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 2008

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Turnover	48%	To RMB8,555 million
Gross profit	12%	To RMB1,710 million
Profit attributable to equity holders of the parent	-30%	To RMB766 million
Basic earnings per share	-41%	To RMB0.34

HIGHLIGHTS

- The handset component and module business performed favourably with an increase of approximately 21% in sales
- The assembly business grew rapidly with a significant increase of approximately 104% in 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 consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 (the "Year") together with comparative figures in 2007.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	**2008** **RMB'000**	2007 RMB'000
REVENUE	4	**8,555,112**	5,767,256
Cost of sales		**(6,845,565)**	(4,239,331)
Gross profit		**1,709,547**	1,527,925
Other income and gains	4	**152,689**	64,295
Research and development costs		**(355,722)**	(175,542)
Selling and distribution costs		**(90,720)**	(54,138)
Administrative expenses		**(270,098)**	(152,073)
Other expenses		**(302,782)**	(58,401)
Finance costs	5	**(39,510)**	(66,182)
PROFIT BEFORE TAX	6	**803,404**	1,085,884
Tax	7	**(37,579)**	7,405
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**765,825**	1,093,289
DIVIDENDS	8		
Proposed final		**—**	340,837
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	9	**RMB0.34**	RMB0.58

CONSOLIDATED BALANCE SHEET

31 December 2008

	Note	**2008** RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,031,354**	1,643,129
Prepaid land lease payments		**151,511**	136,661
Prepayment for property, plant and equipment		**332,486**	119,208
Goodwill		**—**	—
Other intangible assets		**12,959**	13,546
Deferred tax assets		**56,426**	9,706
Total non-current assets		**3,584,736**	1,922,250
CURRENT ASSETS			
Inventories		**1,824,003**	1,062,926
Trade and bills receivables	10	**1,526,898**	1,794,005
Prepayments, deposits and other receivables		**216,463**	88,937
Derivative financial instruments		**—**	6,530
Due from fellow subsidiaries		**57,175**	92,677
Due from the intermediate holding company		**64,075**	14,257
Due from the ultimate holding company		**—**	39,000
Cash and bank balances		**1,141,478**	3,194,906
Pledged bank deposit		**836**	19,924
Restricted bank deposit		**2,522**	1,860
Total current assets		**4,833,450**	6,315,022

	Notes	**2008**	2007
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	11	**1,467,518**	1,416,141
Other payables and accruals		**557,813**	489,689
Tax payable		**23,428**	—
Interest-bearing bank borrowings		**14,256**	1,296,983
Derivative financial instruments		**—**	7,280
Due to fellow subsidiaries		**218,078**	135,391
Due to immediate holding company		**1,052**	—
Due to the ultimate holding company		**298,505**	—
Total current liabilities		**2,580,650**	3,345,484
NET CURRENT ASSETS		**2,252,800**	2,969,538
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,837,536**	4,891,788
EQUITY			
Issued capital	12	**217,070**	211,929
Reserves		**5,620,466**	4,679,859
Total equity		**5,837,536**	4,891,788

NOTES TO FINANCIAL STATEMENTS
31 December 2008

1. CORPORATE INFORMATION

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

The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

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.

The Group was principally engaged in manufacture, assembly and sale of mobile handset components and modules.

In the opinion of the directors, the parent of the Company is Golden Link Worldwide Limited, an enterprise established in British Virgin Islands, and the ultimate holding company of the Company is BYD Company Limited, which is incorporated in the PRC.

2.1 BASIS OF PREPARATION

These 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 ("HKICPA"), accounting principles generally accepted in Hong Kong 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 financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	*Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 – Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and interpretation and amendment to HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

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 buys 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 has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong financial Standards* [2]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	Amendment to HKFRS 7 *Financial instruments: Disclosure* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS39 Amendments	*Amendments to HK (IFRIC) - Int 9 Reassessment of Embedded Derivatives and* HKAS39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives* [6]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [5]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

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

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 October 2008

[5] Apply prospectively to transfers of asset from customers received on or after 1 July 2009

[6] Effective for annual periods beginning on or after 30 June 2009

* Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's primary business segment is the manufacture, assembly 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 by geographical segment, 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	America	Europe	India	Asia Pacific and Africa (excluding PRC and India)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008						
Revenue from external customers	**4,623,393**	**936,316**	**1,194,728**	**922,346**	**878,329**	**8,555,112**
Segment assets	**6,801,533**	**195,294**	**598,241**	**756,501**	**66,617**	**8,418,186**
Capital expenditure	**1,526,288**	**—**	**93,207**	**331,525**	**—**	**1,951,020**
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

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:

	2008	2007
	RMB'000	RMB'000
Revenue		
Sale of mobile handset components and modules	**4,684,855**	3,869,150
Assembly services income	**3,870,257**	1,898,106
	8,555,112	5,767,256
Other income		
Bank interest income	**70,471**	7,470
Sale of scrap materials	**60,982**	34,698
Sale of materials	**3,725**	883
Subcontracting income	**547**	5,708
Others	**15,075**	15,536
	150,800	64,295
Gains		
Net fair value gains on derivative instruments-transaction not qualifying as hedges	**1,474**	—
Gain on disposal of items of property, plant and equipment	**415**	—
	1,889	—
	152,689	64,295

5. FINANCE COSTS

	2008	2007
	RMB'000	RMB'000
Interest on bank loans, wholly repayable within one year	**39,313**	48,058
Interest on bills discounted	**197**	95
Interest on trade receivables factored and other bank charges	**—**	7,737
Finance charge on an amount due to the ultimate holding company	**—**	4,992
Finance charge on an amount due to the intermediate holding company	**—**	5,300
	39,510	66,182

6. PROFIT BEFORE TAX

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

	2008	2007
	RMB'000	RMB'000
Cost of inventories sold	**3,051,024**	1,899,352
Cost of services provided	**3,764,999**	1,835,500
Depreciation	**364,292**	171,015
Minimum lease payments		
under operating leases – buildings	**38,300**	28,047
Auditors' remuneration	**2,314**	1,580
Recognition of prepaid land lease payments#	**2,862**	831
Amortisation of intangible assets#	**4,101**	1,987
Employee benefit expense		
(including directors' remuneration)		
Wages and salaries	**927,900**	567,793
Retirement benefit scheme contributions	**72,038**	65,451
	999,938	633,244
Impairment for goodwill##	**4,875**	—
Impairment loss reversed for trade receivables##	**—**	(14,000)
Provision against obsolete inventories	**29,542**	24,296
(Gain)/loss on disposal of items of		
property, plant and equipment###	**(415)**	1,912
Fair value (gain)/loss on derivative instruments###	**(1,474)**	1,727
Foreign exchange differences, net##	**289,149**	67,045

Included in "Administrative expenses" on the face of the consolidated income statement.

Included in "Other expenses" on the face of the consolidated income statement.

Included in "Other income and gains" 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 operate.

BYD Precision Manufacture Company Ltd. ("BYD Precision"), a wholly-owned subsidiary of the Company, was accredited as a high and new technology enterprise on 16 December 2008 and its income tax is calculated at a rate of 15% of the estimated assessable profit for the year. BYD Precision is also entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from income tax for the next three years. Current year was its third profitable year and the company was subject to a reduced enterprise income tax of 9%.

BYD (Huizhou) Electronic Co., Limited ("BYD Huizhou") and BYD (Tianjin) Co., Limited ("BYD Tianjin"), wholly-owned subsidiaries of the Company, are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from income tax for the next three years. The year of 2008 is the first and second profit-making year for BYD Huizhou and BYD Tianjin, respectively.

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

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:

	2008	2007
	RMB'000	RMB'000
Group:		
Current - PRC	**84,299**	—
Deferred	**(46,720)**	(7,405)
Total tax charge/(credit) for the year	**37,579**	(7,405)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Group			
	2008		2007	
	RMB'000	**%**	RMB'000	%
Profit before tax	**803,404**		1,085,884	
Tax at the applicable tax rates	**200,851**	**25.0**	358,342	33.0
Expenses not deductible for tax	**6,666**	**0.9**	16,299	1.5
Effect of tax exemption and concessionary rates granted to the PRC subsidiaries	**(192,624)**	**(24.0)**	(388,080)	(35.8)
Super-deduction of research and development costs	**(12,848)**	**(1.6)**	—	—
Tax losses not recognised	**35,534**	**4.4**	6,034	0.6
Tax charge at the Group's effective rate	**37,579**	**4.7**	(7,405)	(0.7)

8. DIVIDEND

	2008	2007
	RMB'000	RMB'000
Proposed final - Nil (2007: RMB0.15) per ordinary share	**—**	340,837

The directors do not recommend the payment of a final dividend for year ended 31 December 2008.

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

The calculation of basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the shares buyback during the year.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as no diluting events existed during the two years.

The calculation of basic earnings per share is based on:

	2008	2007
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**765,825**	1,093,289

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,261,757,000**	1,880,849,000

10. TRADE AND BILLS RECEIVABLES

	Group	
	2008	2007
	RMB'000	RMB'000
Trade and bills receivables	**1,552,502**	1,825,882
Impairment	**(25,604)**	(31,877)
	1,526,898	1,794,005

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of two to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise its credit risk. Overdue balances are reviewed regularly by senior management. At the balance sheet date, the Group had certain concentration of credit risk as 69% (2007: 57%) and 94% (2007: 97%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Trade receivables are non-interest-bearing.

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

	Group	
	2008	2007
	RMB'000	RMB'000
Within 90 days	**1,478,658**	1,785,047
91 to 180 days	**45,614**	8,081
181 to 360 days	**2,626**	877
	1,526,898	1,794,005

The movements in provision for impairment of trade and bills receivables are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	**31,877**	45,877
Impairment losses reversed (note 6)	**—**	(14,000)
Write-off as uncollectible	**(6,273)**	—
	25,604	31,877

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB25,604,000 (2007: RMB31,877,000) with a carrying amount of RMB147,589,000 (2007: RMB72,296,000). The individually impaired trade receivables mainly related to balances in disputation. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**1,215,388**	1,652,761
Less than one year past due	**189,525**	125,270
	1,404,913	1,778,031

Receivables that were neither past due nor impaired relate to recognised and creditworthy customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

11. 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	
	2008	2007
	RMB'000	RMB'000
Within 90 days	**1,331,804**	1,328,202
91 to 180 days	**93,893**	85,278
181 to 360 days	**31,727**	2,107
1 to 2 years	**9,752**	554
Over 2 years	**342**	—
	1,467,518	1,416,141

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amount of trade and bills payables approximates to their fair values.

12. SHARE CAPITAL

Shares

	2008	2007
	RMB'000	RMB'000
Authorised:		
4,400,000,000 (2007: 4,400,000,000) ordinary shares of HK$0.10 each	**425,964**	425,964
Issued and fully paid		
2,254,009,000 (2007: 2,200,000,000) ordinary shares of HK$0.10 each	**217,070**	211,929

During the year, the movements in share capital were as follows:

(a) During the year, 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, after expense, of RMB700,756,000. Dealings in these shares on the Stock Exchange commenced on 16 January 2008.

(b) In July 2008, the Company repurchased and cancelled 18,237,000 ordinary shares of HK$0.1 each on the Stock Exchange for a total cash consideration of RMB 66,985,000. The repurchase resulted in the reduction in the par value of the shares cancelled of approximately RMB1,599,000.

13. CONTINGENT LIABILITIES

In June 2007, the High Court of the Hong Kong Special Administrative Region (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 subsidiaries of the Group (the "Defendants") for using confidential information 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 Group. On the same day, the Plaintiffs initiated a new set of legal proceedings in the 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 confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the ultimate holding company has given an indemnity in favour 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 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 the consolidated financial statements, the service of writs on all of the Defendants has been duly acknowledged.

On 2 November 2007, the ultimate holding company and the intermediate holding company, the Defendants which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay took place on 11 and 12 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was dismissed and an order was also made that the cost of the stay application to the Plaintiffs, to be assessed by the Court, if not agreed. The Group is seeking legal advice in light of the judgment and reserve the right to appeal against the decision of the Court of First Instance. The Group also reserves the right to file counterclaims against the Plaintiffs.

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

For the year ended 31 December 2008 (the "Year"), the world went through a turbulent year. The global financial tsunami triggered by the United State sub-prime crisis causing a slow down in economic growth around the world, which slackened the consumer confidence towards future and weakened the overall purchasing power. According to the estimation from leading handset manufacturers in the industry, the global output of handsets during the Year was approximately 1.213 billion units, representing an increase of approximately 8.3% as compared to 1.12 billion units in the previous year. The growth was obviously slowed down compared with the double digit growth recorded in past years. Owing to the increased price sensitivity of handsets in the market, the operational pressure on the upstream handset component manufacturers increased notably in order to maintain market competitiveness.

During the Year, the downturn of market conditions incurred risks and uncertainties to the operating environment. The global financial tsunami in the fourth quarter accelerated the process of industry consolidation through elimination of weaker players. International leading handset brands strived to enhance market competitiveness and expand market shares while facing various kinds of cost pressure from cost of raw materials, labour costs and finance costs. Therefore, they inclined to exercise a more stringent control on production cost and became more prudent in the selection of suppliers, with a tendency to select those with global manufacturing and service platforms and high capability for vertical integration as cooperative partners. By making use of the professional techniques and comparative advantages from such suppliers in production and supply chain management, their competitiveness would be enhanced by shortening new product launch cycle, achieving better flexibility, lowering capital investment and production costs, as well as shortening capital turnover. Hence, for one-stop supplier with high capability for vertical integration and global manufacturing and service platforms such as BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"), it was a good opportunity for forming partnership with international leading handset brands.

BUSINESS REVIEW

The major businesses of the Group are handset component and module business and the provision of handset assembly services. During the Year, the Group recorded sales of approximately RMB8,555 million, representing an increase of approximately 48% year-on-year. Profit attributable to shareholders for the Year was approximately RMB766 million, representing a decrease of approximately 30% year-on-year.

Handset Component and Module Business

BYD Electronic is one of the manufacturers in the industry with the most competitive cost structure. The Group's handset component and module business includes the manufacture and sale of handset casings, handset keypads and handset modules. Handset modules are semi-finished handsets equipped with various mechanical components such as handset casings, microphones and connectors.

During the Year, with the slackening global handset market, the handset component and module business of the Group achieved a favourably performance and recorded sales of approximately RMB4,685 million, representing a year-on-year increase of approximately 21%. Handset component and module business represented approximately 55% of the Group's total sales (2007: 67%). Confronting the tightened economy incurred by the global financial crisis, the international leading handset manufacturers were more price sensitive towards the supplies from the upstream handset component manufacturers. During the Year, the increase in price of raw materials, as well as the increase in investment in research and development and operational management for transforming our product range to mid-to-high end, had formed pressure to the Group's profitability. The investment in product research and development by the Group would further enhance the market share in the global handset market and also strengthen the Group's solid foundation in the handset component and module business in the future.

The Company actively established its global manufacturing platform and strived to enhance product design capability and production capacity, in particular for the research and development of mid-to-high end products, in order to satisfy customers' demand for efficient and quality services. The Company's Phase I production base in Chennai, India, was completed and commenced production during the Year, and the Phase 2 production base is currently under construction. In February 2008, the Company successfully acquired the equity interest of a Korean enterprise in Komaron, Hungary, the integration was completed and mass production was resumed in the second half of 2008.

Assembly Services

BYD Electronic adopts the strategy of providing one-stop vertical integration supply services to customers through improving the Group's highly vertical integrated production process. During the Year, the assembly services of the Company grew rapidly with sales recorded approximately RMB3,870 million, representing a year-on-year increase of approximately 104%. Assembly services represented approximately 45% of the Company's total sales (2007: 33%). Capitalising on its competitive edges including strong design capabilities, software and hardware engineering capabilities as well as high operational efficiency, BYD Electronic has been successfully providing a more sophisticated one-stop service for customers. By offering tailor-made products to customers in a faster and more cost effective manner, the Company is able to attract international leading handset manufacturers.

During the Year, the Company further extended its vertically integrated capability by launching new handset design and development services to customers. On the other hand, the Company continued to strengthen its after sales services by providing on-site quality control support and collecting customer opinions regarding product and service quality. Quality-oriented and reliable operations enabled the Company to enhance competitiveness, further reinforce the cooperative relationship with existing customers and attract more new customers from other brands.

FUTURE STRATEGY

Looking ahead in 2009, impact on the global economy from the global financial tsunami will persist and the operating environment will be full of challenges. The contracting macro-economy will intensify the consolidation of the handset industry. Some handset brands will gradually reduce their production volume and will reduce the demand for handset components and assembly services. Facing such an unfavourable market condition, the Company will further strengthen the strategic partnership with customers and strive to achieve growth in market shares amid the keen competition in the handset market. Facing persistent pressure of lowering product prices, the Company will further improve the design of the production process, enhance the production techniques, optimize the cost structure, in order to reduce production costs and strengthen its competitive advantages. The Group believes that adjustment of the handset industry will provide more opportunities and room for the development of the Group. Leveraging its cost advantages, quality control and good customer relationship, the Group is able to stand out from the serve competition in the future. The excellent research and development capability, module capability, technical workflow process and sophisticated factory management of the Group will continue to lower the production cost effectively as well as enhance product quality. On the other hand, the vertically integrated strategy facilitates the Company to provide a one-stop service for customers, better satisfy customers' demand and the growth in demand and market shares. Moreover, following the slowdown of increasing in the price of raw materials and the appreciation of Renminbi, the cost pressures of the Company will be alleviated in future, offsetting the price-cutting pressures brought by the decrease in demand. Capitalising on the leading position of the Company in the industry, as well as its competitiveness such as research and development capabilities and competitive pricing strategies, there will be greater room for development inspite of the difficult market condition.

BYD Electronic's development strategies and objectives are to provide customers with products and services in a vertically integrated, more cost effective and more efficient model. In order to further expand its market share and existing technical capabilities, procedures and core technology amid the slackening global market, the Company will prudently expand its global production bases, further expand customer network, diversify service categories, develop new markets as well as establish and strengthen customer relationships. The Company aims to develop an integrated global manufacturing and service platform to maintain the market leading position as well as to become a leading handset component and assembly services manufacturer in the globe, and to seek business opportunities actively for other electronic products to create maximum value for shareholders.

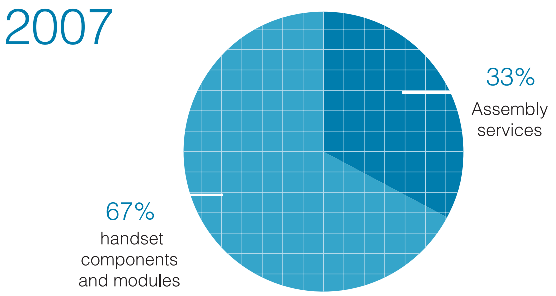
FINANCIAL REVIEW

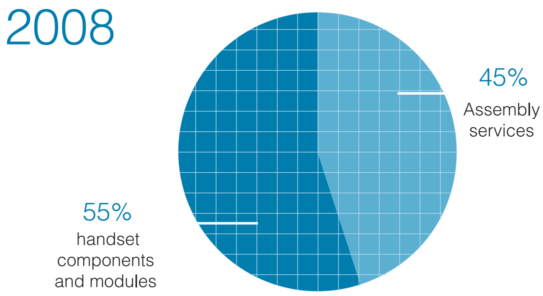
Turnover and Profit attributable to equity holders of the parent

Benefiting from the growth recorded in the two major business segments during the Year, the turnover for the Year increased year-on-year. The Group's handset component and module business, which includes the sales of handset casings, keypads and modules, recorded a growth of approximately 21% during the Year. The business of assembly services, which includes the provision of printed circuit board assembly services and high level of assembly services, recorded a significant growth of approximately 104% during the Year. And profit attributable to equity holders of the parent decreased year-on-year, which was mainly attributable to the decrease in the gross profit margins of the Group an increase in research costs and administrative expenses, and the appreciation in RMB value, etc.

Segmental Information

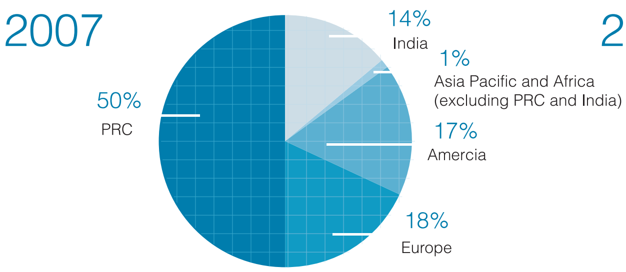
Set out below are the Group's revenue on handset components and modules and assembly services and their respective proportions in aggregated revenue for the two years ended 31 December 2007 and 2008:

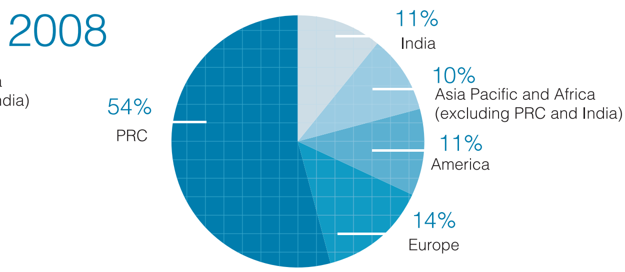




During the Year, the proportions of turnover contributed by handset components and modules and assembly services changed significantly when compared with the previous year. As the scale of the assembly services was relatively small in 2007, thus the revenue derived from such services increased significantly by approximately 104% in 2008, and also led to a significant growth in the proportion of this business in turnover.

Set out below are the Group's comparison analysis by geographical segments on the basis of the location of customers for the years ended 31 December 2007 and 2008:





Gross Profit and Margin

The Company's gross profit for the Year increased by 12% to approximately RMB1,710 million. Gross profit margin declined from approximately 26% in 2007 to approximately 20% during the Year. The decrease in gross margin was mainly attributed to the following reasons, including: (1) significant increase in the proportion of revenue from the assembly services of the Company with lower gross profit margin to the overall revenue during the Year; (2) difficult industry environment with a number of adverse factors such as high prices of raw materials and appreciation in the value of Renminbi, decline in the gross profit margin of the handset component and module business.

Liquidity and Financial Resources

During the Year, BYD Electronic recorded cash inflow from operations of approximately RMB676 million, as compared to RMB187 million recorded in 2007. During the Year, 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 2008 were bank advances of approximately RMB14 million, as compared to RMB1,297 million as at 31 December 2007. The decrease in total borrowings was attributable to the repayment of some bank loans by part of the fund proceeds received from the initial public offer of the Company's shares in December 2007. The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows.

During the Year, the number of turnover days of accounts and bills receivables was approximately 71 days, while for the year ended 31 December 2007 the number was 77 days. The decrease in the turnover of accounts and bills receivables was due to further strengthening in the management and control over accounts and bills receivables during the year as compared to the same period of the previous year. Inventory turnover increased from approximately 66 days for the year ended 31 December 2007 to approximately 77 days for the year ended 31 December 2008. The increase in inventory turnover was mainly attributable to the significant increase in the inventory reserves at the end of the year to meet the demand from customer orders.

Capital Structure

The duty of the Company's financial division is to oversee the Company's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As at 31 December 2008, loans were mainly settled in US dollars, while its cash and cash equivalents were mainly held in Renminbi and US dollars. The Company planned to maintain an appropriate combination of share capital and indebtedness, so as to ensure an effective capital structure. Outstanding foreign currency loans were floating interest rate loans. 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 operating 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 six months.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

In 2008, the Company had approximately 39,000 employees, representing an addition of approximately 5,000 employees when compared with 2007. During the Year, total staff cost accounted for approximately 12% of the Company's turnover. Employee remuneration is determined on the basis of performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission may also be awarded to employees based on their annual performance evaluation. In addition, incentives may be offered for personal drive and encouragement.

Share Capital

As at 31 December 2008, the share capital of the Company was as follows:
Number of shares issued: 2,254,009,000 shares

Purchase, Sale or Redemption of Shares

In July 2008, the Company repurchased 18,237,000 shares of its ordinary shares from the Stock Exchange of Hong Kong Limited for cancellation.

Capital Commitments

As at 31 December 2008, the Company had capital commitment of approximately RMB226 million (31 December 2007: approximately RMB422 million).

Contingent Liabilities

Please refer to note 13 to this announcement for details of contingent liabilities.

Litigation

The ultimate holding company, the intermediate holding company, direct holding company and certain subsidiaries of the Company were involved in a legal action commenced by certain affiliates of Foxconn International Holdings Limited as plaintiffs in the High Court of the Hong Kong SAR. It was alleged in the legal action that the Company had unauthorised use of confidential information. The litigation was still in progress. The Group will continue to defend the case vigorously. For relevant details, please refer to the announcement published by the Company on 30 June 2008.

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 27 March 2009 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 financial statements for the year ended 31 December 2008) 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, 29 March 2009

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 LIANG Ping and Mr. Antony Francis MAMPILLY.