in India, Hungary, Romania and Finland as the Group had no assessable profits derived there.

The major components of the income tax expense for the year are as follows:

	2007	2006
	RMB'000	*RMB'000*
Group:		
Current - PRC	—	96
Deferred	(7,405)	(1,696)
Total tax credit for the year	(7,405)	(1,600)

On 16 March 2007, the National people's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic-invested and foreign-invested enterprises from 1 January 2008 will decrease from 33% to 25%. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. However, the change in tax rate will not have material effect on the Group.

8. DIVIDENDS

	2007	2006
	RMB'000	*RMB'000*
Proposed final — RMB0.15 (2006: RMB0.16) per ordinary share	340,837	300,000

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of RMB1,093,289,000 (2006: RMB731,089,000) and the weighted average of 1,880,849,000 (2006: 1,870,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2007 includes the weighted average of 330,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 20 December 2007 in addition to the 1,870,000,000 ordinary shares upon completion of the Group Reorganisation.

There were no potential dilutive ordinary shares in existence during the years ended 31 December 2006 and 2007 and, therefore, no diluted earnings per share amounts have been presented.

10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	**2006**
	RMB'000	*RMB'000*
Within 90 days	1,785,047	593,271
91 to 180 days	8,081	30,485
181 to 360 days	877	12,655
	1,794,005	636,411

11. FACTORED TRADE RECEIVABLES

At 31 December 2006, the Group factored trade receivables of RMB309,139,000 to banks on a without-recourse basis for cash. As the Group retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition condition as stipulated in HKAS 39 had not been fulfilled. Accordingly, bank advance from the factoring of the Group's trade receivables has been accounted for as liabilities in the consolidated balance sheet. The amount has been fully settled on 27 June 2007.

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	**2006**
	RMB'000	*RMB'000*
Within 90 days	1,328,202	481,869
91 to 180 days	85,278	20,265
181 to 360 days	2,107	6,070
Over 1 year	554	745
	1,416,141	508,949

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

13. SHARE CAPITAL

Shares

	2007
	RMB'000
Authorised 4,400,000,000 ordinary shares of HK$0.1 each	425,964
Issued and fully paid 2,200,000,000 ordinary shares of HK$0.1 each	211,929

The changes in the Company's authorised and issued share capital took place during the period from 14 June 2007 (date of incorporation) to 31 December 2007, and the period subsequent to the balance sheet date up to 16 January 2008, and upon the dates of completion of the initial public offering and the exercise of an over-allotment option are as follows:

	Notes	**Number of ordinary shares**	**Nominal Value of ordinary shares RMB'000**
Authorised:			
Upon incorporation and after completion of initial public offering	(a)	4,400,000,000	429,308
Issued:			
Upon incorporation (one share of HK$0.1)	(a)	1	—
Issue of new shares	(b)	1,869,999,999	181,036
Upon completion of Group Reorganisation		1,870,000,000	181,036
Issue of new shares	(c)	330,000,000	30,893
As at 20 December 2007, upon completion of initial public offering, and as at 31 December 2007		2,200,000,000	211,929
Issue of new shares	(d)	72,246,000	6,710
Subsequent to balance sheet date at 16 January 2008, upon exercise of an over-allotment option		2,272,246,000	218,639

Notes:

(a) The Company was incorporated on 14 June 2007 with an authorised of HK$440,000,000 representing 4,400,000,000 shares of HK$0.1 each and issued share capital of HK$0.1 representing one ordinary share of HK$ 0.1 each.

(b) (i) Pursuant to an ordinary resolution passed on 29 June 2007, the Company issued an additional 9,999 shares to the shareholder at HK$0.1 each on 29 June 2007.

(ii) Pursuant to an ordinary resolution passed on 27 July 2007, the Company acquired the entire issued share capital of BYD Electronic Company Limited on 27 July 2007. In consideration of the acquisition of BYD Electronic Company Limited, the Company allotted and issued 1,869,990,000 shares of HK$0.1 each, credited as fully paid, to Golden Link Worldwide Limited, the immediate holding company of the Company.

13. SHARE CAPITAL (CONTINUED)

(c) In connection with the Company's initial public offering, 330,000,000 new shares of HK$0.1 each were issued at a price of HK$10.75 per share for a total cash consideration, before expenses, of approximately HK$3,547,500,000. Dealings in these shares on the Stock Exchange were commenced on 20 December 2007.

(d) Subsequent to the balance sheet date, in connection with the Company's initial public offering, an over-allotment of 72,246,000 additional shares of HK$0.1 each was exercised by the Company at a price of HK$10.75 per share for a total cash consideration, before expenses, of HK$776,644,500. Dealings in these shares on the Stock Exchange commenced on 16 January 2008.

14. CONTINGENT LIABILITIES

In June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and certain subsidiaries of the Company (the "Defendants") for allegeries in connection with the use of confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the holding companies of the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Company concerned. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Hong Kong High Court (the "October 2007 Action"). The defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising in the June 2007 Action. In essence, the Plaintiffs allege that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000, and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep the alleged confidential information confidential. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

14. CONTINGENT LIABILITIES (CONTINUED)

Regarding the October 2007 Action, the ultimate holding company has given an indemnity in favor of the Company and other Defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the ultimate holding company to the indemnified parties will not cover the loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents.

As at the date of these financial statements, only the ultimate holding company and the intermediate holding company of the Company had been served with the writ; the other parties named as Defendants in the writ had not yet been served. As at the date of these financial statements, no judgement has been made in the court proceedings. To the knowledge of the directors of the Company, the ultimate holding company and the intermediate holding company's application for a stay of the legal proceedings have been set to be heard on 11 June 2008 over a two-day hearing.

Based on legal advice of the litigation legal counsels to the ultimate holding company of the Group, the ultimate outcome of the litigations is not yet determinable given the early stage of the proceedings. Accordingly no liability accrual has been recorded by the Company.

15. POST BALANCE SHEET EVENTS

The following subsequent events took lace subsequent to 31 December 2007:

(i) Over-allotment of the Company's shares

On 16 January 2008, over-allotment of 72,246,000 additional shares (the "Over-allotment Shares"), representing 13.14% of the issued shares, was exercised. The Over-allotment Shares were issued at HK$10.75 per share. Net proceeds of HK$757 million were received on 16 January 2008.

(ii) Acquisition of a mobile handset factory located in Hungary

On 1 February 2008, BYD Hungary entered into a sales and purchase agreement (the "Sales and Purchase Agreement") with Mirae Industry Co. Ltd. ("Mirae Industry") for the acquisition of the equity interest of Mirae Hungary Industrial Manufacturer Ltd ("Mirae Hungary"), a wholly owned subsidiary of Mirae Industry. at a consideration of EUR2,960,000 (equivalent to approximately RMB32 million). In addition, BYD Hungary has agreed to pay certain sum for the settlement of the liabilities of Mirae Hungary as at 31 October 2007. According to the Sale and Purchase Agreement, the total amount payable by BYD Hungary, including the consideration of EUR2,960,000 for the acquisition, will not exceed EUR15,500,000 (equivalent to approximately RMB167 million).

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2008.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

With the fast growing global handset market in 2007, coupled with evolving handset technology, and the acceleration of obsolete handsets by new functions, it is expected that the industry will continue to grow. According to the survey report released by Gartner, a market research institution, sales in the global handset market is expected to grow from approximately 990 million units in 2006 to approximately 1,563 million units in 2011, representing a CAGR of approximately 10%. In 2007 the global handset market recorded an output of approximately 1,120 million units, up approximately 14% from approximately 980 million units in the same period last year.

As living standards in the emerging markets, such as China and India, continue to improve, people have greater purchasing power for handsets and stronger demand for external designs. More affordable handsets not only attract more new users, but also boost greater desire for replacement of handset from existing users. In order to secure market share, in particular to penetrate into new regional and population markets, handset dealers started to request for more personalised handsets with new technologies and designs, and to produce and launch new models of handsets in according to market demand. This has created demand for multi-model customised handset assembly products.

General speaking, although global sales of handsets was growing steadily, the growth was slowing down compared with the previous years. Increasing market integration has further strengthened the market share of international leading brands, while increased industrial concentration caused more intensified market competition. With changing operation environment, the market positions of some famous handset brands were replaced by new Asian brands and their manufacturers encountered difficulties in operation. Therefore, many reputable international handset suppliers relocated their production, procurement and logistic bases to Asia and other regions of the emerging market to reduce costs and satisfy the need for low price, short product life cycle and more diversified product portfolio. Meanwhile, OEM manufacturers of handsets are inclined to select suppliers with global manufacturing and servicing platform for of high capabilities vertical integration as partners. Riding on the expertise and techniques of such suppliers in production and supply chain operations, OEM manufacturers could shorten the time for launching new products, achieve better flexibility, lower costs and faster capital turnover, and concentrate on the product development with high profit margin and the enhancement of brand value.

In the face of changing handset market, vertically integrated suppliers were able to provide more effective and low cost services than suppliers who were limited on handset supply chains of specific market sectors because their production bases were in close proximity to those markets that enable them to further cut cost. This provided favorable development opportunities for BYD Electronic and enabled the faster growth of the Company.

BUSINESS REVIEW

The two principal businesses of BYD Electronic are handset component and module business and the provision of handset assembly services. The Company commenced operation as a division under BYD Group in December 2002. It experienced rapid business development and gradually consolidated its market position. Considering the prospects of handset precision component segment in handset components and the assembly business, BYD Electronic successfully completed its spin-off from BYD Company Limited ("BYD Holding"), its controlling shareholder, on 20 December 2007 and independently listed on the Main Board of Hong Kong Stock Exchange, and successfully raised approximately HK$6.69 billion of gross proceeds (after partial exercise of the over-allotment option and before deduction of any listing related expenses). The spin-off can reflect the true value of the Company, providing sufficient capital and establishing a financing platform for BYD Electronic, which is helpful for the Company to better capture the opportunities in the expected rapid growth of the handset industry.

For the year ended 31 December 2007, the Company recorded consolidated sales of approximately RMB5,767,256,000, representing an increase of approximately 89% over the previous year. Profit attributable to shareholders amounted to approximately RMB1,093,289,000, a signifant increase of approximately 50% over the previous year.

Handset Component and Module Business

The Company's handset component and module business include the manufacture and sale of handset casings, handset keypads and handset modules. Handset modules are semi-finished handsets equipped with various complements such as handset casings, microphones and connectors.

During the year under review, the highly vertical integrated production process drove the growth of the handset component and module business of BYD Electronic, which satisfactory growth in results. In 2007, the handset component and module business of the Company recorded a sales of approximately RMB3,869,150,000, representing an increase of approximately 29% over the previous year. Handset component and module business represented approximately 67% of the Company total sales.

BYD Electronic is one of the manufacturers in the industry with the most competitive cost structure. The Company is benefited from its highly vertically integrated business which ensure the manufacture of quality handset components at low costs and with stable supply. Large scale production also enables the Group to further benefit from the effect of scale of economies, enhancing the Group's cost control capability and bargaining power with raw material suppliers. The Group's cost advantage is the key factor in maintaining business relationship with handset OEM manufacturers of leading international brands. The Group is confident that the operation model of BYD Electronic will facilitate the Company to speed up production with low cost.

With continued growth in the global handset demand, production bases of handsets are gradually moving to Asia and other regions of emerging markets, while manufacturers of famous international handset brands changed their outsourcing strategies, They are now inclined to select suppliers having high level vertical integration capability and global manufacturing and servicing platforms as their cooperation partners, which support the rapid growth of BYD Electronic. During the year, the Group enhanced its product design and production capabilities and started to supply medium to high end products. It also established new production facilities in Huizhou of Guangdong Province in China, Chennai in India, Komaron in Hungary and Cluj in Romania for the construction of global production platforms, providing customers with more tailor-made services and capturing business opportunities to satisfy the needs of persistent growth.

Assembly Services

The Company provides two types of assembly services including high level assembly and printed circuit board assembly. BYD Electronic adopts the operation strategy of one-stop vertical integration supply services to customers. The Company commenced provision of handset assembly services to customers since the second half of 2006, improved the Group's highly vertical integrated production process, further strengthening the Group's market position as a "one-stop handset component supplier" to international famous handset brands. In 2007, the Group's assembly business recorded satisfactory growth with a turnover of approximately RMB1,898,106,000, an increase of approximately 3,409% over the previous year, representing approximately 33% of the Company's total sales.

As high level assembly requires more components than handset module assembly process, the Company's end products manufactured through high level assembly are multi-functional basic finished products. The unique advantages of BYD Electronic lies in its software and hardware engineering capabilities, which is helpful for developing more efficient and high level assembly lines. Emphasis on quality and reliability is part of the elements of the Company's after-sale customer support services. The Company participates in the final stage of handset assembly process of our customers, providing on-site quality control support and collecting customers' opinions regarding quality problems. The strict quality assurance process of the Company enabled it to maintain good relationship with existing customers and attract more new customers.

FUTURE STRATEGY

The Company was able to benefit from the extensive experience and excellent R&D capabilities, good reputation and management skills of BYD Holding in the manufacturing service industry. The independent listing also enabled the Company to build up its own investor base and have access to with international capital markets, enhancing the Company's fund raising capability.

Looking forward, the Company will strive to promote further vertical integration of production process by combining its expertise in raw material R&D, industrial and mechanical designs, product and module development, component and module manufacturing, and high level assembly and printed circuit board assembly . Facing with the ever changing technology of the handset industry, the Company will continue to improve its own R&D capabilities through introducing more new materials, developing and adopting advanced production and processing techniques, and further enhancing its capabilities in the production of moulds . Meanwhile, the Company will also improve its cost structure and reduce the cost in each stage of the product life cycle, strengthen optimization of internally developed production equipment and production lines so as to enhance cost efficiency. The Company also hopes to benefit from scale of economies so as to increase the Group's bargaining power with raw material suppliers, thereby further reducing product costs. The Company will continue to strengthen the strategic cooperation relationship with our customers, and grow together with our customers who have difficulty in operation in times of intensified handset market competition.

The Company's development strategies and objectives are to develop an integrated global manufacture and service platform. We will on one hand focus on the expansion of manufacturing facilities, and an the other hand plan to cautiously and selectively seek acquisition or investment opportunities, with an aim to expand customer network, increase service categories, and to enter into new regional or product markets. Meanwhile, the Company will establish or enhance customer relationships, strengthen its market position and expand existing technical capabilities, process and core technologies.

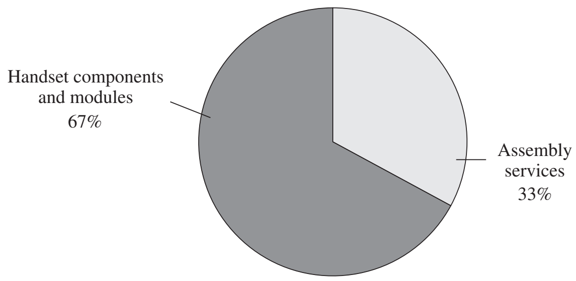
FINANCIAL REVIEW

Turnover and Profit Attributable to Equity Holders of the Company

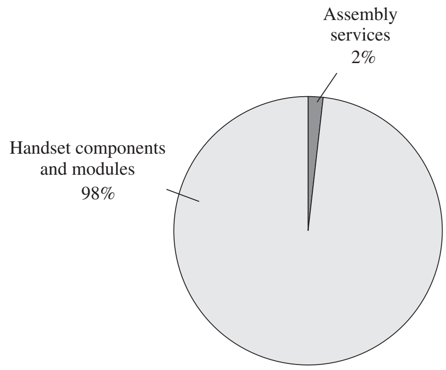
Benefiting from the favourable growth recorded in the two major business segments during the period, turnover grew substantially during the year. The Company's handset component and module business, which included the sales of handset casings, handset keypads and handset modules, recorded an increase of approximately 29% during the year. The assembly business, which included the provision of printed circuit board assembly services and high level assembly services, recorded a significant growth of approximately 3,409% during the year due to its commencement of operation in the second half of 2006 and the relatively low figures recorded in 2006. The strong performance of the two businesses was the driving force for the significant growth in net profits.

Segmental Information

Set out below are the Group's turnover in terms of business segments and their respective proportions in aggregated revenue for the years ended 31 December 2006 and 2007:



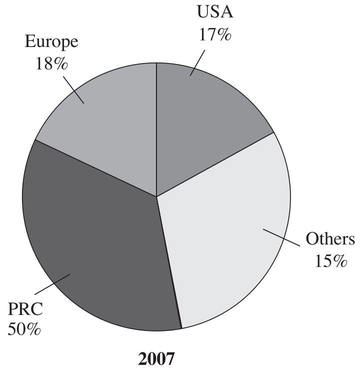
2007

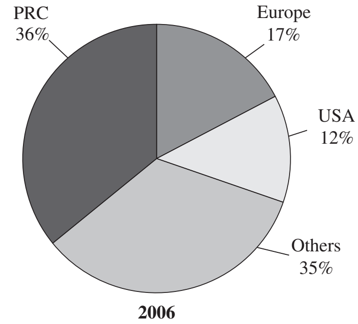


2006

During the Year, the proportions of overall turnover accounted by the two business segments changed significantly compared with the corresponding period of the previous year. Since the Company's commencement of provision of handset assembly services from the second half of 2006, revenue derived from such services increased significantly by approximately 3,409% in 2007, which in turn led to the significant growth in the proportion of this business in the overall turnover.

Set out below are the Group's turnover in terms of geographical segments, as determined by location of customers for the years ended 31 December 2006 and 2007:





Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2007 increased by 60% to approximately RMB1,527,925,000. Gross profit margin declined from approximately 31% in 2006 to approximately 26% in 2007. The decrease in gross margin was mainly due to the significant increase in proportion of the revenue of the lower margined assembly service of the Company to the overall revenue during the year ended 31 December 2007.

Liquidity and Financial Resources

For the year ended 31 December 2007, BYD Electronic recorded cash inflow from operations of approximately RMB240,063,000, compared with RMB611,023,000 recorded in the same period of last year. During the period under review, funds were obtained from the net cash derived from the Company's operations and bank loans. Bank loans mainly included short-term secured and unsecured bank loans. Total borrowings as at 31 December 2007, which included all the bank loans, were approximately RMB1,296,983,000, compared with RMB233,195,000 as at 31 December 2006, all were repayable within one year. The increase in the total borrowings was attributable to increased number of new projects, increased R&D expenses and strengthened production capacity. The Group maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operation cashflow.

For the year ended 31 December 2007, the number of turnover days of accounts receivables was approximately 77 days, while for the year ended 31 December 2006 the number was 60 days. The increase in the number of turnover days of accounts receivables was attributable to the significant increase in sales of the Group during the fourth quarter over the same period of last year, resulting in a stronger growth in the balance of accounts receivables at 31 December 2007 as compared with the same period of last year. Inventory turnover increased from 54 days for the year ended 31 December 2006 to 66 days for the year ended 31 December 2007. The increase in inventory turnover was attributable to the significant increase in size of the assembly service business at the end of the year compared with the corresponding period of last year resulting in a stronger growth in the inventory balance at 31 December 2007 as compared with the same period of last year.

Capital Structure

The duties of the Group's financial division is to oversee the Group's financial risk management, and to operate in accordance with the policies approved by the senior management. As at 31 December 2007, loans were mainly denominated in RMB and USD, while its cash and cash equivalents were mainly denominated in RMB and USD. The Group planned to maintain appropriate combination of share capital and indebtedness, so as to ensure an effective capital structure. Outstanding loans as at 31 December 2007 is set out in note 25 to the consolided accounts. The outstanding RMB loans as at 31 December 2007 were either fixed interest rate loans or floating interest rate loans, while loans in foreign currencies were floating interest rate loans.

The Group's net proceeds from the global offering, together with the Company's current bank deposits and cash balances and fixed deposits as well as the Company's bank facilities and net cash derived from operation activities will be sufficient to satisfy the Company's material commitments and working capital, capital expenditures, business expansions, investments and expected debt repayment requirements for at least the next 12 months. After that, funds are expected to be obtained from net cash derived from operations, and if neccesary, from additional debts or share capital financing.

Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are denominated in RMB and USD. During the Year, the Group did not experience any significant difficulties in its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements.

Employment, Training and Development

As at 31 December 2007, the Group had over 34,000 employees, representing an addition of approximately 18,000 employees when compared with 31 December 2006. During the Year, total staff cost accounted for approximately 11% of the Group's turnover. Employee remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees based on their annual performance evaluation. In addition, incentives and encouragement were offered for personal and career development.

Closure of Register of Members

The register of members of the Company will be closed from 3 June, 2008 (Tuesday) to 10 June, 2008 (Tuesday), both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 2 June, 2008 (Monday). The final dividends will be paid on or before 8 July 2008 to those shareholders on the register of members on 10 June 2008.

Share Capital

As at 31 December 2007, the share capital of the Company was as follows:

Number of shares issued: 2,200,000,000 shares

Purchase, Sale or Redemption of Shares

From the date of listing on 20 December 2007 up to 31 December 2007, the Company has not redeemed any of its shares, and the Company or any of its subsidiaries has not purchased or sold any shares of the Company.

Capital Commitments

As at 31 December 2007, the Group had capital commitment of approximately RMB421,612,000 (31 December 2006: approximately RMB280,319,000)

Contingent Liabilities

Please refer to note 14 to the audited consolidated financial statements for details of contingent liabilities.

Post Balance Sheet Events

Please refer to note 15 to the audited consolidated financial statements for details of post balance sheet date events.

Litigation

The holding company, the intermediate holding company and certain subsidiaries of the Company are involved in a legal action commenced by certain affiliates of Foxconn International Holdings Limited as plaintiffs in the Hong Kong High Court regarding alleged unauthorised use of confidential information. As of the date of this announcement, the relevant subsidiaries of the Company have not been served with the writ of the said legal action. In the event that the Group is served with the writ, the Group will defend the case vigorously. To the knowledge of the directors of the Company, the holding company and the intermediate holding company of the Company are handling the legal action with the intention to defend the case vigorously.

SUPPLEMENTARY INFORMATION

Corporate Governance

Compliance with the Code on Corporate Governance Practices (the " Code")

The Board is committed on maintaining and ensuring high standards of corporate governance practices.

The Board emphasizes on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company had during the Year complied with the applicable code provisions as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code for Securities Transactions by Director of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the Year.

Audit Committee

The audit committee consists of three independent non-executive Directors and two non-executive Directors. A meeting was convened by the Company's audit committee on 20 March 2008 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control and risk management and financial reporting matters (including reviewing the annual results for the year ended 31 December 2007) for recommendation to the Board for approval.

Disclosure of Information on the Stock Exchange's Website

This annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk).

By order of the board of
BYD Electronic (International)
Company Limited
LI Ke
Director

Hong Kong, 20 March 2008

As at the date of this announcement, the executive Directors are Ms. LI Ke and Mr. SUN Yi-zao; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHAN Yuk-tong, Mr FENG Xu-chu and Mr. Antony Francis MAMPILLY.