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 2012

Turnover	-11.20%	To RMB14,091 million
Gross profit	-31.22%	To RMB1,190 million
Profit attributable to owners of the parent	-37.14%	To RMB379 million
Earnings per share	-37.04%	To RMB0.17

HIGHLIGHTS

- The slowdown in the handset market led to the decline of the Group's revenue.
- The Group's profitability was under pressure due to slow sales of major customer.
- Customer structure continued to improve during the period with increasing diversity in product mix.

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 2012 (the "Year") together with comparative figures in 2011.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4	14,090,909	15,868,300
Cost of sales		(12,900,805)	(14,137,932)
Gross profit		1,190,104	1,730,368
Other income and gains	4	250,006	259,253
Research and development expenses		(529,626)	(614,488)
Selling and distribution expenses		(126,149)	(130,841)
Administrative expenses		(299,203)	(444,780)
Other expenses		(52,304)	(124,926)
Finance costs	5	(2,520)	(213)
PROFIT BEFORE TAX	6	430,308	674,373
Income tax expense	7	(51,362)	(71,567)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		378,946	602,806
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT — Basic and diluted	8	RMB0.17	RMB0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	378,946	602,806
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	4,500	(133,396)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	4,500	(133,396)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	383,446	469,410
Attributable to owners of the parent	383,446	469,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,913,812	3,560,203
Prepaid land lease payments		134,305	138,254
Prepayments for property, plant and equipment		75,965	432,974
Other intangible assets		8,360	9,331
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		176,432	135,228
Total non-current assets		4,708,874	4,675,990
CURRENT ASSETS			
Inventories		1,738,539	1,780,122
Trade and bills receivables	9	2,751,198	3,446,342
Prepayments, deposits and other receivables		228,241	211,377
Due from fellow subsidiaries		79,256	—
Due from the intermediate holding company		109,148	109,148
Due from the ultimate holding company		145,643	147,876
Pledged deposits		16,532	100,000
Cash and cash equivalents		2,111,365	2,106,993
Total current assets		7,179,922	7,901,858
CURRENT LIABILITIES			
Trade and bills payables	10	2,690,856	3,467,996
Other payables and accruals		691,125	775,371
Tax payable		64,655	51,679
Due to fellow subsidiaries		145,162	167,185
Due to the ultimate holding company		42,580	124,084
Total current liabilities		3,634,378	4,586,315
NET CURRENT ASSETS		3,545,544	3,315,543
TOTAL ASSETS LESS CURRENT LIABILITIES		8,254,418	7,991,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		8,254,418	7,991,533
Net assets		8,254,418	7,991,533
EQUITY			
Issued capital	11	216,999	216,999
Reserves		8,037,419	7,653,973
Proposed final dividend	13	—	120,561
Total equity		8,254,418	7,991,533

NOTES TO FINANCIAL STATEMENTS

31 December 2012

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. 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 2012. 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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments*: *Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

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	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [2]
HKFRS 11	*Joint Arrangements* [2]
HKFRS 12	*Disclosure of Interests in Other Entities* [2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance* [2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *Investment Entities* [3]
HKFRS 13	*Fair Value Measurement* [2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
HKAS 19 (2011)	*Employee Benefits* [2]
HKAS 27 (2011)	*Separate Financial Statements* [2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: *Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [2]

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose*

Entities. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments 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.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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 are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS *32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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. Management monitors the result of the Group as a whole for the purpose of making decision about resources allocation and performance assessment. 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

	2012	**2011**
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	11,133,970	12,047,533
European Union	716,965	1,291,171
India	1,363,427	1,141,324
Mexico	25,413	69,541
United States of America	310,680	331,419
Brazil	208,208	209,159
Other countries	332,246	778,153
	14,090,909	15,868,300

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2012	**2011**
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	4,135,574	4,105,016
India	360,617	415,765
European Union	36,251	19,981
	4,532,442	4,540,762

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

Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
	RMB'000	*RMB'000*
Customer One[1]	4,071,432	5,659,506
Customer Two[1]	3,346,235	5,977,193
	7,417,667	11,636,699

1 Revenue from major customers from providing assembly service and sale of mobile handset components and modules.

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:

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of mobile handset components and modules	6,286,688	7,294,186
Assembly service income	7,804,221	8,574,114
	14,090,909	15,868,300

	2012	2011
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	63,278	43,862
Sale of scrap materials	88,924	147,021
Sale of materials	3,119	25,470
Subcontracting income	—	1,666
Compensation from suppliers and customers	56,161	12,005
Others	38,524	29,229
	250,006	259,253

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	2,520	213

6. PROFIT BEFORE TAX

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

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories sold	5,451,702	5,915,104
Cost of services provided	7,410,207	8,160,129
Depreciation	691,454	680,077
Research and development costs:		
Current year expenditure	529,626	614,488
Minimum lease payments under operating leases — buildings	26,949	33,610
Auditors' remuneration	2,413	3,413
Recognition of prepaid land lease payments#	2,585	2,737
Amortisation of intangible assets#	4,542	6,589
Employee benefit expense (including directors' remuneration)		
Wages and salaries	1,867,047	1,958,919
Retirement benefit scheme contributions	78,374	88,246
	1,945,421	2,047,165
Impairment of trade receivables##	19,650	354
Impairment losses of trade receivables reversed##	(868)	(3,129)
Impairment of property, plant and equipment##	9,715	19,700
Impairment of inventories##	38,893	62,699
Loss/(Gain) on disposal of items of property, plant and equipment##	4,067	(1,991)
Gain on acquisition of Lens Business###	—	(2,491)
Foreign exchange (gain)/loss, net###	(800)	102,914

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. 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, a wholly-owned subsidiary of the Company, 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 current year was the fifth profit-making year for BYD Huizhou.

BYD Electronics India Private Limited, a wholly-owned subsidiary of the Company, is entitled to income tax rate of 33.99%.

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 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:

	2012	**2011**
	RMB'000	*RMB'000*
Group:		
Current - PRC	83,281	104,488
Current - India	9,285	—
Deferred	(41,204)	(32,921)
Total tax charge for the year	51,362	71,567

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 (2011: 2,253,204,500).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 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:

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	378,946	602,806

	Number of shares	
	2012	2011
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	
	2012	2011
	RMB'000	*RMB'000*
Trade and bills receivables	2,791,899	3,469,992
Impairment	(40,701)	(23,650)
	2,751,198	3,446,342

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 28% (2011: 38%) and 78% (2011: 83%) 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	
	2012	**2011**
	RMB'000	*RMB'000*
Within 90 days	2,596,368	3,192,459
91 to 180 days	154,035	248,200
181 to 360 days	795	5,683
	2,751,198	3,446,342

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	
	2012	**2011**
	RMB'000	*RMB'000*
Within 90 days	2,428,256	3,174,196
91 to 180 days	246,762	275,708
181 to 360 days	9,727	14,006
1 to 2 years	4,862	1,604
Over 2 years	1,249	2,482
	2,690,856	3,467,996

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

11. SHARE CAPITAL

	2012	**2011**
	RMB'000	*RMB'000*
Shares		
Authorised:		
4,400,000,000 (2011: 4,400,000,000) ordinary shares of HK$0.10 each	425,964	425,964
Issued and fully paid		
2,253,204,500 (2011: 2,253,204,500) ordinary shares of HK$0.10 each	216,999	216,999

12. CONTINGENT LIABILITIES

On 11 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.

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 application took place on 11 and 12 June 2008 and the judgment in respect of the stay application was handed down on 27 June 2008. The stay

12. CONTINGENT LIABILITIES (continued)

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 High Court of the Hong Kong Special Administration Region for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a Plaintiff.

On 2 October 2009 the Defendants instituted a counter-action against Hong Hai Precision Industry Co., Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industrial Co., Ltd and Hongfujin Precision Industrial (Shenzhen) Co., Ltd. for their intervention, by means of illegal measures, in the operations involving the Company and its subsidiary, which is the holding company, collusions, written and verbal defamation, and the economic loss as a result of the said activities, and made requests in respect of the action as followed: the Defendants requested the Court to issue an injunction banning Hon Hai Precision Industry Co. Ltd and Foxconn International Holdings Limited from spreading, releasing and procuring the release of statements against the Defendants or any similar wordings to discredit the Defendants. Requests were also made to order Hon Hai Precision Industry Co. Ltd to compensate for the damage (including aggravated damages and punitive damages) arising from its written and oral defamation, to order Foxconn International Holdings Limited to compensate for the damage (including aggravated damages and punitive damages) arising from its written defamation, and to order Hon Hai Precision Industry Co. Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. to compensate for the losses due to unlawful interference with the operations of the Company and its subsidiaries, and the loss, nterest, costs and other relief caused by their collusion.

On 21 January 2010, the plaintiff based on no reasonable cause of action and other reasons, to apply to the court rejected the defendant counterclaim in the book section paragraph content. In August 2010, the court made a judgement dismissing the elimination of application. On 28 September 2010, the plaintiff appeal. In response to the appeal, the court heard again in May 24, 2012. On June 22, 2012, the court announced the verdict, dismissed the appeal on appeal from the Foxconn side request.

On 30 January 2012, the Plaintiffs filed an application to the High Court requesting it to send a letter of request to the Shenzhen Intermediate People's Court for copying information in the mobile hard drive maintained in the Shenzhen Intermediate People's Court. On 13 April 2012, the Defendants made a reply to the application, requesting that apart from the Shenzhen Intermediate People's Court, the letter of request should also be sent to the Supreme People's Court of the PRC, the Shenzhen Bao'an District People's Court and the Shenzhen Longgang District People's Court through which the letter of request should be passed to the Baoan Branch of the Shenzhen Public Security Bureau and the Beijing JZSC Intellectual Property Rights Forensic Center, requesting the aforesaid authorities or units to assist in the transfer or disclosure of evidence materials such as computers, copies of mobile hard disks and case files of parties closely related to this case. On 11 October 2012, the Hong Kong High Court decided to postpone the hearing for the above application originally scheduled to be held on 18 October 2012 to a time to be further decided.

12. CONTINGENT LIABILITIES (continued)

Based on the legal opinions issued by the Group's litigation legal counsels to 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. DIVIDENDS

The directors do not recommend payment of dividend in respect of the year. In 2011, dividend proposed is as follows:

	2011
	RMB'000
Proposed Final - RMB0.0535 per ordinary share	120,561

In 2011, the proposed final dividend for the reporting period was subjected to the approval of the Company's shareholders at the annual general meeting.

MANAGEMENT DISCUSSIONS AND ANALYSIS

For the year ended 31 December 2012 (the "Year"), the global economy remained in a downside trend as the economic recovery continued to slow down. The US economy moved forward at a low growth rate while the economy in Eurozone shrank sharply due to prolonged debt crisis. Asia and emerging markets were also affected and saw a sustained slowdown in economic growth. The growth in China's gross domestic product declined since the beginning of the Year till the fourth quarter when it picked up, with an annual growth rate of 7.8% only, dropping significantly as compared to that of the last year.

Due to a sluggish economy, demand in the global handset market declined for the first time since 2009. According to Gartner, a market research institution, the global handset output was approximately 1.75 billion units in 2012, representing a year-on-year decrease of 1.7%. Nevertheless, smart phones market maintained a strong growth momentum and became an engine driving the growth of global handset business. In 2012, the output of smart phones reached more than 600 million units, representing an increase of 42.6% over the previous year, and its share to the total handset output increased to 38.5%. The output of smart phones in China reached 210 million units, making China the largest producer of smart phones in the globe. High subsidies from operators, a decrease in average selling price and costs and low-priced data service packages, all contributed to maintain the tendency to replace feature phones with smart phones.

During the year under review, the smart phone market developed at rapid pace. Competitions in the market also escalated, resulting in an even more monopolized market dominated by handset manufacturers. Renowned handset manufacturer in Asia continued to achieve substantial growth in both high-end and low-end markets with the largest output in the world. Currently, such manufacturer and another world leading smart phone manufacturer are holding a leading position in the market. Meanwhile, handset manufacturers in China are rising rapidly, tapping into the medium-end and low-end markets with competitive prices. Furthermore, traditional handset giants are undergoing a strategic transformation, the sales volume of their smart phones began to pick up in the fourth quarter, though the overall market share is still under pressure.

As for the China market, due to further improvement of the 3G networks, a downside trend in the selling price of smart phones and the fast popularization of mobile internet, the output of smart phones increased significantly. According to the data released by the Academy of Telecommunications Research under the Ministry of Industry and Information Technology ("MIIT"), the aggregate number of mobile handset users in China reached 1.1 billion in 2012, among which the number of 3G handset users exceeded 230 million, representing a net increase of more than 100 million, and new 3G handset users accounted for more than 80% of the new mobile handset users. The 3G business has stepped into a stage of rapid growth, creating more expansion opportunities for suppliers with the ability to provide one-stop services with highly vertically integrated capabilities as well as global manufacturing and service platforms.

BUSINESS REVIEW

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (collectively, the "Group") adhere to its operating strategy of providing one-stop service with high vertical integration capabilities. The Group provides handset manufacturers with two major services, namely production of handset components and module business, as well as providing vertical integration of handset design and assembly services. In 2012, the Group's sales dropped when compared with last year owing to a decline in the demand in the global handset market and a decrease in the sales volume of its major customer. The profit of the Group also decreased due to change of its product mix, declined sales of its major customer, intense market competition and increased costs. During the Year, the Group recorded sales of approximately RMB14,091 million, representing a decrease of approximately 11.20% year on year. Profits attributable to shareholders decreased by approximately 37.14% year on year to approximately RMB379 million.

BYD Electronic is one of the most cost-competitive manufacturers of handset components and modules in the industry. Its principal business includes 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 provision of complete handset design and assembly services (including high level assembly services and printed circuit board ("PCB") assembly services) and provision of design, parts manufacturing and assembly services of other electronic products.

During the Year, the Group's major customer underwent a business strategic transformation with an aim to tap into the smart phone market. Since the fourth quarter of 2012, its new smart phone products recorded a good sales volume, yet the sales growth of new products were yet to offset the sales slump in traditional products, hence the market share and sales volume continued to be squeezed and it in turn resulted in some negative impact on the Group's handset component and assembly businesses.

Leveraging the Group's highly vertical integration capabilities, strong product competitiveness and advantage with high value for money, the Group continued to secure orders from other international renowned smart mobile terminal manufacturers while actively exploring new clientele. During the Year, the Group successfully introduced leading smart mobile terminal manufacturers as customers and established a solid cooperation relationship with them. However, the revenue contribution from these new customers was yet to offset the negative impact of decreasing sales from original customers. The Group will continue to enhance cooperation with new customers and anticipates that they will bring more contribution to the business growth of the Group.

Meanwhile, the tablet market was under diversified development and realized a booming growth. According to NPD DisplaySearch, a market research company, the output of tablets reached more than 150 million units in 2012. Leveraging on the technologies of the Group in relation to handset components and assembly, the Group made aggressive efforts to enter into this fast growing market with a view to expand its revenue stream.

In face of intensifying competitions in the global handset market, world leading handset manufacturers were very sensitive to costs and prices and keen to tighten production cost control, which brought more challenges to the Group's operation and also a sustained price pressure on the Group's customers, and thus casted a negative impact on the profitability of the handset components and module businesses of the Group.

Benefited from the promotion of 3G large-scale application and increasing promotion efforts on 3G handsets by operators in China, the number of 3G handset users saw a rapid growth in China. As of 2012, the penetration rate of 3G users stands at approximately 20% and there are still enormous market potentials waiting to be explored. BYD Electronic is committed to the research and development of high-end handset ODM service. In light of the vast market development prospects, the Group continued to develop 3G handset ODM business. This will not only facilitate the Group to shift towards the high value-added segment of the industry chain and effectively enhance its business structure, but also enable the Group to gradually shift to high-end market strategically. In the long term, it will be favorable to increase the Group's market share in the high-end market and the overall profitability of its business.

FUTURE STRATEGY

Looking forward to 2013, the prospect of the world economy is still uncertain. As the global economy continues to grow at a low speed with rising protectionism and increasing pressure from potential inflation and asset bubbles, the global economy has entered a period of profound transition and correction from a period of fast growth in the pre-crisis years. According to IDC's forecasts, in 2013, the output of smart phones in China will reach 300 million units, representing a year on year growth of 44%, keeping a strong momentum for growth.

Along with the prevalence of smart phones, mobile internet and tablets, competitions in the market will intensify, providing more space for the development of manufacturers of handsets and components. BYD Electronics, as a quality one-stop provider, will keep abreast of the market trend, maintain good relationships with its mainstream smart phone manufacturer customers, actively explore new customer sources to obtain more orders for most popular smart phones and related high-end consumer electronics so as to achieve a greater market share and broader sources of income. In the meantime, the Group believes that its major customer has stepped out of its worst moment and will regain its market share gradually in future. The Group is proactively adjusting its development strategy to well prepare itself for the enormous business opportunities brought by the market transformation.

In June 2012, the State Council published the "*Several Opinions of the State Council on Vigorously Advancing Informationisation Development and Thoroughly Ensuring Information Security* " (《國務院關於大力推進信息化發展和切實保障信息安全的若干意見》) stating that by the end of the Twelfth Five Year Plan period, 3G coverage will be extended to rural areas. Furthermore, in early 2013, the MIIT declared that it had set a goal to procure more than 100 million new 3G users. By leveraging on the potential business opportunities brought by the extension of 3G networks in China, the Group will continue to invest on the R&D of its 3G handset business to further expand its 3G handset ODM business. Currently, the number of qualified ODM manufacturers in China is limited and as a first mover in the field of TD-SCDMA, the Group will adhere to its vertical integration strategy to attract more international and domestic customers via handset products with high value for money and improving ODM capability, with an aim to procure more orders from customers, enhance its share in the 3G market and drive the growth of the Group.

The Group will, based on its great efforts on the development of smart phones and 3G handsets business, aggressively explore new businesses and enrich its product portfolio by adding new product lines including tablets, and identify more new customers from international branded manufacturers, so as to create new growth points, optimise product mix and customer structure gradually and thus create new sources of income and profit for 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 R&D 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 great returns to the Group's shareholders.

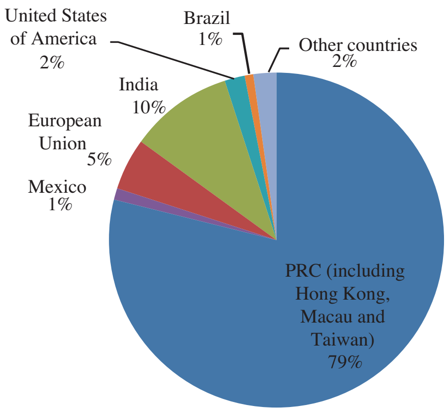
FINANCIAL REVIEW

Turnover recorded a decrease of 11.20% as compared to the previous year. Profit attributable to equity owners of the parent decreased by 37.14% as compared to the previous year, mainly attributable to a decline in demand in the handset market and intensified market competition.

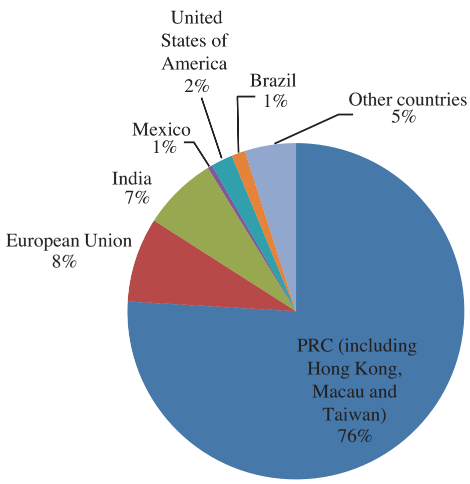
Segmental Information

Set out below is the comparison of geographical information by customer location for the year ended 31 December 2011 and 2012:

2012



2011



Gross Profit and Margin

The Group's gross profit for the Year decreased by approximately 31.22% to approximately RMB1,190 million. Gross profit margin declined from approximately 10.90% in 2011 to approximately 8.45%. The decrease in gross profit margin was mainly due to the decline in market demand, keen competition and the increase in cost.

Liquidity and Financial Resources

During the Year, the Group recorded cash inflow from operations of approximately RMB744 million, compared with approximately RMB2,439 million recorded in 2011. During the Year, funds were obtained from the net cash derived from the Company's operations. As at 31 December 2012 and 31 December 2011, 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 80 days for the year ended 31 December 2012, compared with approximately 83 days for the year ended 31 December 2011. Inventory turnover for the year ended 31 December 2012 was approximately 52 days, compared with approximately 49 days for the year ended 31 December 2011.

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 2012, 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 credit 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 revenue arising from exchange differences 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 2012, the Company had over 55,000 employees. During the Year, total staff cost accounted for approximately 14.57% 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 2012, 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 2012 to 31 December 2012, 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 2012, the Company had capital commitment of approximately RMB353 million (31 December 2011: approximately RMB770 million).

Contingent Liabilities

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

ENVIRONMENTAL PROTECTION

During the reporting period, the company had no 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 to maintain and ensure high standards of corporate governance practices.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct for 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 during 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 22 March 2013 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including the review of the financial statements for the year ended 31 December 2012) for recommendation to the Board for approval.

Disclosure of Information on the Website of the Stock Exchange

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, 22 March 2013

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.