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)
Website: http://www.byd-electronic.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Turnover	+48.65%	To RMB16,647 million
Gross profit	+32.54%	To RMB2,070 million
Profit attributable to owners of the parent	+36.76%	To RMB1,038 million
Basic earnings per share	+35.29%	To RMB0.46

HIGHLIGHTS

- Managed to seize opportunities amid market recovery to further expand market share during the Year
- Achieved significant growth in Original Design Manufacturing (ODM) service during the Year, bringing in substantially higher revenue than last year

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 2010 (the "Year") together with comparative figures in 2009.

The Board does not recommend the payment of final dividend for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	**2010** *RMB'000*	**2009** *RMB'000*
REVENUE	4	16,647,129	11,198,670
Cost of sales		(14,577,138)	(9,636,887)
Gross profit		2,069,991	1,561,783
Other income and gains	4	216,718	130,414
Research and development costs		(577,978)	(423,214)
Selling and distribution costs		(110,484)	(92,151)
Administrative expenses		(352,334)	(281,865)
Other expenses		(106,797)	(99,667)
Finance costs	5	(516)	(594)
PROFIT BEFORE TAX	6	1,138,600	794,706
Income tax expense	7	(100,764)	(35,850)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		1,037,836	758,856
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT — Basic and diluted	9	RMB0.46	RMB0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 *RMB'000*	**2009** *RMB'000*
PROFIT FOR THE YEAR	1,037,836	758,856
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	7,308	35,231
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	7,308	35,231
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,045,144	794,087
Attributable to owners of the parent	1,045,144	794,087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,481,239	3,428,446
Prepaid land lease payments		147,893	150,440
Prepayment for property, plant and equipment		39,540	114,377
Other intangible assets		15,705	10,841
Deferred tax assets		102,307	78,224
Total non-current assets		3,786,684	3,782,328
CURRENT ASSETS			
Inventories		1,890,319	1,769,093
Trade and bills receivables	10	3,819,712	3,047,767
Prepayments, deposits and other receivables		275,385	315,735
Due from fellow subsidiaries		44,901	96,827
Due from the intermediate holding company		109,082	64,996
Due from the ultimate holding company		—	7,051
Cash and bank balances		1,559,025	1,192,943
Total current assets		7,698,424	6,494,412
CURRENT LIABILITIES			
Trade and bills payables	11	2,789,910	2,833,832
Other payables and accruals		740,291	556,904
Tax payable		80,994	18,373
Due to fellow subsidiaries		337,933	237,820
Due to the immediate holding company		—	1,867
Due to the ultimate holding company		13,857	—
Total current liabilities		3,962,985	3,648,796
NET CURRENT ASSETS		3,735,439	2,845,616
TOTAL ASSETS LESS CURRENT LIABILITIES		7,522,123	6,627,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		7,522,123	6,627,944
Net assets		7,522,123	6,627,944
EQUITY			
Issued capital	12	216,999	216,999
Reserves		7,305,124	6,259,980
Proposed final dividend	8	—	150,965
Total equity		7,522,123	6,627,944

NOTES TO FINANCIAL STATEMENTS
31 December 2010

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 the 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
Basis of consolidation from 1 January 2010

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following difference, however, is carried forward in certain instances from the previous basis of consolidation:

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	*Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010. As the group has not entered into transaction of business combination or change in the ownership interest of a subsidiary without loss of control, the amendments have had no impact on the financial position or result of operation of the result.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 Leases included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The Group has reassessed its lease in mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in mainland China remained as operating leases. The Group has no leases in Hong Kong.

2.3 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 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters* [2]
HKFRS 1 Amendments	Amendment to HKFRS *1 First-time Adoption of Hong Kong Financial Reporting Standards-Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS *32 Financial Instruments: Presentation — Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]
HKAS 12 Amendments	Amendment to HKFRS *12 Income Taxes — Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group's primary business is the manufacture, assembly and sale of mobile handset components and modules. For management purposes, the Group is organised into one operating segment based on industry practice and management's vertical integration strategy. No further analysis thereof is presented. Segment performance is evaluated based on the revenue and profit before tax which is consistent with the Group's revenue and profit before tax.

Geographical information

(a) **Revenue from external customers**

	2010 *RMB'000*	2009 *RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	12,012,734	7,272,053
European Union	2,436,045	1,537,743
India	1,002,822	1,305,487
Mexico	248,006	367,110
United States of America	464,538	274,753
Brazil	150,568	182,170
Other countries	332,416	259,354
	16,647,129	11,198,670

The revenue information above is based on the location of the customers.

(b) **Non-current assets**

	2010 *RMB'000*	2009 *RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	3,080,193	2,992,879
India	537,542	603,684
European Union	66,642	107,541
	3,684,377	3,704,104

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue of approximately RMB7,950,495,000 (2009: RMB5,728,968,000) was derived from the sale of mobile handset components and the provision of assembly services to a single customer, including sales to a group of entities which are known to be under common control with that customer.

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:

	2010	**2009**
	RMB'000	*RMB'000*
Revenue		
Sale of mobile handset components and modules	7,184,366	6,200,623
Assembly service income	9,462,763	4,998,047
	16,647,129	11,198,670
Other income		
Bank interest income	18,960	11,683
Sale of scrap materials	135,775	64,802
Sale of materials	16,001	6,353
Subcontracting income	113	1,118
Others	45,869	38,088
	216,718	122,044
Gains		
Exchange gain	—	8,370
	216,718	130,414

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	**2009**
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	516	594

6 PROFIT BEFORE TAX

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

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories sold	5,696,199	4,620,732
Cost of services provided	8,857,264	4,830,525
Depreciation	579,119	485,870
Research and development costs:		
Current year expenditure	577,978	423,214
Minimum lease payments under operating leases — buildings	33,980	31,145
Auditors' remuneration	2,496	2,496
Recognition of prepaid land lease payments#	2,828	2,832
Amortisation of intangible assets#	9,267	4,483
Employee benefit expense (including directors' remuneration)		
Wages and salaries	1,808,633	1,204,863
Retirement benefit scheme contributions	59,790	25,975
	1,868,423	1,230,838
Impairment of trade receivables##	39	15,494
Impairment losses of trade receivables of reversed	(11,019)	—
Impairment of property, plant and equipment##	—	44,719
Provision against obsolete inventories	23,675	185,630
Loss on disposal of items of property, plant and equipment##	17,616	8,781
Gain on acquisition of Charger Business###	—	(636)
Bank interest income###	(18,960)	(11,683)
Foreign exchange (gain)/loss, net##	90,495	(8,370)

Included in "Administrative expenses" in the consolidated income statement.

Included in "Other expenses" in the consolidated income statement.

Included in "Other income and gains" in the consolidated income statement.

7. INCOME 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") is entitled to an exemption from income tax for the two years commencing from its first profit-making year of operation and a 50% relief from income tax for the next three years thereafter. The year of 2010 was BYD Precision's fifth profit-making year. Pursuant to the transitional arrangement under the new PRC Corporate Income Tax Law, the income tax rate applicable to BYD Precision will be gradually increased from the rate of 18% to the unified rate of 25% over 5 years commencing from the year of 2008, which allowed BYD Precision to enjoy a preferential tax rate of 11% after considering the 50% relief from income tax for the fifth profit-making year.

Huizhou BYD Electronic Co., Limited ("BYD Huizhou") and BYD (Tianjin) Co., Limited ("BYD Tianjin"), wholly-owned subsidiaries of the Company, are entitled to an exemption from income tax for the two years commencing from their first profit-making years of operation and a 50% relief from income tax for the next three years thereafter. The current year was the third and fourth 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 profits tax in India, Hungary, Romania, United States of America and Finland as the Group had no assessable profits derived from there.

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

	2010	**2009**
	RMB'000	*RMB'000*
Group:		
Current - PRC	124,847	57,648
Deferred	(24,083)	(21,798)
Total tax charge for the year	100,764	35,850

8. DIVIDENDS

The directors do not recommend payment of dividend in respect of the year. In 2009, dividend proposed is as follows:

	2009
	RMB'000
Final proposed subsequent to the reporting period - RMB0.067 per ordinary share	150,965

In 2009, the final dividend proposed subsequent to the reporting period had not been recognised as a liability at the end of the reporting period, and was subject to the approval of the Company's shareholders at the annual general meeting.

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

The calculation of the 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 of 2,253,875,000 (2009: 2,253,875,000), as adjusted to reflect the share repurchase during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic and diluted earnings per share is based on:

	2010	**2009**
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,037,836	758,856

	Number of shares	
	2010	**2009**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,253,875,000	2,253,875,000

10. TRADE AND BILLS RECEIVABLES

	Group 2010 *RMB'000*	Group 2009 *RMB'000*
Trade and bills receivables	3,846,144	3,085,566
Impairment	(26,432)	(37,799)
	3,819,712	3,047,767

The Group's trading terms with its customers are mainly on credit. The credit period is generally for 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 end of the reporting period, the Group had certain concentration of credit risk as 43% (2009: 38%) and 94% (2009: 92%) 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 end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2010 *RMB'000*	Group 2009 *RMB'000*
Within 90 days	3,731,230	2,996,162
91 to 180 days	85,866	49,448
181 to 360 days	2,616	2,157
	3,819,712	3,047,767

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2010 *RMB'000*	Group 2009 *RMB'000*
Within 90 days	2,734,752	2,740,878
91 to 180 days	46,300	63,635
181 to 360 days	3,023	14,225
1 to 2 years	2,863	15,009
Over 2 years	2,972	85
	2,789,910	2,833,832

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

12. SHARE CAPITAL

Shares

	2010	2009
	RMB'000	*RMB'000*
Authorised:		
4,400,000,000 (2009: 4,400,000,000) ordinary shares of HK$0.10 each	425,964	425,964
Issued and fully paid		
2,253,204,500 (2009: 2,253,204,500) ordinary shares of HK$0.10 each	216,999	216,999

In October 2009, the Company repurchased and cancelled 804,500 ordinary shares of HK$0.1 each on the Stock Exchange at a total cash consideration of RMB3,679,000. The repurchase resulted in the reduction in the par value of the shares cancelled of approximately RMB71,000.

13. CONTINGENT LIABILITIES

(a) The litigation regarding Foxconn case

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 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 from the June 2007 Action. In essence, the Plaintiffs alleges that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The

13. CONTINGENT LIABILITIES (continued)

(a) The litigation regarding Foxconn case (continued)

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. 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 turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the ultimate holding company and the intermediate holding company. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs make an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff. The ultimate holding company also filed a counterclaim on 2 October 2009 against the Plaintiffs, including Foxconn Precision Component (Beijing) Co., Ltd., the documents of which have been served on all parties of the Plaintiffs. The counterclaim mainly related to the release of defamatory remarks to prejudice the Defendants' reputation and the interference with the Defendants' business, and the request for remedies by the Plaintiffs.

Based on legal opinions issued by the 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.

13. CONTINGENT LIABILITIES (continued)

(b) Charger exchange program by Nokia

On 9 November 2009, Nokia announced that it would initiate a charger exchange program and recommended the end-users of its mobile phones to exchange the chargers for free replacement. The reason for the program was that the plastic covers of a limited number of the Nokia-branded chargers manufactured by a subsidiary of the Company could come loose and detach, exposing the internal components of the charger and may potentially pose an electrical shock hazard. The models of the chargers announced by Nokia are AC-3E and AC-3U manufactured during the period from 15 June 2009 to 9 August 2009 and AC-4U manufactured during the period from 13 April 2009 to 25 October 2009. As at 30 June 2010, the number of replacement registrations made by end users received by the Company from Nokia was 26,080, which was a relatively small total amount. Also from July 2010 onwards, Nokia would not proactively collect and feedback on the number of such replacement registrations by end users in respect of the charger exchange program.

On 28 December 2009, the subsidiary of the Company received an invoice amounting to EUR1,539,000 from Nokia. This amount has been paid during the reporting period. As the charger exchange program is still ongoing, the Company will be under further discussions with Nokia for further details. The potential compensation could not be reasonably estimated and accordingly, no further liability has been accrued by the Group.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

For the year ended 31 December 2010 (the "Year"), the consumer confidence and consumption power revived along with recovery of world economy, resulting in the full resumption of the global handset industry in 2010. As the application of smart phones gained popularity, the demand for smart phones increased rapidly and it drove the explosive growth in the output of smart phones. The era of smart phones officially arrived. The evolution of information technology and the upgrading of the consumer demand triggered the change of pattern in domestic and global handset industry. According to the report by Gartner, an international market research company, the global handset output was approximately 1.6 billion units during the Year, representing a year-on-year increase of approximately 32%, of which the output of smart phones was approximately 297 million units, as a percentage of the total handset output of approximately 19%, representing a sharp rise of approximately 72% from 2009.

The business of smart phones is currently the most promising segment in handset industry, and a new focus for handset manufacturers to compete for profit. Manufacturers of smart phones under new brands and new platform systems have emerged one after another while manufacturers of handsets under traditional brands have actively tapped into the smart phone market, and accordingly further improved their competitive strengths when developing new markets. The optimistic market situation has nurtured diversifying development opportunities for one-stop suppliers with high capability for vertical integration and global manufacturing and service platforms, and those one-stop suppliers will be able to increase their market shares more successfully by leveraging their strong brands, cost advantages and leading market positions.

As the global economy continued to stabilize and the environment of the handset market improved, BYD Electronic (International) Company Limited ("BYD Electronic" or the"Company") and its subsidiaries (collectively, the "Group") managed to seize opportunities amid market recovery, driving the Group to further expand its market share in the rapidly-changing industry.

BUSINESS REVIEW

The business strategy of BYD Electronic has always been to provide one-stop service with perfect and high capability of vertical integration, which is to provide handset manufacturers with vertical integration business including handset components and module business, as well as handset design and assembly services. In 2010, BYD Electronic delivered remarkable results amidst market recovery and achieved significant growth in both sales and profit, as well as successfully expanding its market share. During the Year, the Group recorded sales of approximately RMB16,647 million, increased by approximately 48.65% year-on-year. Profit attributable to equity holders of the parent was approximately RMB1,038 million, representing an increase of about 36.76% year-on-year.

BYD Electronic is one of the manufacturers of handset components and modules in the industry with the highest cost competitiveness. Its principal business includes the manufacturing and sales of handset components, including handset casings and keypads, and handset modules equipped with various mechanical components such as handset casings, microphones, connectors and other components, as well as the provision of complete handset design and assembly services (namely high level assembly services and printed circuit board (PCB) assembly services) and the provision of parts and assembly services of other electronic products.

During the Year, leveraging the capability of its high vertical integration, strong product competitiveness and the advantage of high cost performance, the Group managed to maintain its strong development momentum in its handset components and module business on the back of market recovery. With the continued growth in sales, the Group not only further strengthened the co-operation relationship with its existing customers, but also won new branded customers and new orders, accordingly enhancing market share among other global leading manufacturers successfully. Nevertheless, under the fierce market environment, leading international handset manufacturers were cost-cautious and exercised stringent controls over production cost. Furthermore, the Group faced price reduction pressure continuously from customers, which affected the profitability in both the handset component and module businesses.

Besides providing customers with handset components and modules, BYD Electronic also provides handset design and assembling services according to the requirements of its customers. The unique advantage of BYD Electronic lies in its strong design capabilities, which drove the leaping growth of its Original Design Manufacturing (ODM) service during the Year, bringing in substantial revenue. The ODM business not only propels the Group to shift towards the high value-added segment of the industry chain and effectively enhances its business structure, but also effectively promotes the rapid growth of the components and assembly businesses of the Group. Benefiting from the more widespread use of smart phones which drives the domestic 3G handset market, the Group has put great efforts in expanding the 3G handset ODM business, and in particular TD-SCDMA handsets.

FUTURE STRATEGIES

As the recovery momentum of the global economy continues and consumer confidence steadily rebounds, there is a boost in the growth of demand in the handset market. It is expected that the handset market will continue to maintain a strong development trend in 2011. Global handset output will increase steadily, followed by an increased demand for handset components and modules, handset design and assembly services. In the future, with the popularity of 3G networks in China, the number of 3G users in the PRC will continue to increase. The market expects that handset output in the PRC will increase by folds in 2011. The Group will continue to invest in the research and development of the 3G handset business and further expand its 3G handset ODM business. Currently there are only a few qualified ODM suppliers in the PRC and as an early entrant to the TD-SCDMA business area, the Group will adhere to its vertical integration strategy to attract new foreign and domestic customers with its accumulated strong technology, competitively priced handset products and continuously enhanced ODM capabilities with an aim to bringing in more customer orders, expanding its 3G market share and creating bigger growth impetus for the Group.

Besides, the smart phone era has arrived. The PRC telecommunication industry and the global handset industry are undergoing revolutionary change. The Group believes that the present changes in the operating environment and the handset industry will, in the long run, provide the Group with more opportunities and bigger room for development. Leveraging its continuous technological upgrade, advanced research and development capabilities, design capabilities in process flow and advanced factory management ability, the Group will take every opportunity to stand out from its competitors.

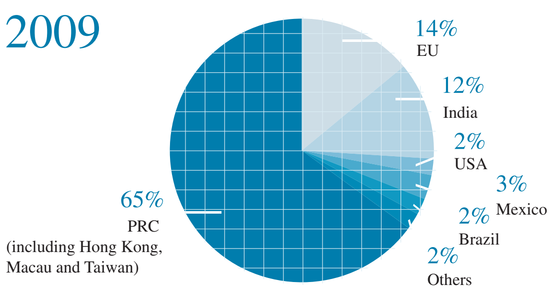
In this new era, BYD Electronic will also step forward. The Group will actively explore new businesses and bring in more new customers from manufacturers of international brands, thus creating new growth drivers and gradually optimizing product mix and customer structure. In the face of future market situation, the development strategies and objectives of BYD Electronic remain unchanged - a commitment to continuously enhance its research and development capabilities and technological standards, maintain and improve its product quality and cost advantage and a determination to develop an integrated global manufacturing and service platform in order to enhance its market position and create substantial returns for our shareholders.

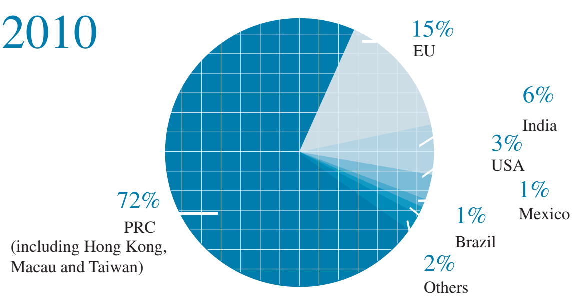
FINANCIAL REVIEW

Benefiting from the satisfactory growth recorded in all the businesses during the Year, the Group's turnover recorded a significant growth compared to the previous year. Profit attributable to equity holders of the parent was approximately RMB1,038 million, increased by approximately 36.76% as compared to the same period of the previous year, which was mainly attributable to the significant increase in turnover while the operating costs were kept at lower levels.

Segmental Information

Set out below is a comparison of geographical information of the Group by customer location for the year ended 31 December 2009 and 2010:





Gross Profit and Margin

The Group's gross profit for the Year increased by approximately 32.54% to approximately RMB2,070 million. Gross profit margin declined from approximately 13.95% in 2009 to approximately 12.43% during the Year. The decrease in gross profit margin was mainly due to an increase in the proportion of revenue from the assembly services with lower gross profit margin to the overall revenue, and more intensive market competition during the year.

Liquidity and Financial Resources

During the Year, the Group recorded cash inflow from operations of approximately RMB948 million, compared with approximately RMB799 million recorded in 2009. During the Year, funds were mainly obtained from the net cash derived from the Company's operations. As at 31 December 2010 and 31 December 2009, the Group did not have bank borrowings.

The Company maintained sufficient liquidity to meet its daily management and capital expenditure requirements, and controlled internal operating cash flows. Turnover days of accounts and bills receivables for the year ended 31 December 2010 were approximately 75 days, basically remaining the same as the same period last year. Inventory turnover days decreased from 72 days for the year ended 31 December 2009 to 49 days during the Year. The decrease in inventory turnover days was due to the substantial increase in sales amount and cost of sales, while average inventory did not have much change as compared with last year.

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 2010, the Company had no borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. 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 the requirements for working capital, capital expenditure, business expansion, investments and expected debt repayment needs for at least one year in future.

Foreign Exchange Exposure

Most of the Company's income and expenditure are settled by Renminbi and US dollars. During the Year, the Company incurred exchange losses, which were mainly attributed to the change in exchange rate of US dollars to Reminbi and of HUF to US dollars. During the Year, the operations or liquidity of the Company did not encounter any significant difficulties or come under any impact 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

As at 31 December 2010, the Company had over 55,000 employees. During the Year, total staff cost accounted for approximately 11.21% of the Company's turnover. The Company determines the remuneration of its employees based on their performance, experience and prevailing industry practices, and compensation policies are reviewed on a regular basis. Bonuses and rewards may also be given to employees based on their annual performance evaluation. In addition, incentives may be offered to encourage personal and career development.

Share Capital

As at 31 December 2010, the share capital of the Company was as follows:

Number of shares issued: 2,253,204,500 shares.

Purchase, Sale or Redemption of Shares

From 1 January 2010 to 31 December 2010, the Company did not redeem any shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

Capital Commitments

As at 31 December 2010, the Company had capital commitment of approximately RMB261 million (31 December 2009:approximately RMB137 million).

Contingent Liabilities

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

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 12 March 2011 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 2010) for recommendation to the Board for approval.

Final Dividend

The Board does not recommend the payment of final dividend for the year ended 31 December 2010.

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, 12 March 2011

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. Antony Francis MAMPILLY and Mr. LIANG Ping.