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 2011

Turnover	-4.68%	To RMB15,868 million
Gross profit	-16.43%	To RMB1,730 million
Profit attributable to owners of the parent	-41.91%	To RMB603 million
Basic earnings per share	-41.30%	To RMB0.27
Final dividend per share		RMB0.0535

HIGHLIGHTS

- The slowdown in growth of the handset market affected the growth of the Group's revenue.
- Growth of the Group's revenue and profitability was under pressure due to the decline in the market share of major customer.
- Customer structure continued to improve during the period to enhance the market share of individual customers.

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 2011 (the "Year") together with comparative figures in 2010.

- The Board recommends the payment of a final dividend of RMB0.0535 per share for the year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	4	15,868,300	16,647,129
Cost of sales		(14,137,932)	(14,577,138)
Gross profit		1,730,368	2,069,991
Other income and gains	4	259,253	216,718
Research and development costs		(614,488)	(577,978)
Selling and distribution costs		(130,841)	(110,484)
Administrative expenses		(444,780)	(352,334)
Other expenses		(124,926)	(106,797)
Finance costs	5	(213)	(516)
PROFIT BEFORE TAX	6	674,373	1,138,600
Income tax expense	7	(71,567)	(100,764)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		602,806	1,037,836
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic and diluted	8	RMB0.27	RMB0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011 *RMB'000*	**2010** *RMB'000*
PROFIT FOR THE YEAR	602,806	1,037,836
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(133,396)	7,308
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(133,396)	7,308
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	469,410	1,045,144
Attributable to owners of the parent	469,410	1,045,144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,560,203	3,481,239
Prepaid land lease payments		138,254	147,893
Prepayments for property, plant and equipment		432,974	39,540
Other intangible assets		9,331	15,705
Loan to the ultimate holding company		400,000	—
Deferred tax assets		135,228	102,307
Total non-current assets		4,675,990	3,786,684
CURRENT ASSETS			
Inventories		1,780,122	1,890,319
Trade and bills receivables	9	3,446,342	3,819,712
Prepayments, deposits and other receivables		211,377	275,385
Due from fellow subsidiaries		—	44,901
Due from the intermediate holding company		109,148	109,082
Due from the ultimate holding company		147,876	—
Pledged deposits		100,000	—
Cash and bank balances		2,106,993	1,559,025
Total current assets		7,901,858	7,698,424
CURRENT LIABILITIES			
Trade and bills payables	10	3,467,996	2,789,910
Other payables and accruals		775,371	740,291
Tax payable		51,679	80,994
Due to fellow subsidiaries		167,185	337,933
Due to the ultimate holding company		124,084	13,857
Total current liabilities		4,586,315	3,962,985
NET CURRENT ASSETS		3,315,543	3,735,439
TOTAL ASSETS LESS CURRENT LIABILITIES		7,991,533	7,522,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2011

	Notes	31 December 2011 RMB'000	31 December 2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		7,991,533	7,522,123
Net assets		7,991,533	7,522,123
EQUITY			
Issued capital	11	216,999	216,999
Reserves		7,653,973	7,305,124
Proposed Final Dividend	13	120,561	—
Total equity		7,991,533	7,522,123

NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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 the 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 2011. 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.

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

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 recognises (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.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendment to HK(IFRIC)-Inc 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	*Amendment to a number of HKFRSs issued in May 2010*

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments : Disclosures — Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]

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

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

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

	2011	**2010**
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	12,047,533	12,012,734
European Union	1,291,171	2,436,045
India	1,141,324	1,002,822
Mexico	69,541	248,006
United States of America	331,419	464,538
Brazil	209,159	150,568
Other countries	778,153	332,416
	15,868,300	16,647,129

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

(b) Non-current assets

	2011	**2010**
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	4,105,016	3,080,193
India	415,765	537,542
European Union	19,981	66,642
	4,540,762	3,684,377

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 RMB5,659,506,000 (2010: RMB7,950,495,000) 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:

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Sale of mobile handset components and modules	7,294,186	7,184,366
Assembly service income	8,574,114	9,462,763
	15,868,300	16,647,129

	2011	2010
	RMB'000	*RMB'000*
Other income		
Bank interest income	43,862	18,960
Sale of scrap materials	147,021	135,775
Sale of materials	25,470	16,001
Subcontracting income	1,666	113
Others	41,234	45,869
	259,253	216,718

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	213	516

6. **PROFIT BEFORE TAX**

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

	2011	2010
	RMB'000	*RMB'000*
Cost of inventories sold	5,915,104	5,696,199
Cost of services provided	8,160,129	8,857,264
Depreciation	680,077	579,119
Research and development costs:		
Current year expenditure	614,488	577,978
Minimum lease payments under operating leases — buildings	33,610	33,980
Auditors' remuneration	3,413	2,496
Recognition of prepaid land lease payments#	2,737	2,828
Amortisation of intangible assets#	6,589	9,267
Employee benefit expense (including directors' remuneration)		
Wages and salaries	1,958,919	1,808,633
Retirement benefit scheme contributions	88,246	59,790
	2,047,165	1,868,423
Impairment of trade receivables##	354	39
Impairment losses of trade receivables reversed##	(3,129)	(11,019)
Impairment of property, plant and equipment##	19,700	—
Provision against obsolete inventories	62,699	23,675
Loss/(Gain) on disposal of items of property, plant and equipment##	(1,991)	17,616
Gain on acquisition of Lens Business###	(2,491)	—
Bank interest income###	(43,862)	(18,960)
Foreign exchange loss, net##	102,914	90,495

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 approved to be a high and new technology enterprise and is entitled to enjoy a reduced enterprise income tax rate of 15% from 2011 to 2013.

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 fourth and fifth 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, the United States of America and Finland as the Group had no assessable profits derived from these countries.

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

	2011	**2010**
	RMB'000	*RMB'000*
Group:		
Current - PRC	104,488	124,847
Deferred	(32,921)	(24,083)
Total tax charge for the year	71,567	100,764

8. 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 2,253,204,500 (2010: 2,253,204,500).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2011	**2010**
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	602,806	1,037,836

	Number of shares	
	2011	**2010**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,253,204,500	2,253,204,500

9. TRADE AND BILLS RECEIVABLES

	Group	
	2011	**2010**
	RMB'000	*RMB'000*
Trade and bills receivables	3,469,992	3,846,144
Impairment	(23,650)	(26,432)
	3,446,342	3,819,712

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 38% (2010: 43%) and 83% (2010: 94%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

9. TRADE AND BILLS RECEIVABLES (continued)

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	
	2011	**2010**
	RMB'000	*RMB'000*
Within 90 days	3,192,459	3,731,230
91 to 180 days	248,200	85,866
181 to 360 days	5,683	2,616
	3,446,342	3,819,712

10. 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	
	2011	**2010**
	RMB'000	*RMB'000*
Within 90 days	3,174,196	2,734,752
91 to 180 days	275,708	46,300
181 to 360 days	14,006	3,023
1 to 2 years	1,604	2,863
Over 2 years	2,482	2,972
	3,467,996	2,789,910

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

11. SHARE CAPITAL

	2011	**2010**
	RMB'000	*RMB'000*
Shares		
Authorised:		
4,400,000,000 (2010: 4,400,000,000) ordinary shares of HK$0.10 each	425,964	425,964
Issued and fully paid		
2,253,204,500 (2010: 2,253,204,500) ordinary shares of HK$0.10 each	216,999	216,999

12. CONTINGENT LIABILITIES

In June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and 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 alleged 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.

12. CONTINGENT LIABILITIES (continued)

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 High Court. On 2 September 2009, the above-mentioned Plaintiffs made 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. DIVIDEND

	2011	**2010**
	RMB'000	*RMB'000*
Proposed final - RMB0.0535 (2010: nil) per ordinary share	120,561	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSIONS AND ANALYSIS

ECONOMIC ENVIRONMENT REVIEW

For the year ended 31 December 2011 (the "Year"), the global economy faced multiple challenges immediately after experiencing a rapid recovery in 2010 due to factors such as severe European sovereign debt crisis, slow recovery of the U.S. economy and slackening Chinese economy, all of which resulted in uncertain prospects of the global economy, while political instability in certain regions exacerbated volatility of global economic development and intensified global market competition. In the handset market, despite slowing growth in the global demand for handsets, demand for new technology products remained strong and users of functional handsets in developed countries such the U.S. and Japan are quickly shifting towards smart phone products. This, coupling with increasing demand of emerging markets, contributed to the popularity of smart phones, driving the growth of global handset business. According to Gartner, a market research institution, the global handset output was approximately 1.775 billion units in 2011, representing a year-on-year increase of approximately11.13%, of which the output of smart phones was 472 million units, representing a significant increase of 57.85% over the previous year, and its share to the total handset output rapidly increased to 26.59%. Demand for smart phones in China experienced an explosive growth with output which was seconded to U.S., making China the second largest smart phone market in the world.

The booming development of smart phones has changed the competition landscape of the global handset market. Leading smart phone manufacturers proactively launched new models of smart phones, while other emerging Asian manufacturers launched new products to grasp the increasing market demand, leading to shrinking market share of traditional handset manufacturers. Facing the threat posed by the rapid market evolution, traditional handset giants gradually implemented strategic transformation through alliance with international leading software developers to jointly launch new products and new platforms so as to seize market shares.

In China, with further developing 3G and accelerated popularity of smart phones, the 3G market experienced a rapid development and the number of 3G subscribers increased substantially. According to the Ministry of Industry and Information Technology, the total number of 3G users increased by approximately 81.37 million to approximately 130 million in 2011, of which the number of TD-SCDMA subscribers was over 50 million.

Change in industrial ecology has nurtured good business expansion opportunities for one-stop suppliers with high capability for vertical integration and global manufacturing and service platforms.

BUSINESS REVIEW

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (collectively, the "Group") has always been committing to highly vertically integrated one-stop services as its business strategy, providing handset manufacturers with two main services, including production of handset components and modules, and the provision of vertical integration of handset design and assembly services. Due to the change in market demand for handsets, the Group's major customer slowed down their launch of new products during the first half of 2011, leading to the decline of its market share in the first half of the year and deferring purchase orders for components with higher margin in the second quarter, affecting the overall operating results of the Group to a certain extent. With gradual implementation of strategic transformation by the Group's major customer, the Group secured purchase orders from well-known international smart phone manufacturers since the third quarter, laying a more solid foundation for the Group's future sustainable development. Sales of BYD Electronic slightly decrease compared with the previous year. Further, the Group recorded a decrease in profit due to the adjustment of product structure, decrease in sales to major customer, intensifying market competition and increase in costs. During the Year, the Group recorded sales of approximately RMB15,868 million, representing a slight year-on-year decrease of approximately 4.68%. Profit attributable to shareholders decreased by approximately 41.91% to RMB603 million compared with that of the previous 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, a major customer of the Group attracted great market attention and recorded satisfactory sales after its launch of a new model of handset in the fourth quarter, driving its market share to recover gradually. Meanwhile, leveraging on the Group's high capability of vertical integration, strong product competitiveness and advantage with higher value for money, the Group secured purchase orders from new customers during the Year. To further expand its market share, the Group also secured purchase order for hot new electronic products such as tablet PC.

On the other hand, with increasingly competition of the global handset market, international leading handset manufacturers were more cost-cautions and exercised stringent controls over production cost and rigorous selection of upstream handset component producers, which added challenges to the Group's operation environment, while price reduction pressure continuously from customers affected the profitability in both the handset component and module production businesses.

BYD Electronic has been committed to the development and research of high-end handset Original Design Manufacturing (ODM) services. Due to slackening purchase orders from the Group's major customer in the first half of the year, ODM business was affected. However, the development of ODM business would not only facilitate the Group to shift towards the high value-added segment of the industry chain and effectively enhance its business structure, but would also enable the Group to gradually shift to high-end market strategically, and in the long term would be favourable to increase the Group's market share in the high-end market and the overall profitability of its business.

Benefited from the vigorous promotion of 3G and increasing promotion efforts on 3G handsets put by various operators in China, there was a strong market demand for 3G handsets. The Group continued to develop 3G handset ODM business and consecutively secured purchase orders for 3G handsets from well-known domestic handset producers.

FUTURE STRATEGY

Looking forward to 2012, debt crisis in Europe and slow growth pace of the U.S. economy will continue to adversely affect the global economy, resulting in insufficient release of overseas market demand. However, as the second largest economy in the world, China has implemented a series of measures to increase domestic demand and loose credit, which will make China continue to be the engine for global economic growth. According to market research institutes, global sales of smart phone is expected to reach 616 million units in 2012 and 1 billion units by 2015, accounting for nearly 50% of global sales volume of handsets. Facing the vigorous emerging of smart phones, mobile internet and tablet PC, BYD Electronic, as a quality one-stop supplier, will continue to establish good relationship with main smart phone customers. While putting great efforts on the development of smart phones and 3G handsets business, the Group will continue to explore new businesses and enrich product portfolio by pursuing new product lines including tablet PC, and procuring more new customers among international branded manufacturers, so as to create new growth drivers. The Group will gradually optimize product portfolio and customer structure, aiming to foster new sources of income and profit for the Group.

On the other hand, the Group will place resources on research and development of 3G handset business and further develop ODM business for 3G handsets. Currently, there is limited number of qualified ODM suppliers in the PRC. As one of the earliest to manufacture TD-SCDMA handsets, the Group will uphold its vertical integration strategy, leverage handset products with higher value for money and strengthen ODM advantages targeting at international and domestic leading handset manufacturers with a view to gaining market shares in the 3G market and creating greater driving forces for the growth of the Group.

Looking forward, with the enormous opportunities brought to the Group by smart phones and 3G handsets, 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 value for money advantage and a determination to develop an integrated global manufacturing and service platform in order to further enhance its market position and create substantial returns for our shareholders.

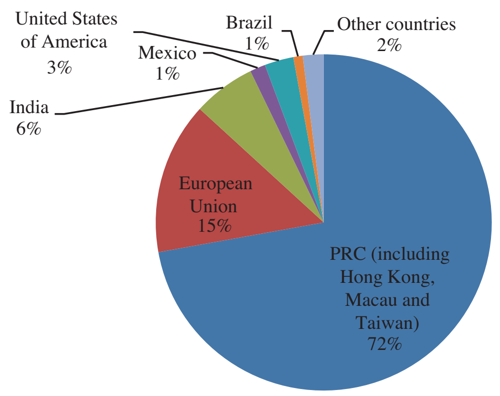
FINANCIAL REVIEW

Turnover recorded a slight decrease compared with the previous year. Profit attributable to equity owners of the parent decreased compared with the previous year, mainly attributable to the decrease in the sales of the Group's major customers.

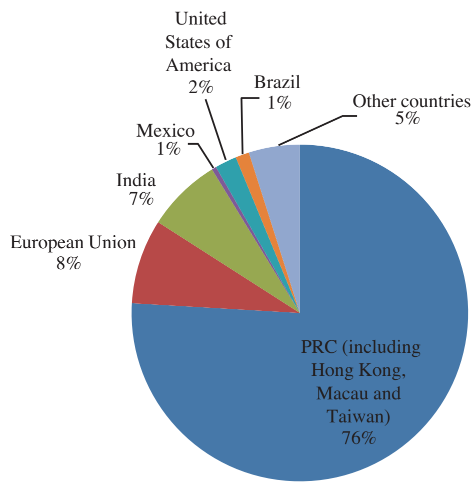
Segmental Information

Set out below is the comparison of geographical information by customer location for the year ended 31 December 2010 and 2011:

2010



2011



Gross Profit and Margin

The Group's gross profit for the Year decreased by approximately 16.43% to approximately RMB1,730 million. Gross profit margin declined from approximately 12.43% in 2010 to approximately 10.90%. The decrease in gross profit margin was mainly due to the change of the customer structure of the Company.

Liquidity and Financial Resources

During the Year, the Group recorded cash inflow from operations of about RMB2,349 million, compared with approximately RMB 948 million recorded in 2010. During the Year, funds were obtained from the net cash derived from the Company's operations. As at 31 December 2011 and 31 December 2010, the Group did not have bank borrowings.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. Turnover days of accounts and bills receivables were approximately 83 days for the year ended 31 December 2011, compared with approximately 75 days for the year ended 31 December 2010. Inventory turnover for the year ended 31 December 2011 were approximately 49 days, basically remaining the same as the same period 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 2011, the Company had no bank 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 the next twelve months.

Exposure to Foreign Exchange Risk

Most of the Company's income and expenditure are settled by Renminbi and US dollars. During the Year, the Company recorded an increase in foreign exchange losses compared with that of the previous year, which was mainly attributed to the change in exchange rate of US dollars to Reminibi and of HUF to US dollars. During the Year, the Company did not encounter any significant difficulties or come under any 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

As at 31 December 2011, the Company had over 69,000 employees. During the Year, total staff cost accounted for approximately 11.95% 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 2011, 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 2011 to 31 December 2011, 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 2011, the Company had capital commitment of approximately RMB770 million (31 December 2010: approximately RMB 261 million).

Contingent Liabilities

Please refer to note 12 to the consolidated financial statements for details of contingent liabilities.

ENVIRONMENTAL PROTECTION

(1) On 7 September 2011 and 13 September 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found emitting exhaust of excessive concentration and that the outlets of its exhaust pipes were not fully closed during the field investigations by the Shenzhen Habitat Environment Committee. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 366)" to order the subsidiary to stop the emission and pay a fine of RMB70,000.

(2) On 13 October 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found discharging untreated exhaust during the site investigation of the Shenzhen Habitat Environment Committee. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 367)" to order the subsidiary to stop the emission and pay a fine of RMB50,000.

(3) On 1 November 2011, 5 November 2011, and 6 November 2011, during the site investigations and monitoring of the Shenzhen Habitat Environment Committee, the Company's subsidiary BYD Precision Manufacture Co., Ltd. Was found emitting exhaust of excessive concentration. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 369)" to order the subsidiary to pay a fine of RMB100,000.

(4) On 22 November 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found emitting exhaust of excessive concentration during the field investigation of the Shenzhen Habitat Environment Committee. On 26 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 418)" to order the subsidiary to pay a fine of RMB100,000.

All the above penalties were caused by the spray lines of the Company's subsidiary BYD Precision Manufacture Co., Ltd. Subsequent to the above penalties, the Company has made rectification according to the requirements. After completion of the rectification, emission of pollutants will be up to standards and comply with national and local environmental protection requirements.

During the reporting period, the company had no other environmental protection or significant social security issues.

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 23 March 2012 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 2011) for recommendation to the Board for approval.

Final Dividend

The Board recommend the payment of a final dividend of RMB0.0535 per share for the year ended 31 December 2011.

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, 23 March 2012

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.