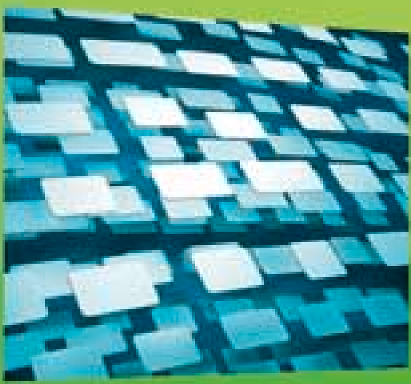
比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(Stock Code 股份代號: 285)

CREATING A NEW PERSPECTIVE

ANNUAL REPORT 2011年年報



BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"; together with its subsidiaries known as the "Group"; stock code: 00285) was successfully spun off from BYD Company Limited ("BYD", stock code: 01211) and listed on the Main Board of the Stock Exchange Hong Kong Limited on 20 December 2007. BYD Electronic is a world-leading vertically integrated provider of handset components and modules as well as handset design and assembly services. The Group is principally engaged in the manufacturing and sales of handset components, including handset casings and keypads, other structural components of electronic products, including casings, keys, connectors and other components, and its modules, as well as the provision of complete handset and other electronic products design and assembly services (namely high level assembly services and printed circuit board (PCB) assembly services). With its high capability of vertical integration, strong product competitiveness, the advantage of high performance-to-price ratio and "one-stop" global manufacturing and service platform, the Group aims at expanding its market share while striving for a world leadership in components of handsets and other electronic products and assembly services.

比亞迪電子(國際)有限公司(「比亞迪電子」或「本公司」,連同其附屬公司統稱「本集團」;股份代號:00285)成功於二零零七年十二月二十日由比亞迪股份有限公司(「比亞迪」;股份代號:01211)分拆於香港聯交所主板獨立上市。比亞迪電子是一家國際領先的垂直整合手機部件及模組製造、手機設計及組裝服務供應商。集團主要業務為從事手機部件(包括手機外殼和鍵盤)、其他電子產品的結構性部件(包括外殼、按鍵、連接器和其他組件)及其模組的製造與銷售,以及提供手機整機及其他電子產品的設計及組裝服務(包含高水平組裝和印刷線路板(PCB)組裝)。憑藉高度垂直整合能力、強大的產品競爭力、高性價比優勢、以及「一站式」全球製造和服務平台,集團鋭意拓展市場份額,致力於成為全球手機及其他電子產品部件及組裝服務的領導者。

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FINANCIAL HIGHLIGHTS

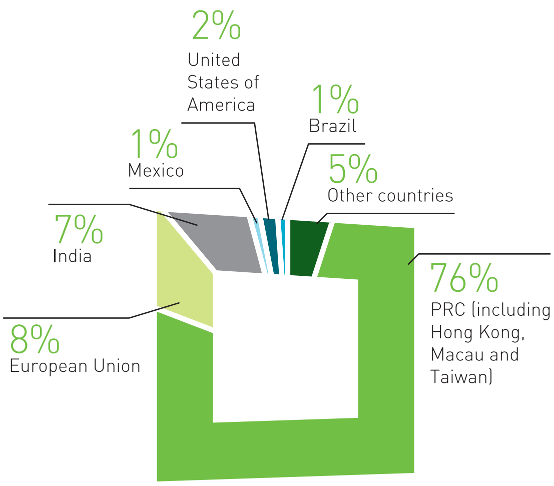
FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

	For the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**15,868,300**	16,647,129	11,198,670	8,555,112	5,767,256
Gross profit	**1,730,368**	2,069,991	1,561,783	1,709,547	1,527,925
Gross profit margin (%)	**11**	12	14	20	26
Profit attributable to equity holders of the parent	**602,806**	1,037,836	758,856	765,825	1,093,289
Net profit margin (%)	**4**	6	7	9	19

	For the year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Net assets	**7,991,533**	7,522,123	6,627,944	5,837,536	4,891,788
Total assets	**12,577,848**	11,485,108	10,276,740	8,418,186	8,237,272
Gearing ratio (%) (Note)	**-26**	-21	-18	-19	-39
Current ratio (times)	**1.72**	1.94	1.78	1.87	1.89
Account and bills receivable turnover (days)	**83**	75	75	71	78
Inventory turnover (days)	**49**	49	72	77	68

Note: Gearing ratio = Total interest-bearing bank borrowings net of cash and bank balances/equity

TURNOVER BREAKDOWN BY LOCATION OF CUSTOMERS



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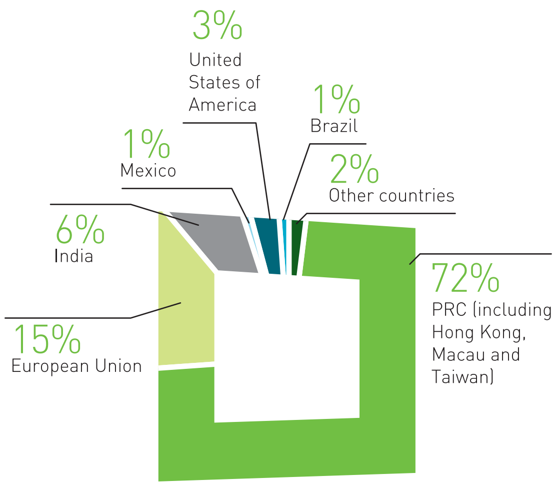


2010

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Li Ke
Sun Yi-zao

NON-EXECUTIVE DIRECTORS

Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Yuk-tong
Antony Francis MAMPILLY
Liang Ping

COMPANY SECRETARIES

Li Qian
Cheung Hon-wan

AUDIT COMMITTEE

Wang Chuan-fu
Wu Jing-sheng
Chan Yuk-tong (Chairman)
Antony Francis MAMPILLY
Liang Ping

REMUNERATION COMMITTEE

Li Ke
Wang Chuan-fu
Chan Yuk-tong
Antony Francis MAMPILLY
Liang Ping (Chairman)

NOMINATION COMMITTEE

Sun Yi-zao
Wang Chuan-fu (Chairman)
Chan Yuk-tong
Antony Francis MAMPILLY
Liang Ping

AUTHORIZED REPRESENTATIVES

Li Ke
Wu Jing-sheng

REGISTERED OFFICE

Part of Unit 1712, 17th Floor, Tower 2
Grand Central Plaza
No. 138 Shatin Rural Committee Road
New Territories
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 3001, Bao He Road
Baolong, Longgang
Shenzhen, 518116
The PRC

SHARE REGISTER AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy Ltd.
Tel: (852) 2136 6185
Fax: (852) 3170 6606

WEBSITE

www.byd-electronic.com

STOCK CODE

0285

DELIVERING A BRIGHT PROSPERITY

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of BYD Electronic (International) Company Limited ("BYD Electronic" or the"Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report of the Company for the year ended 31 December 2011.

In the year under review, the prospects of the global economy became uncertain due to the factors such as severe European sovereign debt crisis, slow recovery of the U.S. economy and slackening Chinese economy. What was more, political instability in certain regions exacerbated volatility of the global economy. Despite the slowing growth in the global demand for handsets, the popularity of smart phones drove the growth of global handset business. Meanwhile, the booming development of smart phones has changed the competition landscape of the global handset market, leading to the shrinking market share of traditional handset manufacturers. With gradual implementation of strategic transformation by the Group's major customer, the Group secured purchase orders from well-known international smart phone manufacturers, laying a more solid foundation for the Group's future sustainable development. For the year ended 31 December 2011 (the "Year"), the Group recorded sales of approximately RMB15,868 million, decreased by approximately 4.68% year-on-year. But profits deceased as a result of the adjustment of product structure, decreased sales to major customers, keen market competition and the rising cost. Profit attributable to the shareholders decreased by approximately 41.91% to about RMB603 million year-on-year.

In the transformation of the industrial ecology, leveraging its high capability of vertical integration, strong product competitiveness and the advantage of high performance-to-price ratio, the Group continued to become one of the manufacturers of handset components and modules with the highest cost competitiveness in the industry. During the year, the Group actively expanded its businesses in smart phones and other relevant products, securing brand new customer including Apple Inc., as well as purchase orders of new products. The Group also secured purchase orders 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, which added challenges to the Group's operation environment.

Apart from providing customers with components of handsets and other electronic products and modules, BYD Electronic also provided design of handsets and other electronic products and assembling services according to the requirements of its customers. The Group has been devoted to develop and research high-end handset original design manufacturing (ODM) services. With the vigorous promotion of 3G in mainland China and the increasing promotion efforts on 3G handsets put by operators, there was a strong market demand for 3G handsets and a substantial increase in the number of users. In view of this, the Group continued to develop 3G handset ODM business and consecutively secured purchase orders for 3G handsets from well-known domestic handset producers. However, due to slackening purchase orders from the Group's major customer in the first half of the year, ODM business was affected. It was the Group's belief that 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 also enable the Group to gradually shift to high-end market strategically. In the long term it would be favorable to increase the Group's market share in the high-end market and the overall profitability of its business.

Looking forward to 2012, under the shadow of the European debt crisis and the slow growth pace of the U.S. economy, the global economy will continue to be adversely affected, 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 expand domestic demand and ease monetary, which will make China continue to be the engine for global economic growth. With the demand for smart phones showing explosive growth, the demand for handset components and modules, handset design and assembly services will increase accordingly. The Group expects the output of smart phones will continue to increase. Facing the vigorous emerging of smart phones, mobile internet and tablet PC, the Group 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.

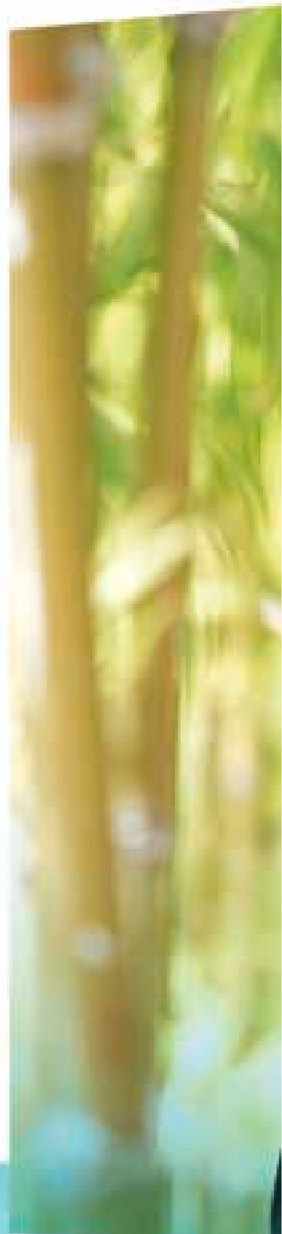
With the enormous opportunities brought by smart phones and 3G handsets, the development strategies and objectives of BYD Electronic remain unchanged—a commitment to continuously enhance its research and development capabilities and technological standards, maintain and improve its product quality and value for money advantage, determine to develop an integrated global manufacturing and service platform in order to further enhance its market position.

Finally, on behalf of BYD Electronic, I would like to thank our loyal customers, business partners, investors and shareholders for their long-term support and trust in the Group. And I would also like to thank all staff for their dedicated efforts over the years. We are confident that the Group will become an international leading manufacturer of handset and other electronic product components and modules and assembly services with highly vertical integrated capability, hence sharing the returns with our shareholders.

Wang Chuan-fu
Chairman

Hong Kong, 23 March 2012

DELIVERING A INNOVATIVE DEVELOPMENT

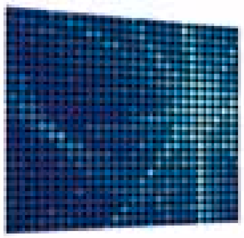


ECONOMIC ENVIRONMENT REVIEW

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 approximately 11.13%, 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.

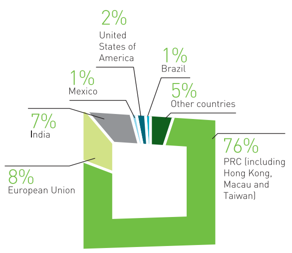
Looking forward, with the enormous opportunities brought to the Group by smart phones and 3G handsets, the development strategies and objectives of BYD Electronic remain unchanged—a commitment to continuously enhance its research and development capabilities and technological standards, maintain and 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:



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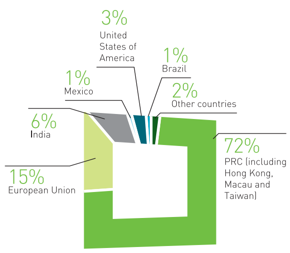

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GROSS PROFIT AND MARGIN

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 RMB948 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 RMB261 million).

CONTINGENT LIABILITIES

Please refer to note 28 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

LI, KE

Ms. Li Ke, born in 1970, Chinese national with right of abode in the United States, bachelor degree holder. Ms. Li graduated from Fudan University (復旦大學) where she obtained her bachelor degree in statistics in 1992. Ms. Li worked at Asia Resources (亞洲資源) and joined the BYD Group in September 1996 as a manager in the marketing division and later as general manager of sales. Ms. Li joined our Group in January 2003 and is responsible for the overall strategic planning and business management. She has also been actively participating in the marketing, human resources and general administration of our Group's business. She is an Executive Director and Chief Executive Officer of the Company.

SUN, YI-ZAO

Mr. Sun Yi-zao, born in 1964, Chinese national with no right of abode overseas. Mr. Sun graduated from Jiangxi Radio and TV University (江西廣播電視大學) in 1990. Mr. Sun joined the BYD Group in November 1994 and held the positions as manager of the design department, the engineering department and the spare parts sub-plant, and general manager of Division 3. Mr. Sun joined our Group in December 2002 and is responsible for various aspects of our operations such as production, procurement and quality control. Mr. Sun is an executive Director and the Chief Operation Officer of our Company.

NON-EXECUTIVE DIRECTORS

WANG CHUAN-FU

Mr. Wang Chuan-fu, born in 1966, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently Central South University) in 1987 with a bachelor degree majoring in metallurgy physical chemistry, and then graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) in the PRC in 1990 with a master degree majoring in metallurgy physical chemistry. Mr. Wang held positions as vice supervisor in Beijing Non-Ferrous Research Institute, general manager in Shenzhen Bi Ge Battery Co. Limited (深圳市比格電池有限公司). In February 1995, he founded Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) with Lu Xiang-yang and took the position of general manager. He is a Non-Executive Director and Chairman of the Company and also the Chairman, an Executive Director and the President of the BYD Group, a director of Shenzhen BYD Daimler New Technology Co. Ltd. and a director of BYD Charity Foundation.

Mr. Wang, being a technology expert, enjoyed special allowances from the State Council. In June 2003, he was awarded Star of Asia by BusinessWeek. He was awarded with Mayor award of Shenzhen in 2004 (二零零四年深圳市市長獎) and "The 2008 CCTV Man of the Year China Economy Innovation Award", etc.

WU JING-SHENG

Mr. Wu Jing-sheng, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Wu graduated from Anhui Normal University (安徽省師範大學) in 1988, majoring in Chinese language. He took part in National Examination for Lawyers (全國律師統考) and obtained qualification as a lawyer from the Department of Justice of Anhui Province (安徽省司法廳) in 1992. Mr. Wu also passed the National Examination for Certified Public Accountants (註冊會計師全國統考) and obtained qualification as a PRC Certified Public Accountant in 1995. In July 2006, he graduated from Guanghua School of Management of the Peking University (北京大學光華管理學院) with an MBA. Mr. Wu worked at Guangzhou Youngy Investment & Management Group Company Limited (廣州融捷投資管理集團有限公司) and was responsible for finance and related duties. He jolned the BYD Group in September 1995 as its financial manager. He is a Non-Executive Director of the Company and a vice president, chief financial officer and secretary to the board of directors of the BYD Group and a director of Shenzhen BYD Daimler New Technology Co. Ltd., the vice chairman of Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd., a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. and the chairman of BYD Charity Foundation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN, YUK-TONG

Mr. Chan Yuk-tong, born in 1962, Chinese national, permanent resident of the Hong Kong Special Administrative Region, master degree holder. Mr. Chan obtained a bachelor of commerce degree from the University of Newcastle, Australia in 1985, as well as a master of business administration degree from the Chinese University of Hong Kong in 2005. He is also a qualified fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan acted as an auditor, management consultant, financial adviser and reporting accountant for a variety of clients. Mr. Chan was an independent non-executive director of China Pipe Group Limited from January 2007 to July 2007, an independent non-executive director of Great Wall Motor Company Limited from May 2010 to November 2010, an executive director of Asia Cassava Resources Holdings Limited from February 2008 to August 2010 and an executive director and non-executive director of Vitop Bioenergy Holdings Limited from 30 September 2005 to 25 February 2008 and from 25 February 2008 to 24 May 2011 respectively (all companies are listed in Hong Kong). He is an Independent Non-Executive Director of the Company. He also acts as an independent non-executive director of Daisho Microline Holdings Limited, Global Sweeteners Holdings Limited, Sinopoly Battery Limited (formerly know as "Thunder Sky Battery Limited" and "Jia Sheng Holdings Limited"), Kam Hing International Holdings Limited, Xinhua Winshare Publishing and Media Co., Ltd., and Trauson Holdings Company Limited and Ausnutria Dairy Corporation Ltd which are listed in Hong Kong and an independent non-executive director of Anhui Conch Cement Company Limited, which is listed in Hong Kong and Shanghai.

MAMPILLY, ANTONY FRANCIS

Mr. Mampilly, born in 1950, United States national, master degree holder. Mr. Mampilly obtained a bachelor degree and a master degree in physics from Kerala University, India in 1970. Mr. Mampilly worked at Motorola, Inc. where he held positions as general manager of the Energy Systems Group, general manager of the auto electronics business, corporate vice president and chief procurement officer. He is an Independent Non-Executive Director of the Company.

LIANG, PING

Mr. Liang Ping, born in 1951, Chinese national with no right of abode overseas, master degree holder, senior engineer. He was the deputy director of the Petroleum and Chemical Industry Bureau of Shaanxi Province (陝西省石油化學工業局), general manager of Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司). He joined Shaanxi Provincial Investment Group Co. (陝西省投資集團(有限)公司) in August 2006 and served as general manager. He is an Independent Non-Executive Director of the Company and also the chairman of Shaanxi Provincial Investment Group Co., Shaanxi Provincial Hydropower Development Company Limited (陝西省水電開發有限責任公司), Shaanxi Qing Shui Chuan Electric Co., Ltd. (陝西清水川發電有限公司) and Shaanxi Renmin Daxia Company Limited (陝西人民大廈有限公司).

SENIOR MANAGEMENT

DONG, GE-NING

Mr. Dong Ge-ning, born in 1972, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Dong graduated from Southwest Agricultural University (西南農業大學) with a bachelor degree in engineering specializing in agricultural mechanization in 1993. Mr. Dong held positions as engineer, plant manager at Zhanjiang Agricultural Reclamation No. 2 Machinery Factory (湛江農墾第二機械廠) and worked at Foxconn International Holdings Limited where he was responsible for product development. He joined the BYD Group in March 2003 and was responsible various duties, including of manufacturing and planned management. Mr. Dong joined the Group in March 2003 and is responsible for the research and development, design and manufacture of molds and the development of new products, procurement of materials, etc.

WANG, BO

Mr. Wang Bo, born in 1972, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Wang graduated from the Harbin Institute of Technology (哈爾濱工業大學) with a bachelor degree in engineering specializing in electrochemical engineering in 1993. Mr. Wang worked as an assistant engineer at No. 18 Research Institute of China Electronics Technology Group Corporation (天津電源研究所第十八研究院), a process engineer and resource development manager at Motorola (China) Ltd. Mr. Wang joined the Group in September 2001 and is responsible for marketing and sales and the day-to-day management of the commercial and customer service aspects of our business.

WANG, JIANG

Mr. Wang Jiang, born in 1971, Chinese national with no right of abode overseas, master degree holder. Mr. Wang graduated from Liang Shan University (涼山大學) with a bachelor degree in integration of mechanical and electrical industry in 1992 and obtained a master degree in business administration from Tongji University (同濟大學) in 2008. Mr. Wang served as a quality control manager and a supplier quality control certification manager at Shenzhen Sang Fei Consumer Communications Co. Ltd. (深圳桑菲消費通信有限公司) and was assigned various responsibilities in the planned management, production and quality control at the BYD Group. Mr. Wang joined the Group in July 2004 and is responsible for the day-to-day management of the production, quality control, and planning of our business.

ZHU, AI-YUN

Ms. Zhu Ai-yun, born in 1965, Chinese national with no right of abode overseas, master degree holder. Ms. Zhu graduated from Changsha Communications University (長沙交通學院) with a bachelor degree in engineering financial accounting in 1988 and obtained an executive MBA degree from Peking University (北京大學) in 2008. Ms. Zhu worked as an accountant for Yantai, Marine Salvage Bureau (煙台海上救撈局), under the Ministry of Communication and joined the BYD Group in 1997 where she served as an accountant, manager and senior manager of the financial department, etc. Ms. Zhu joined our Group in April 1997 and is the Chief Financial Officer of the Company responsible for supervising financial and accounting, human resources and general administrative matters.

LI, QIAN

Mr. Li Qian, born in 1973, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學), with a bachelor degree in property management studies in 1997. Mr. Li worked as an auditor and business consultant at PricewaterhouseCoopers and Arthur Andersen and served as a representative of securities affairs at ZTE Corporation (中興通訊股份有限公司). Mr. Li joined the BYD Group in August 2005 as head of the investor relations department. Mr. Li joined our Group in August 2005 and is a joint company secretary of the Company, and a supervisor of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd..

CHEUNG, HON-WAN

Mr. Cheung Hon-wan, born in 1956, Chinese national, permanent resident of the Hong Kong Special Administrative Region, master degree holder. Mr. Cheung obtained a master degree in accounting and finance from the University of Lancaster in the United Kingdom in 1983. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung worked at various Hong Kong listed companies and served as a qualified accountant of the Company. He is a joint company secretary of the Company.

DRIVING TO A FUTURE GROWTH

The Board of Directors believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole. To this end, we strive to promote and uphold the highest standard of corporate governance.

The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the Corporate Governance code (the "Code") since the shares of the Company commenced listing on the main board of The Stock Exchanges of Hong Kong Limited.

BOARD OF DIRECTORS

Accountable to the Shareholders, the Board of Directors is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies.

THE DIRECTORS

As of the date of this report, the Board comprises seven Directors. There are two Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. Detailed biographies outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on pages 15 to 16 of this annual report.

The Group believes that its Non-executive and Independent Directors composition are well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group for the Year under review.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence as required under the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent.

The Board met five times this year to discuss the Group's overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matter is specifically addressed to the Board for its decision. Topics discussed at these Board meetings include overall strategy; interim and annual results; recommendations on Directors' appointment(s); approval of connected transactions; and other significant operational and financial matters.

The Directors decide on corporate strategies, approve overall business plans and supervise the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management included the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the monitoring of operating budgets; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

In accordance with Article 106 of the Company's Articles of Association (the "Articles") at each annual general meeting, one-third of the Directors, or if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least every three (3) years. A retiring director shall be eligible for re-election. Accordingly, Mr. Wang Chuan-fu, Mr. Wu Jing-sheng and Mr. Liang Ping shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting. The meeting agenda is set in consultation with members of the Board. The Board held five meetings in 2011. The attendance of individual Director at the Board meetings is set out below:

Member of the Board	No. of Board meetings attended	Attendance rate
LI Ke	5	100%
SUN Yi-zao	5	100%
WANG Chuan-fu	5	100%
WU Jing-sheng	5	100%
CHAN Yuk-tong	5	100%
Antony Francis MAMPILLY	5	100%
LIANG Ping	5	100%

In furtherance of good corporate governance, the Board has set up a number of committees, including:

— the Audit Committee;

— the Remuneration Committee; and

— the Nomination Committee

Each Committee reports regularly to the Board of Directors, addressing major issues and findings with valuable recommendations for the decision making of the Board of Directors. The particulars of these Committees are set out hereunder.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and to provide advice and comments to the board of Directors. As of the date of this report, the audit committee consists of five members, WANG Chuan-fu, WU Jing-sheng, CHAN Yuk-tong (Chairman), Antony Francis MAMPILLY and Liang Ping, of whom CHAN Yuk-tong, Anthony Francis MAMPILLY and LIANG Ping are independent non-executive Directors of the Company and among them, Mr. CHAN Yuk-tong has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and is published on the websites of Stock Exchange and the Company pursuant to Code C.3.4.

The Company established the Audit Committee on 29 November 2007 and has held two meetings during the year to review the audited consolidated financial statements of the Group for the year ended 31 December 2010 and the unaudited consolidated financial statements for the six months ended 30 June 2011 and the effectiveness of the financial reporting process and internal control system of the Company.

REMUNERATION COMMITTEE

The Company has also set up a remuneration committee on 29 November 2007 which consists of five directors of the Company, namely LI Ke, WANG Chuan-fu, CHAN Yuk-tong, Antony Francis MAMPILLY and LIANG Ping (Chairman), of which Chan Yuk-tong, Antony Francis MAMPILLY and Liang Ping are the independent non-executive directors of the Company, as of the date of this report. The remuneration committee considers and recommends to the Board or approves (after authorization by the shareholders' meeting) the remuneration and other benefits paid by the Company to the Directors, Senior Management and Staff. The remuneration of all Directors, Senior Management and Staff is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

The terms of reference of the Remuneration Committee is published on the websites of Stock Exchange and the Company pursuant to Code B.1.3

REMUNERATION POLICY FOR DIRECTORS

The primary goal of the Group's remuneration policy for Executive Directors is to enable the Company to retain and motivate Executive Directors by linking their compensation with their individual performance as measured against the corporate objectives and the Group's operating results and taking into accounts of the comparable market conditions. The principal elements of the remuneration package of Executive Directors include basic salary and discretionary bonus.

The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors.

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director of the Company for the year ended 31 December 2011 are set out in note 8 to the financial statements.

NOMINATION COMMITTEE

We established our nomination committee on 29 November 2007. The primary duties of our nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. As of the date of this report, the nomination committee comprises five members, namely SUN Yi-zao, WANG Chuan-fu (Chairman), CHAN Yuk-tong, Antony Francis MAMPILLY and LIANG Ping.

The terms of reference of the Nomination Committee is published on the websites of Stock Exchange and the Company pursuant to Code A.5.3.

INDEPENDENT INTERNATIONAL AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2011, the total remuneration paid and payable by the Company to the independent international auditors, Ernst & Young, were RMB1,580,000 for audit services. The audit fee was approved by the Board.

During the year ended 31 December 2011, the Company appointed Ernst & Young as independent international auditors of the Company. The re-appointment of Ernst & Young as the Company's independent international auditor for 2012 has been recommended and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness through the Audit Committee. The Company's system of internal control plays a key role in the management of risks that are significant to the fulfillment of its business objectives. Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. Procedures have also been designed for compliance of applicable laws, regulations and rules.

INTERNAL AUDIT

The Group has an Internal Audit Department which plays an important role in the Group's internal control framework. The tasks of the Department include regular review and audit of the practices, procedures and internal control systems on those areas of the Group's activities with the greatest perceived risks. Apart from conducting special reviews of areas of concern identified by management or the Audit Committee, the Department also conducts routine examinations and reviews on the soundness and effectiveness of general business management, thus achieving effective control and driving improvement in the overall business activities of the Company to the greatest extent possible.

The Internal Audit Department is under the supervision of the Chief Financial Officer and has direct access to the Audit Committee.

With the development of the Company, the Internal Audit Department has established various internal audit standard documents such as "System on Internal Audit" and "Internal Control Standard of the Company", creating and strictly implementing a standardized auditing practice flow from risk evaluation°˜determination of the scope of auditing°˜approval of the auditing plan°˜announcement of audit°˜sufficient communication with the department to be audited prior to auditing°˜on-site auditing°˜communication and confirmation of auditing results°˜auditing issue improvement and feedback.

The annual work plan of internal audit is reviewed by the Audit Committee and a summary of major audit findings is reported regularly to the Audit Committee. During the reporting year, the Internal Audit Department reviewed the key operations of the Group, identified areas of concern and held constructive communications with the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by its Directors. All Directors complied with their obligations under the Model Code regarding their securities transactions during the Year.

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2011.

SHAREHOLDERS' RIGHTS

Under the Company's Articles of Association and the Companies Ordinance, the Directors shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

To safeguard shareholders' rights, the Company adopts the policy of voting by poll for all resolutions put forward at any shareholders' meetings.

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong. Other general enquiries can be directed to the Company through our Investor and Media Relations Consultant, whose contact information is disclosed in "Corporate Information" of this annual report.

INVESTOR RELATIONS

The Company believes that effective communication with the investors is essential for enhancing investors' knowledge and understanding of the Company's business performance and strategies. To achieve this, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose of the Company's investor relations policy, therefore, is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

DIRECTORS' REPORT

The board of directors (the "Board") of BYD Electronic (International) Company Limited would like to present its annual report and audited consolidated financial statements for the year ended 31 December 2011.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Hong Kong under the Companies Ordinance on 14 June 2007. By the virtue of the reorganisation implemented in preparation for the listing of the shares of the Company on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the purpose of rationalising the structure of the Group, the Company became the holding company of the Group. The shares of the Company commenced listing on the main board of the Stock Exchange on 20 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are manufacture of handset components and modules. It also provides design and assembly services for handsets to its customers. The principal activities of its major subsidiaries are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on pages 34 to 91 in this annual report.

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity and note 26 to the financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL/PAID-IN CAPITAL

Details of the movements during the year in the share capital are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

During the year, details of the Company's reserves and changes in reserves are set out in note 26(b) to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Li Ke
Sun Yi-zao

NON-EXECUTIVE DIRECTORS

Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Yuk-tong
Antony Francis Mampilly
Liang Ping

Pursuant to Article 106 of the Articles of Association, at each annual general meeting, one-third of the Directors, or if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least once every three (3) years. A retiring director shall be eligible for re-election.

Each of the executive Directors has entered into a service contract with the Company to act as executive Directors for an term of three years with effect from 1 December 2010. Either party has the right to give not less than three months' written notice to terminate the agreement. The particulars of these agreements are in all material respects identical and that each of the executive Directors is entitled to a salary and, at the discretion of the Board, a bonus payment.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company. None of them has entered into any service contract with the Group. The term of office of the non-executive Directors and independent non-executive Directors is for a period of three years with effect from December 1, 2010 and in each case, either the Company or the relevant Director can give three months' prior notice at any time to terminate the appointment without payment of compensation, and the appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

The terms of each of the appointment letters of each of such non-executive Directors and independent non-executive Directors are in all material respects identical. Each of the independent non-executive Directors is entitled to a director's fee whereas none of the non-executive Directors is entitled to a director's fee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 15 to 17.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2011, the relevant interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance ("SFO"), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO)) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of corporation	Capacity	Number of issued shares held	Approximate percentage of total issued share capital of the corporation
Ms. LI Ke	Company	Beneficiary	8,602,000[1] (long position)	0.38%
	BYD	Personal	11,884,500[2] (long position)	0.50%
Mr. SUN Yi-zao	Company	Beneficiary	5,797,000[1] (long position)	0.26%
	BYD	Personal	10,824,680[2] (long position)	0.46%
Mr. WU Jing-sheng	Company	Beneficiary	8,602,000[1] (long position)	0.38%
	BYD	Personal	11,675,880[2] (long position)	0.50%
Mr. WANG Chuan-fu	BYD	Personal	570,642,580[3] (long position)	24.24%

Notes

1. The shares are held by Gold Dragonfly Limited, a company incorporated in the British Virgin Islands and wholly owned by HSBC Trustee (Hong Kong) Limited as trustee of BF Trust, of which Ms. LI Ke, Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.
2. These are the A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jing-sheng. The total issued share capital of BYD as at 31 December 2011 was RMB2,354,100,000, comprising 1,561,000,000 A shares and 793,100,000 H shares, all of par value of RMB1 each. The A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jine-sheng represented approximately 0.76%, 0.69% and 0.75% of the total issued A shares of BYD as of 31 December 2011.
3. These are the A shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 36.56% of total issued A shares of BYD as of 31 December 2011.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2011.

SHARE OPTIONS

During the year under review, the Company did not adopt any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares" above, at no time during the year ended 31 December 2011 was the Company, its holding company or any of its fellow subsidiaries and subsidiaries, a party to any arrangements to enable the Directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, so far as was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (Cap. 571 of the Laws of Hong Kong), or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of shareholding in total issued share capital
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest	1,481,700,000 (long position)	65.76%
BYD (H.K.) Company, Limited ("BYD H.K.")	Interest of controlled corporation[1]	1,481,700,000 (long position)	65.76%
BYD Company Limited ("BYD")	Interest of controlled corporation[1]	1,481,700,000 (long position)	65.76%
Gold Dragonfly Limited ("Gold Dragonfly")	Beneficial interest	168,300,000 (long position)	7.47%
HSBC Trustee (Hong Kong) Limited ("HSBC Trustee")	Trustee[2]	168,300,000 (long position)	7.47%

Notes

1. BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.

2. The 168,300,000 shares of the Company are held by Gold Dragonfly, a company incorporated in the British Virgin Islands and wholly owned by HSBC Trustee as trustee of BF Trust, the beneficiaries of which are 35 employees of BYD and its subsidiaries and the Group. As such, HSBC Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

Report for the corporate governance practice adopted by the Company is set out on page 20 to 23 of this annual report.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2011, the total remunerations of the Directors and the five highest paid employees are set out in note 8 and 9 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no restrictions on the right of members to transfer their fully-paid shares under the Companies Ordinance and the articles of association of the Company (except where permitted by the Stock Exchange).

MAJOR CUSTOMERS AND SUPPLIERS

The top five largest customer groups and the largest customer group of the Group, represent approximately 93% and 51% of the Group's total sales of the year respectively. The top five largest suppliers and the largest supplier of the Group represent approximately 47% and 42% of the Group's total purchases of the year respectively.

None of the Directors, any of their associates or any shareholder of the Company (which, to the knowledge of the Directors, own 5% or more of the issued share captial of the Company) had any beneficial interest in the top five largest customers and suppliers of the Group.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2011.

NON-COMPETE UNDERTAKING

BYD Company Limited declared that it has complied with the non-compete deed given by it, Mr. Wang Chuan-fu and Mr. Lu Xiang-yang in favour of the Company (for itself and as trustee for the benefit of its subsidiaries from time to time) (as described in the prospectus of the Company dated 7 December 2007) (the "Non-compete Deed").

The independent non-executive Directors have also reviewed the compliance by BYD Company Limited, Mr. Wang Chuan-fu and Mr. Lu Xiang-yang with the Non-compete Deed and the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no incidence of non-compliance with the Non-compete Deed by any of BYD Company Limited, Mr. Wang Chuan-fu and Mr. Lu Xiang-yang.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 31 to the financial statements. The independent non-executive Directors are of the view that the related party transactions were carried out in the ordinary and usual course of business and on normal commercial terms.

CONNECTED TRANSACTIONS

Details of the connected transactions are as follows:

A. THE FOLLOWING CONNECTED TRANSACTIONS OF THE COMPANY ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES.

(i) *Acquisition of lens business by the Group from the BYD Group*

On 30 May 2011, Huizhou BYD Electronic Company Limited (惠州比亞迪電子有限公司) ("Huizhou Electronic"), an indirect wholly-owned subsidiary of the Company, entered into a business transfer agreement with BYD (Huizhou) Company Limited (惠州比亞迪實業有限公司) ("BYD Huizhou"), a wholly owned subsidiary of BYD Company Limited ("BYD") pursuant to which Huizhou Electronic acquired from BYD Huizhou the business of manufacturing and sale of lens (mainly handset lens) at a consideration of RMB55,430,706, which was determined by reference to the unaudited net book value of the lens business as at 30 April 2011 and subject to adjustment at completion of the transfer.

As BYD is the controlling Shareholder of the Company, BYD Huizhou, being an associate of BYD, is a connected person of the Company. The aforesaid acquisition therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

The subject matter of transfer included the lens business assets and equipment, inventories, contracts with customers and business information etc. The consideration was settled by Huizhou Electronic in cash upon completion and was financed by internal resources of the Group. After the acquisition, the Group commenced to manufacture lens and the spectrum of handset business of the Group was broadened accordingly.

(ii) *Assets sale by the Company to BYD*

On 31 May 2011, the Company entered into an assets sale agreement with BYD for the transfer by the Group to the BYD Group of production equipment including injection molding machines (注塑機), mold temperature controller (模溫機) and robots (機械手) at the consideration of RMB19,955,250 which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2011 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

On 30 November 2011, the Company entered into another assets sale agreement with BYD for the transfer by the Group to the BYD Group of production equipment including injection molding machines (注塑機), robots (機械手) and punch machines (沖床) at the consideration of RMB6,614,650 which was determined with reference to the unaudited net asset value of the transferred assets as at 31 October 2011 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

The proceeds from the aforesaid sales have been used as general working capital of the Group.

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets sales constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The sales conducted in May and November 2011 were aggregated for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the sales were subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

The assets transferred to the BYD Group have not been fully utilized by the Group and the Group has incurred maintenance cost in retaining such assets. The transfer of assets therefore enabled the Group to increase the overall utilization rate of its assets and hence enhanced its competitiveness.

(iii) *Assets purchase by the Company from BYD*

On 31 May 2011, the Company entered into an assets purchase agreement with BYD for the purchase by the Group from the BYD Group of the production equipment including FANUC Machining Center (FANUC 加工中心), punch machines (沖床) and certain equipment for inspection at the consideration of RMB100,481,170 which was determined with reference to the unaudited net asset value of the acquired assets as at 30 April 2011 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

On 30 November 2011, the Company entered into another assets purchase agreement with BYD for the acquisition by the Group from the BYD Group of production equipment including Machining Center (加工中心), Milling Machine (銑床) and certain equipment for inspection at the consideration of RMB36,671,800 which was determined with reference to the unaudited net asset value of the transferred assets as at 31 October 2011 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

The considerations in relation to the aforesaid acquisitions were financed by internal resources of the Group.

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The purchases conducted in May and November 2011 were aggregated for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the purchases were subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

The purchase of the assets, which have not been fully utilized by the BYD Group, accommodated the business needs of the Group and minimized short-term capital commitment and transaction costs of the Group. Further, due to the proximity of the location of the Group and the BYD Group, the Group has also benefited from reduced transportation cost and more convenient testing of the assets.

B. THE FOLLOWING CONNECTED TRANSACTIONS OF THE COMPANY ARE SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES.

On 9 September 2011, BYD Precision Manufacture Company Ltd. ("BYD Precision") (as lender), a wholly-owned subsidiary of the Company entered into a legally-binding memorandum of understanding with BYD (as borrower) (as supplemented by a supplemental memorandum of understanding dated 15 September 2011) pursuant to which BYD Precision provided entrusted loans in a total principal amount of RMB1 billion (the "Entrusted Loans") to BYD through certain authorized PRC banks (as entrusted lending agents) in order to satisfy the need for further working capital of BYD.

The term for the Entrusted Loans is 36 months commencing from the date of drawdown of the Entrusted Loans. A floating interest rate is charged which is equivalent to the RMB benchmark interest rate for 3-year term loans effective on the date when each batch of borrowing is drawn down as announced by the People's Bank of China (the "Benchmark Interest Rate") plus 10% thereof (i.e. Benchmark Interest Rate X1.10), and to be adjusted every three months after drawndown. The adjustment date is the first date of each of the three-month period after drawdown. The adjusted interest rate will be the prevailing RMB benchmark lending rate for 3-year term on the adjustment date as announced by the People's Bank of China (the "Adjusted Benchmark Interest Rate") plus 10% thereof (i.e. the Adjusted Benchmark Interest Rate X1.10). Interests for the Entrusted Loans shall be settled by BYD on the twentieth (20th) day of each month after drawdown.

A handling fee charged by the banks for arranging the Entrusted Loans calculated at 0.03% of the total principal amount of the Entrusted Loans was paid by BYD Precision to the banks.

The principal of the Entrusted Loans should be repaid on one-time basis upon maturity of the Entrusted Loans, subject to early repayment as demanded by BYD Precision or opted by BYD.

BYD had undertaken to the Group that as long as any part of the Entrusted Loans and/or any interest accrued thereto remains outstanding, it will continue to maintain holding at least 25% interest in the total issued share capital of the Company and shall not transfer or dispose of, nor enter into any agreement to sell, transfer or dispose of or otherwise create any options, rights, interests, pledge, lien, trust arrangement or encumbrances in respect of such interests.

The provision of the Entrusted Loans by BYD Precision to BYD and the ancillary transactions contemplated thereunder was approved by the independent shareholders of the Company at its extraordinary general meeting held on 14 October 2011. Since the prevailing interest rates of the Entrusted Loans are substantially higher than the RMB deposit rates generally available to BYD Precision, the provision of the Entrusted Loans has enabled the Group to enhance the return on its surplus cash resources.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

A. THE FOLLOWING CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES.

(i) *Leasing of factory and premises from the BYD Group (other than the Group)*

Pursuant to the lease agreement dated 31 December 2009 between BYD Precision Manufacture Company Ltd.("BYD Precision") and BYD, BYD has agreed to lease to BYD Precision certain factory and office premises situated at Baolong Industrial Park, Longgang, Shenzhen during the period from 1 January 2010 to 31 December 2012. Pursuant to the lease agreement dated 31 December 2009 between Huizhou Electronic and BYD Huizhou, BYD Huizhou has agreed to lease to Huizhou Electronic certain factory buildings situated at Xiangshuihe, Daya Bay Economic and Technology Development Zone, Huizhou ("Daya Bay Site") during the period from 1 January 2010 to 31 December 2012. On 30 May 2011, Huizhou Electronic and BYD Huizhou entered into another lease agreement pursuant to which BYD Huizhou agreed to lease to Huizhou Electronic certain other factory buildings situated at Daya Bay Site. Pursuant to the lease agreement dated 31 December 2009 between BYD Precision and Beijing BYD Mould Company Limited ("BYD Beijing"), BYD Beijing has agreed to lease to BYD Precision certain premises at No. 1, Kechuang East Fifth Street, Tongzhou District, Beijing during the period from 1 January 2010 to 31 December 2012.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company.

For the year ended 31 December 2011, the annual cap of rental transactions of the Company amounted to RMB31,267,000, the actual aggregate amount was approximately RMB31,267,000.

(ii) *Sharing of ancillary services with the BYD Group (other than the Group)*

Pursuant to a comprehensive services master agreement dated 31 December 2009 between the Company and BYD, the BYD Group has agreed to provide to the Group community services (including recreational facilities,security control and cleaning services), telecommunication and computer network services and enterprise resources planning and office automation services (the "Ancillary Services") during the period from 1 January 2010 to 31 December 2012.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) is the connected person of the Company.

The annual cap of total expenditure for acquiring the Ancillary Services for the year ended 31 December 2011 is RMB10,296,000, the actual aggregate amount was approximately RMB9,048,000.

(iii) *Provision of inspection services by the BYD Group (other than the Group)*

Pursuant to the Inspection Services Agreement dated 31 December 2009 between the Company and the BYD Group, the BYD Group has agreed to provide to the Group certainin spection services in the production process of certain products of the Group including metallic parts and components of handsets and chargers during the period from 1 January 2010 to 31 December 2012.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company.

The annual cap of expenditure for acquiring the inspection services from the BYD Group is RMB24,316,000 for the year ended 31 December 2011. No actual transaction took place in 2011 and therefore the actual expenditure (including value-added tax) was nil.

(iv) *Provision of processing services by the BYD Group (other than the Group)*

Pursuant to the Processing Services Agreement dated 30 December 2010 between the Company and BYD, BYD has agreed to provide certain processing services for certain products and facilities of the Group during the period from 1 January 2011 to 31 December 2012.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company.

The annual cap of expenditure for acquiring processing services from the BYD Group is RMB182,947,100, the actual aggregate amount (including value-added tax) was approximately RMB95,895,540.

B. THE FOLLOWING CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY ARE SUBJECT TO THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES.

(i) *Supplying products to the BYD Group (other than the Group)*

Pursuant to the supply agreement dated 31 December 2009 between the Company and BYD, the Company has agreed that the Company will supply to the BYD Group products it required for producingits products such as plastic components, moulds and other types of parts and components used in the production process of motor vehicles and in producing batteries, LCD display and flexible printed circuit boards, as well as other similar related products at prevailing market prices during the period from 1 January 2010 to 31 December 2012.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are the connected persons of the Company.

The annual cap set for the total supply of products to the BYD Group for the year ended 31 December 2011 is 463,955,000, the actual aggregate amount (including value-added tax) was approximately RMB283,684,050.

(ii) *Purchasing products from the BYD Group (other than the Group)*

Pursuant to the purchase agreement dated 31 December 2009 and the supplementary agreement dated 8 November 2010 between the Company and BYD, BYD has agreed that the BYD Group will supply the Group with certain products such as (i) FPCs and LCDs required for the Group's high-level assembly business and handset modules; (ii) materials used for the Group's production of handset cases, keyboard and chargers at prevailing market prices during the period from 1 January 2010 to 31 December 2012.

As BYD is the controlling shareholder of the Company, the BYD Group is the connected person of the Company.

The annual cap set for the total purchases of products from the BYD Group for the year ended 31 December 2011 is RMB2,663,145,000. The actual aggregate amount (including value-added tax) was approximately RMB847,165,410.

(iii) *Provision of utility connection and/or utility by BYD Group (other than the Group)*

Pursuant to the utility services master agreement dated 31 December 2009 between the Company and BYD, BYD has agreed to provide to the Group certain utility connection and/or utility (as the casemay be), including water and electricity, during the period from 1 January 2010 to 31 December 2012.

BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company.

The annual cap set for the total expenditure for acquiring utility connection and/or utility from the BYD Group for the year ended 31 December 2011 is RMB291,428,000, the actual aggregate amount (including value-added tax) was approximately RMB205,533,900.

The independent shareholders of the Company approved the above continuing connected transactions mentioned in Part (B) above at the extraordinary general meetings of the Company held on 5 February 2010 and 3 December 2010 respectively.

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions:

(1) have been approved by the board of the Directors;

(2) are in accordance with the pricing policies of the Group;

(3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and

(4) have not exceed the caps allowed by the independent shareholders of the Company.

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.

DIRECTORS' INTEREST IN CONTRACTS

No Directors has direct or indirect material interests in any material contracts entered into by the Company or any of its subsidiaries at any time during the year.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float during the year end 31 December 2011.

CONFIRMATION OF INDEPENDENCE

Each Independent Non-executive Director has provided a written statement confirming his independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company assessed that each Independent Non-Executive Director continues to be independent.

INDEPENDENT INTERNATIONAL AUDITORS

Since the incorporation of the Company, all its financial statements have been audited by Ernst & Young. A resolution will be proposed regarding the re-appointment of Ernst & Young as the Company's independent international auditor for 2012 at the forthcoming annual general meeting.

By the order of the Board

LI KE
Director

23 March 2012

INDEPENDENT AUDITORS' REPORT

To the shareholders of BYD Electronic (International) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of BYD Electronic (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central,
Hong Kong

23 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**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	5	**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	6	**(213)**	(516)
PROFIT BEFORE TAX	7	**674,373**	1,138,600
Income tax expense	10	**(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	13	**RMB0.27**	RMB0.46

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

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	14	**3,560,203**	3,481,239
Prepaid land lease payments	15	**138,254**	147,893
Prepayments for property, plant and equipment	16	**432,974**	39,540
Other intangible assets	17	**9,331**	15,705
Loan to the ultimate holding company	31(b)	**400,000**	—
Deferred tax assets	24	**135,228**	102,307
Total non-current assets		**4,675,990**	3,786,684
CURRENT ASSETS			
Inventories	19	**1,780,122**	1,890,319
Trade and bills receivables	20	**3,446,342**	3,819,712
Prepayments, deposits and other receivables	16	**211,377**	275,385
Due from fellow subsidiaries	31(d)	**—**	44,901
Due from the intermediate holding company	31(d)	**109,148**	109,082
Due from the ultimate holding company	31(d)	**147,876**	—
Pledged deposits	21	**100,000**	—
Cash and bank balances	21	**2,106,993**	1,559,025
Total current assets		**7,901,858**	7,698,424
CURRENT LIABILITIES			
Trade and bills payables	22	**3,467,996**	2,789,910
Other payables and accruals	23	**775,371**	740,291
Tax payable		**51,679**	80,994
Due to fellow subsidiaries	31(d)	**167,185**	337,933
Due to the ultimate holding company	31(d)	**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

	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	25	**216,999**	216,999
Reserves	26(a)	**7,653,973**	7,305,124
Proposed Final Dividend	12	**120,561**	—
Total equity		**7,991,533**	7,522,123

Director Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Issued capital RMB'000 (note 25)	Capital redemption reserve RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000 (note (a))	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010	216,999	1,670	3,833,559	(46,323)	289,518	(79,322)	150,965	2,260,878	6,627,944
Profit for the year	–	–	–	–	–	–	–	1,037,836	1,037,836
Exchange differences on translation of foreign operations	–	–	–	–	–	7,308	–	–	7,308
Total comprehensive income for the year	–	–	–	–	–	7,308	–	1,037,836	1,045,144
2009 final dividend declared	–	–	–	–	–	–	(150,965)	–	(150,965)
Transfer to statutory surplus	–	–	–	–	110,152	–	–	(110,152)	–
At 31 December 2010 and at 1 January 2011	216,999	1,670*	3,833,559*	(46,323)*	399,670*	(72,014) *	–	3,188,562*	7,522,123
Profit for the year	–	–	–	–	–	–	–	602,806	602,806
Exchange differences on translation of foreign operations	–	–	–	–	–	(133,396)	–	–	(133,396)
Total comprehensive income for the year	–	–	–	–	–	(133,396)	–	602,806	469,410
Proposed 2011 dividend (note 12)	–	–	–	–	–	–	120,561	(120,561)	–
Transfer to statutory surplus	–	–	–	–	70,034		–	(70,034)	–
At 31 December 2011	216,999	1,670*	3,833,559*	(46,323) *	469,704*	(205,410) *	120,561	3,600,773*	7,991,533

Notes:

(a) In accordance with the People's Republic of China ("PRC") Company Law and the articles of association of the Company's subsidiaries, each of the Company's subsidiaries registered in the PRC is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to its statutory surplus reserve fund. When the balance of such reserve reaches 50% of its capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

* These reserve accounts comprise the consolidated reserves of RMB7,653,973,000 (2010: RMB7,305,124,000) in the consolidated statement of financial position as at 31 December 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**674,373**	1,138,600
Adjustments for:			
Finance costs	6	**213**	516
Bank interest income	5	**(43,862)**	(18,960)
Loss/(Profit) on disposal of items of property, plant and equipment	7	**(1,991)**	17,616
Depreciation	7	**680,077**	579,119
Amortisation of intangible assets	7	**6,589**	9,267
Recognition of prepaid land lease payments	7	**2,737**	2,828
Impairment of trade receivables	7	**354**	39
Impairment of trade receivables reversed	7	**(3,129)**	(11,019)
Provision against obsolete inventories	7	**62,699**	23,675
Impairment of property, plant and equipment	7	**19,700**	—
Gain on acquisition of Lens Business	7	**(2,491)**	—
		1,395,269	1,741,681
Decrease/(increase) in inventories		**54,260**	(144,861)
Decrease/(increase) in trade and bills receivables		**376,145**	(760,965)
Decrease in prepayments, deposits and other receivables		**64,146**	40,350
Decrease in amounts due from fellow subsidiaries		**44,901**	51,926
Increase in an amount due from the intermediate holding company		**(66)**	(44,086)
(Increase)/decrease in an amount due from the ultimate holding company		**(147,876)**	7,051
Increase/(decrease) in trade and bills payables		**678,086**	(43,922)
Increase in other payables and accruals		**35,080**	183,387
Increase in an amount due to the ultimate holding company		**110,227**	13,857
(Decrease)/increase in an amount due to fellow subsidiaries		**(170,748)**	100,113
Decrease in an amount due to the immediate holding company		**—**	(1,867)
Cash generated from operations		**2,439,424**	1,142,664
Interest received		**43,862**	18,960
Interest paid		**(213)**	(516)
Dividend paid		**—**	(150,965)
PRC tax paid		**(133,802)**	(62,226)
Net cash flows from operating activities		**2,349,271**	947,917

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Net cash flows from operating activities		**2,349,271**	947,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,296,194)**	(614,910)
Acquisition of Lens Business	27	**(55,430)**	—
Additions to other intangible assets	17	**(215)**	(14,131)
Proceeds from disposal of items of property, plant and equipment		**61,785**	25,868
Loan to the ultimate holding company		**(400,000)**	
Increase in a pledged time deposit		**(100,000)**	—
Net cash flows used in investing activities		**(1,790,054)**	(603,173)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**559,217**	344,744
Cash and cash equivalents at beginning of year		**1,559,025**	1,192,943
Effect of foreign exchange rate changes, net		**(11,249)**	21,338
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,106,993**	1,559,025
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,206,993**	1,559,025
Pledged time deposit for banking facilities		**(100,000)**	—
Cash and cash equivalents at end of year		**2,106,993**	1,559,025

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**1,926,000**	1,926,000
CURRENT ASSETS			
Prepayments, deposits and other receivables		**48**	50
Due from subsidiaries	18	**3,859,393**	3,855,598
Due from fellow subsidiaries	31(d)	**8**	8
Cash and bank balances	21	**2,723**	3,633
Total current assets		**3,862,172**	3,859,289
CURRENT LIABILITIES			
Due to the ultimate holding company		**13**	13
Due to the immediate holding company		**658**	657
Due to subsidiaries	18	**11,963**	—
Due to fellow subsidiaries	31(d)	**—**	2,328
Other payables and accruals	23	**1,580**	1,580
Total current liabilities		**14,214**	4,578
NET CURRENT ASSETS		**3,847,958**	3,854,711
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,773,958**	5,780,711
Net assets		**5,773,958**	5,780,711
EQUITY			
Issued capital	25	**216,999**	216,999
Reserves	26(b)	**5,556,959**	5,563,712
Total equity		**5,773,958**	5,780,711

Director

Director

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. Details of the related party transactions, including the related comparative information, are included in note 31 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(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).

  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 an 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]

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

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

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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BUSINESS COMBINATIONS AND GOODWILL *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

	Estimated useful lives	Residual value
Freehold land	Not depreciated	—
Buildings	50 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Machinery and equipment	5 to 10 years	5%
Office equipment and fixtures	5 years	5%
Motor vehicles	5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing plant and machinery under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, or as derivative designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INVESTMENT AND OTHER FINANCIAL ASSETS *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to fellow subsidiaries and an amount due to the ultimate holding company and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis, and option pricing models.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

PROVISION

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

(a) from the sale of goods and materials, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from assembly service income, when the underlying services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

EMPLOYEE BENEFITS

Employees' leave entitlements

Employees' entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employees' entitlements to sick leave and maternity leave are not recognised until the time of leave.

Retirement benefit obligations

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all their PRC employees at rates ranging from 10% to 11% of the basic salary predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The Group provides no retirement or termination benefits other than those described above.

The costs of employee retirement benefits are recognised in the income statement in the year on an accrual basis.

Medical benefits

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC are expensed as incurred.

Housing fund

The Group contributes on a monthly basis to a defined contribution housing fund plan organised by the PRC government. Contributions to this plan by the Group are expensed as incurred.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of the functional currency

The Group has to determine its functional currency by assessing the primary economic environment in which it operates. It requires to use judgement in determining the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions applicable to entities within the Group.

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considered that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 24 to the financial statements.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

ESTIMATION UNCERTAINTY *(Continued)*

Depreciation and amortisation

The Group calculates the depreciation of items of property, plant and equipment and amortisation of intangible assets on the straight-line basis over their estimated useful lives or on the unit of production basis and after taking into account their estimated residual value, estimated useful lives or estimated total production quantities, commencing from the date the items of property, plant and equipment and intangible assets are placed into use. The estimated useful lives or the total production reflects the directors' estimate of the period that the Group intends to derive future economic benefits from the use of the Group's items of property, plant and equipment or intangible assets.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, tax rate and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2011 was RMB17,282,000 (2010: Nil). Further details are contained in note 24 to the financial statements.

4. 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 **RMB'000**	2010 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

GEOGRAPHICAL INFORMATION *(Continued)*

(b) Non-current assets

	2011 RMB'000	2010 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.

5. 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 RMB'000	2010 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 RMB'000	2010 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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		**5,915,104**	5,696,199
Cost of services provided		**8,160,129**	8,857,264
Depreciation	14	**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#	15	**2,737**	2,828
Amortisation of intangible assets#	17	**6,589**	9,267
Employee benefit expense (including directors' remuneration (note 8))			
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##	20	**354**	39
Impairment losses of trade receivables reversed##	20	**(3,129)**	(11,019)
Impairment of property, plant and equipment##	14	**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###	27	**(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.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Fees	**401**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**8,192**	7,903
Retirement benefit scheme contributions	**6**	6
	8,198	7,909
	8,599	8,309

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Mr. Mampilly, Antony Francis	**200**	200
Mr. Liang Ping	**—**	—
Mr. Chan Yuk-tong	**200**	200
	400	400

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
31 December 2011					
Executive directors:					
Ms. Li Ke	—	4,476	—	3	4,479
Mr. Sun Yi-zao	—	3,716	—	3	3,719
	—	8,192	—	6	8,198
Non-executive directors:					
Mr. Wang Chuan-fu	—	—	—	—	—
Mr. Wu Jing-sheng	—	—	—	—	—
	—	—	—	—	—
31 December 2010					
Executive directors:					
Ms. Li Ke	—	4,283	—	3	4,286
Mr. Sun Yi-zao	—	3,620	—	3	3,623
	—	7,903	—	6	7,909
Non-executive directors:					
Mr. Wang Chuan-fu	—	—	—	—	—
Mr. Wu Jing-sheng	—	—	—	—	—
	—	—	—	—	—

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2010: three) non-director, highest paid employees for the year are as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	**3,996**	4,015
Retirement benefit scheme contributions	**5**	8
	4,001	4,023

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2011	2010
RMB1,000,001 to RMB1,500,000	**4**	3

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

10. INCOME TAX *(Continued)*

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

GROUP

	2011		2010	
	RMB'000	**%**	RMB'000	%
Profit before tax	**674,373**		1,138,600	
Tax at the applicable tax rate	**168,594**	**25.0**	284,650	25.0
Expenses not deductible for tax	**16,825**	**2.5**	10,240	0.9
Lower tax rate for specific provinces or enacted by local authority	**(72,007)**	**(10.7)**	(165,802)	(14.6)
Super-deduction of research and development costs	**(39,834)**	**(5.9)**	(31,483)	(2.8)
Tax losses utilised from previous periods	**(6,123)**	**(0.9)**	—	—
Tax losses not recognised	**4,112**	**0.6**	3,159	0.3
Tax charge at the Group's effective rate	**71,567**	**10.6**	100,764	8.8

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB6,753,000 (2010: loss of RMB4,525,000) which has been dealt with in the financial statements of the Company (note 26(b)).

12. DIVIDENDS

	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.

13. 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 RMB'000	2010 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

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land and buildings* RMB'000	Leasehold improve-ments RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost	801,852	19,356	3,555,433	581,742	11,060	179,257	5,148,700
Accumulated depreciation and impairment	(24,071)	(5,211)	(1,448,157)	(185,237)	(4,785)	—	(1,667,461)
Net carrying amount	777,781	14,145	2,107,276	396,505	6,275	179,257	3,481,239
At 1 January 2011, net of accumulated depreciation and impairment	777,781	14,145	2,107,276	396,505	6,275	179,257	3,481,239
Additions	12,960	4,481	466,516	26,736	862	391,205	902,760
Acquisition of Lens Business (note 27)	—	—	50,799	222	—	—	51,021
Disposals	—	—	(57,838)	(820)	(502)	(634)	(59,794)
Impairment	—	—	(19,700)	—	—	—	(19,700)
Depreciation provided during the year	(19,494)	(4,631)	(570,001)	(84,018)	(1,933)	—	(680,077)
Exchange realignment	(66,845)	—	(45,368)	(1,743)	(124)	(1,166)	(115,246)
Transfers	778	—	145,180	34,128	28	(180,114)	—
At 31 December 2011, net of accumulated depreciation and impairment	705,180	13,995	2,076,864	371,010	4,606	388,548	3,560,203
At 31 December 2011:							
Cost	745,918	23,837	4,015,070	634,880	9,992	388,548	5,818,245
Accumulated depreciation and impairment	(40,738)	(9,842)	(1,938,206)	(263,870)	(5,386)	—	(2,258,042)
Net carrying amount	705,180	13,995	2,076,864	371,010	4,606	388,548	3,560,203

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB7,349,000 (2010: equivalent to RMB8,994,000), is freehold and not depreciated.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

GROUP

	Freehold land and buildings* RMB'000	Leasehold improve- ments RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010							
At 31 December 2009 and at 1 January 2010:							
Cost	538,361	12,533	3,353,716	368,421	9,546	278,365	4,560,942
Accumulated depreciation and impairment	(8,678)	(1,732)	(1,029,242)	(89,156)	(3,688)	—	(1,132,496)
Net carrying amount	529,683	10,801	2,324,474	279,265	5,858	278,365	3,428,446
At 1 January 2010, net of accumulated depreciation and impairment	529,683	10,801	2,324,474	279,265	5,858	278,365	3,428,446
Additions	43,427	6,823	205,228	198,652	1,664	233,953	689,747
Disposals	(393)	(46)	(36,556)	(789)	(121)	(5,579)	(43,484)
Depreciation provided during the year	(15,816)	(3,433)	(459,977)	(98,610)	(1,283)	—	(579,119)
Exchange realignment	(9,670)	—	(4,587)	52	(34)	(112)	(14,351)
Transfers	230,550	—	78,694	17,935	191	(327,370)	—
At 31 December 2010, net of accumulated depreciation and impairment	777,781	14,145	2,107,276	396,505	6,275	179,257	3,481,239
At 31 December 2010:							
Cost	801,852	19,356	3,555,433	581,742	11,060	179,257	5,148,700
Accumulated depreciation and impairment	(24,071)	(5,211)	(1,448,157)	(185,237)	(4,785)	—	(1,667,461)
Net carrying amount	777,781	14,145	2,107,276	396,505	6,275	179,257	3,481,239

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 **RMB'000**	2010 RMB'000
Carrying amount at 1 January	**150,721**	153,272
Additions	**—**	—
Recognised during the year	**(2,737)**	(2,828)
Exchange realignment	**(6,993)**	277
Carrying amount at 31 December	**140,991**	150,721
Current portion included in prepayments, deposits and other receivables	**(2,737)**	(2,828)
Non-current portion	**138,254**	147,893

The leasehold land situated in Mainland China is held under a medium term lease with a carrying amount of RMB109,298,000 and the leasehold land situated in India is held under a long term lease with a carrying amount of RMB28,956,000.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011 **RMB'000**	2010 RMB'000
Non-current portion:		
Prepayments for property, plant and equipment	**432,974**	39,540
Current portion:		
Prepayments	**39,123**	34,664
Deposits and other receivables	**172,254**	240,721
	211,377	275,385

None of the financial assets included in the above balances is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. OTHER INTANGIBLE ASSETS

GROUP

	Computer software RMB'000
31 December 2011	
Cost at 1 January, net of accumulated amortisation	**15,705**
Additions	**215**
Amortisation provided during the year	**(6,589)**
At 31 December 2011	**9,331**
At 31 December 2011:	
Cost	**37,249**
Accumulated amortisation	**(27,918)**
Net carrying amount	**9,331**

	Computer software RMB'000
31 December 2010	
Cost at 1 January, net of accumulated amortisation	10,841
Additions	14,131
Amortisation provided during the year	(9,267)
At 31 December 2010	15,705
At 31 December 2010:	
Cost	37,034
Accumulated amortisation	(21,329)
Net carrying amount	15,705

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	**1,926,000**	1,926,000

At the end of the reporting period, the amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB3,859,393,000 (2010: RMB 3,855,598,000) and RMB11,963,000 (2010: Nil) respectively, are unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from and to subsidiaries approximate to their fair values.

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation or registration and operations	Nominal value of paid-up/ registered capital	Percentage of equity attributable to the Group Direct	Percentage of equity attributable to the Group Indirect	Principal activities
BYD Electronic Company Limited ("BYD Electronic") (比亞迪電子有限公司)	Cayman Islands	HK$1	100	—	Investment holding
Lead Wealth International Limited ("Lead Wealth") (領裕國際有限公司)	British Virgin Islands	US$1	—	100	Investment holding
BYD Precision Manufacture Company Ltd. ("BYD Precision") (比亞迪精密製造有限公司)*	PRC/Mainland China	US$145,000,000	—	100	Manufacture and sale of mobile handset components and modules
BYD (Tianjin) Co., Limited ("BYD Tianjin") (天津比亞迪電子有限公司)*	PRC/Mainland China	US$40,000,000	—	100	High-level assembly and PCB assembly
Huizhou BYD Electronic Co., Limited ("BYD Huizhou ") (惠州比亞迪電子有限公司)**	PRC/Mainland China	US$110,000,000	—	100	High-level assembly
BYD Electronics India Private Limited ("BYD India ")	India	INR2,407,193,624	—	100	Manufacture and sale of mobile handset components and modules
BYD Electronic Hungary Kft	Hungary	HUF500,000	—	100	Manufacture and sale of mobile handset components

* BYD Precision and BYD Tianjin are registered as wholly-foreign-owned enterprises under PRC law.

** BYD Huizhou is registered as a co-operative joint venture enterprise.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES

	Group	
	2011 **RMB'000**	2010 RMB'000
Raw materials	**710,199**	769,198
Work in progress	**16,264**	26,455
Finished goods	**995,217**	1,025,860
Moulds held for production	**58,442**	68,806
	1,780,122	1,890,319

20. TRADE AND BILLS RECEIVABLES

	Group	
	2011 **RMB'000**	2010 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.

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 **RMB'000**	2010 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

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2011 **RMB'000**	2010 RMB'000
At 1 January	**26,432**	37,800
Impairment losses recognised (note 7)	**354**	39
Impairment losses reversed (note 7)	**(3,129)**	(11,019)
Amount written off as uncollectible	**(7)**	(388)
At 31 December	**23,650**	26,432

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB23,650,000 (2010: RMB26,432,000) with a carrying amount of RMB27,099,000 (2010: RMB27,664,000). The individually impaired trade receivables mainly relate to balances in dispute.

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

	Group	
	2011 **RMB'000**	2010 RMB'000
Neither past due nor impaired	**2,992,794**	3,252,396
Less than one year past due	**453,302**	566,084
	3,446,096	3,818,480

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

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

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

21. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

		Group		Company	
		2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Cash and bank balances		**1,588,993**	772,346	**2,723**	3,633
Time deposits		**618,000**	786,679	**—**	—
		2,206,993	1,559,025	**2,723**	3,633
Less: Restricted bank deposits:					
Pledged deposit	(i)	**(100,000)**	—	**—**	—
Cash and cash equivalents	(ii)	**2,106,993**	1,559,025	**2,723**	3,633

(i) At 31 December 2011, the pledged bank deposit of RMB100,000,000 (2010: Nil) was pledged for bills payables of RMB100,000,000 (2010: Nil).

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB1,580,389,000 (2010: RMB1,135,106,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(iii) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. 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 RMB'000	2010 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.

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Other payables	**246,570**	252,154	**—**	—
Accruals	**528,801**	488,137	**1,580**	1,580
	775,371	740,291	**1,580**	1,580

Other payables are non-interest-bearing and have an average term of three months.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Salary payable RMB'000	Tax loss RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2011	**63,980**	**11,068**	**20,310**	**—**	**6,949**	**102,307**
Deferred tax credited/ (charged) to the income statement during the year (note 10)	**9,454**	**3,662**	**1,887**	**17,282**	**636**	**32,921**
At 31 December 2011	**73,434**	**14,730**	**22,197**	**17,282**	**7,585**	**135,228**
At 1 January 2010	41,276	30,166	—	—	6,782	78,224
Deferred tax credited/ (charged) to the income statement during the year (note 10)	22,704	(19,098)	20,310	—	167	24,083
At 31 December 2010	63,980	11,068	20,310	—	6,949	102,307

Deferred tax assets have not been recognised in respect of the following items:

	Group 2011 RMB'000	Group 2010 RMB'000
Tax losses	**234,706**	164,838
Deductible temporary differences	**102,412**	178,461
	337,118	343,299

The above tax losses are available indefinitely for offsetting against future taxable profits of BYD India in which the losses arose. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2011, no provision has been made for the potential deferred tax arising on the future distribution of retained profits of these subsidiaries as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,314,297,000 at the end of the reporting period (2010: RMB2,683,528,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

SHARES

	2011 RMB'000	2010 RMB'000
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

26. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

Pursuant to the relevant laws and regulations for business enterprises, a portion of the profits of the Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve, which is restricted as to use.

(B) COMPANY

	Share premium account RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2010	5,578,523	(10,286)	5,568,237
Loss for the year	—	(4,525)	(4,525)
At 31 December 2010	5,578,523	(14,811)	5,563,712
Loss for the year	—	(6,753)	(6,753)
At 31 December 2011	5,578,523	(21,564)	5,556,959

27. BUSINESS COMBINATION

On 30 May 2011, the Group acquired the lens business and all related business assets and liabilities (the "Lens Business") from BYD (Huizhou) Company Limited, an indirect wholly-owned subsidiary of BYD Company Limited at a consideration of RMB55,430,000.

The fair values of the identifiable assets and liabilities of the Lens Business as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on 30 May 2011 RMB'000	Carrying amount as at 30 May 2011 RMB'000
Property, plant and equipment	14	51,021	48,530
Inventories		6,762	6,762
Other receivables		138	138
		57,921	55,430
Goodwill on acquisition		(2,491)	
Satisfied by cash		55,430	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the Lens Business is as follows:

	RMB'000
Cash consideration	(55,430)
Net outflow of cash and cash equivalents in respect of the acquisition of the Lens Business	(55,430)

Since its acquisition, the Lens Business contributed RMB130,582,000 to the Group's turnover and a profit of RMB13,999,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of 2011, the revenue of the Group and the profit of the Group for 2011 would have been RMB15,920,175,000 and RMB617,098,000. respectively.

28. 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.

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.

29. OPERATING LEASE ARRANGEMENTS

AS LESSEE

The Group leases certain of its production plants, staff quarters and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from two to three years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Within one year	**32,181**	35,060
In the second to fifth years, inclusive	**—**	31,710
	32,181	66,770

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Plant and machinery	**645,994**	197,964
Building	**123,673**	62,943
	769,667	260,907

At the end of the reporting period, the Company had no significant commitments.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Nature of transactions	Notes	Related parties	Year ended 31 December 2011 RMB'000	Year ended 31 December 2010 RMB'000
Sales of plant and machinery	(i)	Ultimate holding company	**6,194**	247
		Fellow subsidiaries	**16,376**	26,405
Purchases of plant and machinery	(i)	Ultimate holding company	**981**	31,828
		Fellow subsidiaries	**183,333**	79,109
Purchases of inventories	(ii)	Ultimate holding company	**262,229**	304,866
		Fellow subsidiaries	**461,844**	1,179,698
Sales of inventories	(ii)	Ultimate holding company	**29,028**	71,375
		Fellow subsidiaries	**213,436**	131,821
Leasing and ancillary expenses paid	(iii)	Ultimate holding company	**175,368**	178,348
		Fellow subsidiary	**40,617**	33,222
Exclusive processing services provided	(iv)	Ultimate holding company	**43**	43
		Fellow subsidiaries	**309**	272
Exclusive processing services received	(iv)	Ultimate holding company	**21,325**	1
		Fellow subsidiaries	**60,638**	—
Inspection services received	(v)	Fellow subsidiaries	**—**	2,666
Provide inspection services	(v)	Ultimate holding company	**20**	—
		Fellow subsidiaries	**403**	—

Notes:

(i) The sales and purchases of plant and machinery are made at net book values.

(ii) The sales and purchases of inventories were conducted at the then prevailing market prices in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.

(iii) The expenses were charged on an actually incurred basis or in accordance with terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.

(iv) The processing service fees were charged for the depreciation of the relevant machinery and equipment during the year ended 31 December 2011.

(v) The inspection service fees were charged for the inspection of the relevant machinery and equipment during the year ended 31 December 2011.

(b) Other transactions with related parties:

During the year, the Group acquired the Lens Business from a subsidiary of the Company's ultimate holding company at a consideration of RMB55,430,000, based on a valuation of the business performed by an independent appraiser. Further details of the transaction are included in note 27 to the financial statements.

During the year, BYD Precision, a wholly-owned subsidiary of the Company provided entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), through China Construction Bank, in order to satisfy the need for further working capital of BYD. The loans were unsecured, bear interest at 10% above the prime rate of three-year loans, with a three-year term from 29 November 2011 to 28 November 2014.

(c) Commitments with related parties

On 16 December 2011, a subsidiary of the Group entered into an agreement with BYD (Huizhou) Company Limited to purchase solar street lights, which amounted to RMB925,000, and is expected to be implemented in 2012.

31. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Outstanding balances with related parties:

Balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(e) Compensation of key management personnel of the Group:

	2011 RMB'000	2010 RMB'000
Short term employee benefits	**14,580**	14,405
Pension scheme contributions	**63**	31
	14,643	14,436

The related party transactions in respect of items set out in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2011

Financial assets

	Group
	Loans and receivables RMB'000
Trade and bills receivables	**3,446,342**
Financial assets included in prepayments, deposits and other receivables (note 16)	**47,194**
Due from the intermediate holding company	**109,148**
Due from the ultimate holding company	**147,876**
Pledged deposits	**100,000**
Cash and bank balances	**2,106,993**
	5,957,553

Financial liabilities

	Group
	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**3,467,996**
Financial liabilities included in other payables and accruals (note 23)	**227,150**
Due to fellow subsidiaries	**167,185**
Due to the ultimate holding company	**124,084**
	3,986,415

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2010

Financial assets

	Group
	Loans and receivables RMB'000
Trade and bills receivables	3,819,712
Financial assets included in prepayments, deposits and other receivables (note 16)	36,465
Due from fellow subsidiaries	44,901
Due from the intermediate holding company	109,082
Cash and bank balances	1,559,025
	5,569,185

Financial liabilities

	Group
	Financial liabilities at amortised cost RMB'000
Trade and bills payables	2,789,910
Financial liabilities included in other payables and accruals (note 23)	231,913
Due to fellow subsidiaries	337,933
Due to the ultimate holding company	13,857
	3,373,613

2011

Financial assets

	Company
	Loans and receivables RMB'000
Financial assets included in prepayments, deposits and other receivables	**48**
Due from subsidiaries	**3,859,393**
Due from fellow subsidiaries	**8**
Cash and bank balances	**2,723**
	3,862,172

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Company
	Financial liabilities at amortised cost RMB'000
Due to the ultimate holding company	**13**
Due to the immediate holding company	**658**
Due to a fellow subsidiary	**11,963**
	12,634

2010

Financial assets

	Company
	Loans and receivables RMB'000
Financial assets included in prepayments, deposits and other receivables	50
Due from subsidiaries	3,855,598
Due from fellow subsidiaries	8
Cash and bank balances	3,633
	3,859,289

Financial liabilities

	Company
	Financial liabilities at amortised cost RMB'000
Due to the ultimate holding company	13
Due to the immediate holding company	657
Due to a fellow subsidiary	2,328
	2,998

33. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Financial assets				
Trade and bills receivables	**3,446,342**	3,819,712	**3,446,342**	3,819,712
Financial assets included in prepayments, deposits and other receivables	**47,194**	36,465	**47,194**	36,465
Due from fellow subsidiaries	**—**	44,901	**—**	44,901
Due from the intermediate holding company	**109,148**	109,082	**109,148**	109,082
Due from the ultimate holding company	**147,876**	—	**147,876**	—
Pledged deposits	**100,000**	—	**100,000**	—
Cash and cash equivalents	**2,106,993**	1,559,025	**2,106,993**	1,559,025
	5,957,553	5,569,185	**5,957,553**	5,569,185
Financial liabilities				
Trade and bills payables	**3,467,996**	2,789,910	**3,467,996**	2,789,910
Financial liabilities included in other payables and accruals	**227,150**	231,913	**227,150**	231,913
Due to fellow subsidiaries	**167,185**	337,933	**167,185**	337,933
Due to the ultimate holding company	**124,084**	13,857	**124,084**	13,857
	3,986,415	3,373,613	**3,986,415**	3,373,613

33. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

Company

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**48**	50	**48**	50
Due from subsidiaries	**3,859,393**	3,855,598	**3,859,393**	3,855,598
Due from fellow subsidiaries	**8**	8	**8**	8
Cash and bank balances	**2,723**	3,633	**2,723**	3,633
	3,862,172	3,859,289	**3,862,172**	3,859,289
Financial liabilities				
Due to the ultimate holding company	**13**	13	**13**	13
Due to the immediate holding company	**658**	657	**658**	657
Due to fellow subsidiaries	**11,963**	2,328	**11,963**	2,328
	12,634	2,998	**12,634**	2,998

All financial assets and liabilities of the Group and the Company as at 31 December 2011 and 2010 are loans and receivables, and financial liabilities stated at amortised cost, respectively. Fair values approximate to their carrying amounts largely due to the short term maturities of these instruments.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, balances with related companies and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain portions of the bank loans and loans from related companies are denominated in currencies other than the RMB. The Group tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sale contracts. The Group takes rolling forecast on the foreign currency revenue and expenses and matches the currency and the amount incurred so as to alleviate the impact on business due to exchange rate fluctuations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

		Group	
	Increase/ (decrease) in United States dollar exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2011			
If RMB weakens against United States dollar	**5**	**(59,752)**	**—**
If RMB strengthens against United States dollar	**(5)**	**59,752**	**—**
2010			
If RMB weakens against United States dollar	5	(68,821)	—
If RMB strengthens against United States dollar	(5)	68,821	—

* Excluding retained profits and exchange fluctuation reserve

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK

The Group trades only with recognised and creditworthy customers. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 38% (2010: 43%) and 83% (2010: 94%) of the Group's trade receivables were due from the Group's largest customers and the five largest customers, respectively. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral for other financial assets such as prepayments, deposits and other receivables.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the financial statements.

LIQUIDITY RISK

The Group policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks and related companies to meet its commitments over the foreseeable future in accordance with its strategic plan. At the end of the reporting period, all of the Group's financial instruments would mature in less than one year.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

FINANCIAL LIABILITIES

Group		**2011**		
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**Total RMB'000**
Trade and bills payables (note 22)	**4,086**	**3,174,196**	**289,714**	**3,467,996**
Other payables (note 23)	**18,560**	**186,945**	**21,645**	**227,150**
Due to fellow subsidiaries	**167,185**	**—**	**—**	**167,185**
Due to the immediate holding company	**124,084**	**—**	**—**	**124,084**
	313,915	**3,361,141**	**311,359**	**3,986,415**

Group		2010		
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade and bills payables (note 22)	55,819	2,551,448	182,643	2,789,910
Other payables (note 23)	77,304	85,035	69,574	231,913
Due to fellow subsidiaries	75,201	236,695	26,037	337,933
Due to the immediate holding company	2,046	11,811	—	13,857
	210,370	2,884,989	278,254	3,373,613

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

FINANCIAL LIABILITIES *(Continued)*

Company	**2011**
	On demand RMB'000
Due to the ultimate holding company	**13**
Due to the immediate holding company	**658**
Due to a fellow subsidiary	**11,963**
	12,634

Company	2010
	On demand RMB'000
Due to the ultimate holding company	13
Due to the immediate holding company	657
Due to a fellow subsidiary	2,328
	2,988

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CAPITAL MANAGEMENT *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Equity represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2011 RMB'000	2010 RMB'000
Less: Cash and bank balances	**(2,106,993)**	(1,559,025)
Net debt	**(2,106,993)**	(1,559,025)
Equity attributable to owners of the parent	**7,991,533**	7,522,123
Gearing ratio	**-26%**	-21%

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2012.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
REVENUE	**15,868,300**	16,647,129	11,198,670	8,555,112	5,767,256
Cost of sales	**(14,137,932)**	(14,577,138)	(9,636,887)	(6,845,565)	(4,239,331)
Gross profit	**1,730,368**	2,069,991	1,561,783	1,709,547	1,527,925
Other income and gains	**259,253**	216,718	130,414	152,689	64,295
Research and development costs	**(614,448)**	(577,978)	(423,214)	(355,722)	(175,542)
Selling and distribution costs	**(130,841)**	(110,484)	(92,151)	(90,720)	(54,138)
Administrative expenses	**(444,780)**	(352,334)	(281,865)	(270,098)	(152,073)
Other expenses	**(124,926)**	(106,797)	(99,667)	(302,782)	(58,401)
Finance costs	**(213)**	(516)	(594)	(39,510)	(66,182)
PROFIT BEFORE TAX	**674,373**	1,138,600	794,706	803,404	1,085,884
Tax	**(71,567)**	(100,764)	(35,850)	(37,579)	7,405
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**602,806**	1,037,836	758,856	765,825	1,093,289
ASSETS AND LIABILITIES					
TOTAL ASSETS	**12,577,848**	11,485,108	10,276,740	8,418,186	8,237,272
TOTAL LIABILITIES	**4,586,315**	3,962,985	3,648,796	(2,580,650)	(3,345,484)
Total equity	**7,991,533**	7,522,123	6,627,944	5,837,536	4,891,788

比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED