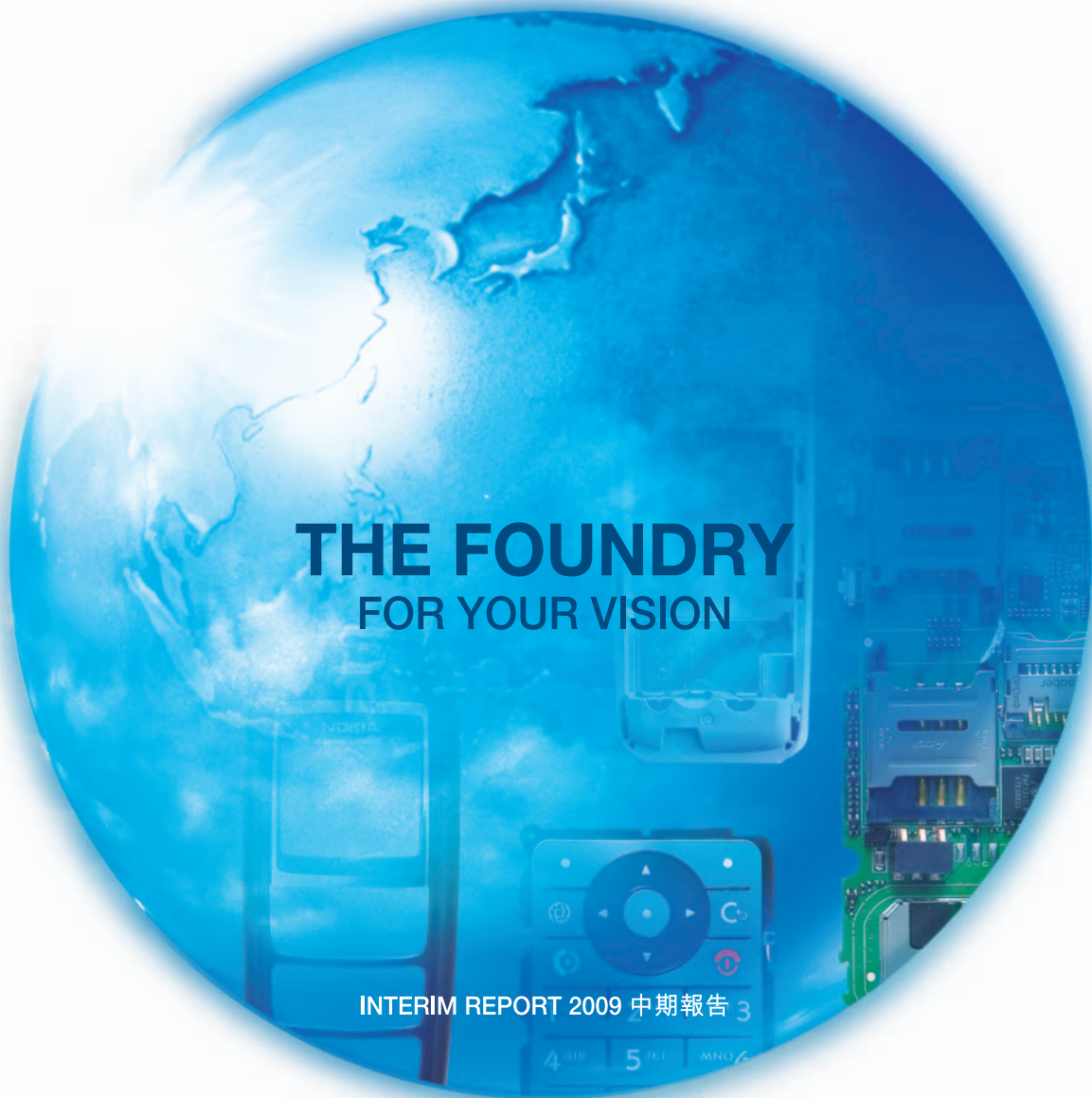




比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(Stock Code 股份代號: 285)



THE FOUNDRY
FOR YOUR VISION

INTERIM REPORT 2009 中期報告 3

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

Turnover	+5%	To RMB3,801 million
<hr/>		
Gross profit	-22%	To RMB528 million
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Profit attributable to equity holders of the Company	-47%	To RMB229 million
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Basic earnings per share	-47%	To RMB0.1
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HIGHLIGHTS

- The business of handset components and modules successfully expanded its market share under the shrinking handset industry.
- The revenue from the handset component and modules increased by 22% over the same period last year.
- Continuous pricing pressure from the clients and further increase of investment in research and development resulted a reduction in profits.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

During the six months ended 30 June 2009 (the "Period"), the global economy remained subdued and continued to face challenges although there were signs of recovery since the beginning of the second quarter in 2009. During the Period, the global handset industry was still under pressure in spite of the fact that macro-economy of China recovered at a faster pace among other countries and the growth in domestic demand backed certain industries. Owing to the fact that the overall consumers' confidence and consumption power of consumers were yet to revive, demand in the handset market continued to decline and the handset industry continued to record negative growth. According to the estimation from leading handset manufacturers in the industry, the global output of handsets during the Period was approximately 523 million units, representing a decrease of approximately 12.5% as compared to 598 million units in the same period last year. The shrinking of the industry intensified competition in the global handset market and imposed pressure on the profits of international leading handset manufacturers, causing them to strengthen their control over production costs and turn more prudent in choosing suppliers, so as to enhance the price competitiveness of their products and enlarge their market share. Owing to the increased price sensitivity of handsets in the market, the operational pressure on the upstream handset component manufacturers increased notably in order to maintain market competitiveness.

During the continuing integration process in the handset industry, international leading handset brands were confronted with pressure from different aspects and they tried to lower capital investment and production costs, shorten new product launch cycle, shorten capital turnover as well as achieve better flexibility. For one-stop supplier with high capability for vertical integration and global manufacturing and service platforms such as BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"), the challenging business environment was a good opportunity for increasing their market shares.

BUSINESS REVIEW

The Group provides handset components and modules and handset assembly services to handset manufacturers as its vertically integrated business. During the Period, the Group recorded sales of approximately RMB3,801 million, up approximately 5% year on year. Profit attributable to shareholders for the Period was approximately RMB229 million, representing a decrease of approximately 47% year-on-year.

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

During the Period, the handset component and module business of the Group recorded sales of approximately RMB2,491 million, representing a year-on-year increase of approximately 22%. Handset component and module business accounted for approximately 66% of the Group's total sales (first half of 2008: 56%) and has successfully expanded its market share under unfavourable market conditions. Nonetheless, during the Period, the global handset demand was yet to recover from the global financial crisis and severe economic downturn arising at the end of 2008, causing the international leading handset manufacturers to be more cautious towards the supplying prices offered by upstream handset component manufacturers. During the period, as a result of the continued price-cutting pressures from customers and increasingly faster upgrading of handset products, the Group made further investments on the research and development of new products. As a result, the profit of the handset component and module business was under pressure in spite of the increase in sales.

For the global manufacturing platform of the Group, except the production base in India which maintained satisfactory business growth, other overseas production bases were inevitably affected by the contraction of the handset market brought by global financial crisis and the severe economic recession.

Apart from providing handset components and modules, BYD Electronic also provides assembly and design services

MANAGEMENT DISCUSSIONS AND ANALYSIS

according to customers' needs. During the Period, sales of the assembly services of the Company decreased significantly by approximately 18% to RMB1,310 million due to the recession of the handset market as the demand for handsets decreased continuously and the decline in handset assembly outsourcing from customers, etc. Assembly services represented approximately 34% of the Company's total sales (first half of 2008: 44%).

On 29 April 2009, BYD (Huizhou) Electronic Company Limited ("Huizhou Electronic"), a wholly owned subsidiary of the Company, entered into a transfer agreement with BYD (Huizhou) Company Limited ("BYD Huizhou"), a wholly owned subsidiary of BYD Company Limited ("BYD"), pursuant to which BYD Huizhou agreed to sell and Huizhou Electronic agreed to purchase the handset charger business. The above transfer will expand the scope of our Group's handset components business and enhance the sales and revenue of the Group, which are in line with the business and commercial goal of the Group and will enhance the Group's competitiveness.

Currently, the transfer has been fully completed and the handset charger business will contribute revenue and profit to the Company in the second half of 2009.

Please refer to the announcement dated 29 April 2009 and the circular dated 20 May 2009 issued by the Company for details.

FUTURE STRATEGY

Looking ahead to the second half of 2009, the contracting macro-economy will intensify the consolidation of the handset industry. According to the forecast from leading players in the industry, the global handset industry will slowly bottom out along with the global economy getting warmer. In spite of such a challenging business environment, the Group believes that adjustment of the handset industry will provide more opportunities and room for the development of the Group in the long run. By leveraging its excellent research and development capability, mould development capability, technical workflow process and advanced factory management, the Group will be able to attract customers with its world-class quality and prominent price competitiveness and develop new products, so as to become the first comer to bottom out among its competitors under a difficult environment.

The vertically integrated strategy enables the Group to provide one-stop services to customers and meet the need from various customers. It is expected that this strategy can bring more orders from customers and increase market shares. BYD Electronic's development strategies and objectives are to develop an integrated global manufacturing and service platform and provide more value-added services to customers in order to further enhance its market leading position, tap into overseas markets and become a leading handset component manufacturer and assembly services provider in the globe, and seek business opportunities actively for other electronic products to create maximum value for shareholders.

Besides, the Group will actively explore new business opportunities for new growth and lowering heavy reliance on single product. Meanwhile, the Group will explore other international brands as customers to lower the heavy reliance on single customer.

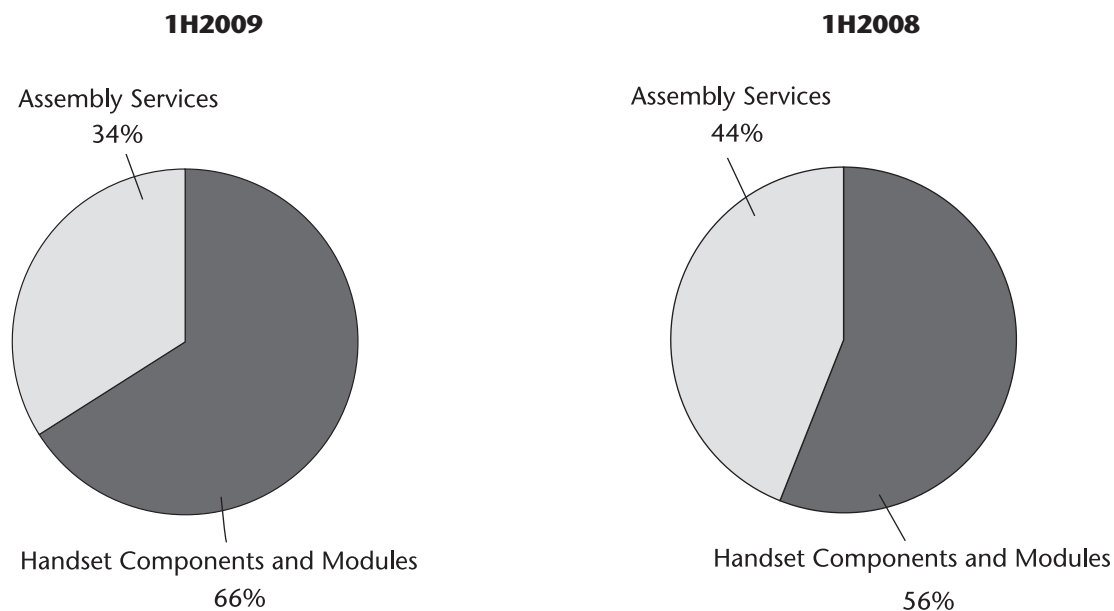
FINANCIAL REVIEW

Turnover increased slightly as compared to the previous year which was mainly attributable to the growth of the handset components and modules business recorded during the Period. The Company's handset component and module business, which includes the sales of handset casings, keypads and modules, recorded a growth of approximately 22% during the Period. The business of assembly services, which includes the provision of printed circuit board assembly services and high level of assembly services, decreased by approximately 18% during the Period. Profit attributable to equity holders of the parent decreased substantially as compared to the same period of the previous year, which was mainly attributable to the decrease in the gross profit margin of the Group, an increase in research and development costs, etc.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Product Information

Set out below are the Group's revenue on handset components and modules and assembly services and their respective proportions in aggregated revenue for the six months ended 30 June 2008 and 2009:



Gross Profit and Margin

The Group's gross profit for the Period decreased by approximately 22% to approximately RMB528 million. Gross profit margin declined from approximately 19% in the first half of 2008 to approximately 14% during the Period. The decrease in gross margin was mainly due to a reduction in the product price by customers and an increase in the proportion of items with lower gross profit margin in the handset components and modules business.

Liquidity and Financial Resources

During the Period, the Group recorded cash inflow from operations of approximately RMB368 million, as compared to approximately RMB907 million recorded in the same period of 2008.

During the Period, funds were obtained from the net cash derived from the Company's operations. Total borrowings as at 30 June 2009 were RMB0 as compared to RMB14 million as at 31 December 2008. The zero balance of total borrowings was mainly due to the benefit of using part of the net proceeds raised for repaying bank loans subsequent to the initial public offer in December 2007.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows.

During the Period, the number of turnover days of accounts and bills receivables was approximately 78 days, while for the six months ended 30 June 2008 the number was 79 days. The decrease in the turnover of accounts and bills receivables was due to further strengthening in the management and control over accounts and bills receivables during the Period as compared to the same period of the previous year. Inventory turnover increased from approximately 75 days for the six months ended 30 June 2008 to approximately 94 days for the Period. The increase in inventory turnover was mainly attributable to the significant increase in the inventory reserves at the end of the 2008 to meet the demand from customer orders.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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 30 June 2009, the Company had nil 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 working capital, capital expenditures, business expansions, investments and expected debt repayment requirements for at least the next six months.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 30 June 2009, the Company had approximately 35,000 employees. During the Period, total staff cost accounted for approximately 13% of the Company's turnover. Employee remuneration is determined on the basis of performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission may also be awarded to employees based on their annual performance evaluation. In addition, incentives may be offered for personal drive and encouragement.

Share Capital

As at 30 June 2009, the share capital of the Company was as follows:

Number of shares issued: 2,254,009,000

Purchase, Sale or Redemption of Shares

From 1 January 2009 to 30 June 2009, the Company did not redeem any shares. During the Period, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

Capital Commitments

As at 30 June 2009, the Company had capital commitment of approximately RMB160 million (30 June 2008: approximately RMB417 million).

Contingent Liabilities

Please refer to note 13 to the consolidated financial statements for details of contingent liabilities.

Litigation

The ultimate holding company, the intermediate holding company, direct holding company and certain subsidiaries of the Company were involved in a legal action commenced by certain affiliates of Foxconn International Holdings Limited as plaintiffs in the High Court of the Hong Kong SAR. It was alleged in the legal action that the Company had unauthorised use of confidential information. The litigation had no essential progress during the Period. The Group will continue to defend the case vigorously.

SUPPLEMENTARY INFORMATION

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

As at 30 June 2009, 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 any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Hong Kong 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 which 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 Hong Kong Stock Exchange (the "Listing Rules") to be notified to the Company and the Hong Kong 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)	0.58%
Mr. SUN Yi-zao	Company	Beneficiary	5,797,000 ⁽¹⁾ (long position)	0.26%
	BYD	Personal	10,824,680 ⁽²⁾ (long position)	0.53%
Mr. WU Jing-sheng	Company	Beneficiary	8,602,000 ⁽¹⁾ (long position)	0.38%
	BYD	Personal	11,675,880 ⁽²⁾ (long position)	0.57%
Mr. WANG Chuan-fu	BYD	Personal	570,642,580 ⁽³⁾ (long position)	27.83%

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 domestic shares of BYD held by Mr. LI Ke, Mr. SUN Yi-zao and Mr WU Jing-sheng., which represented approximately 0.80%, 0.73% and 0.79% of the total issued domestic shares of BYD as of the Latest Practicable Date.
- (3) These are the domestic shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 38.5% of total issued domestic shares of BYD as of the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUPPLEMENTARY INFORMATION

SHARE OPTIONS

During the period 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 6 months ended 30 June 2009 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 30 June 2009, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (other than directors or chief executive of the Company) had interests or short positions in the ordinary shares of the Company which fall to be disclosed to the Company 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:

Name of shareholder	Capacity	Number of issued ordinary shares/ underlying held	Approximate percentage of the issued share capital of the Company
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest	1,481,700,000 (long position)	65.74%
BYD (H.K.) Co., Limited ("BYD H.K.")	Controlled corporation ¹	1,481,700,000 (long position)	65.74%
BYD Company Limited ("BYD")	Controlled corporation ¹	1,481,700,000 (long position)	65.74%
HSBC Trustee (Hong Kong) Limited	Trustee ²	168,300,000 (long position)	7.47%
FMR LLC	Investment Manager ³	136,411,100 (long position)	6.05%

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 are deemed to be interested in the shares of the Company held by Golden Link.
2. The shares of the Company 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, the beneficiaries of which are 35 employees of BYD and its subsidiaries and the Group.
3. FMR LLC was deemed to be interested as investment manager in 136,411,100 shares (L) through its controlled corporations, Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC which were interested in 135,784,600 and 626,500 shares respectively.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices (the “Code”)

The board of directors of the Company (the “Board”) is committed to maintaining and ensuring high standards of corporate governance practices.

The Board puts emphasis on maintaining a quality Board with balance of skill set of directors, high transparency and effective accountability system in order to enhance shareholders’ value. In the opinion of the directors, the Company had during the Period complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the Company’s code of conduct regarding securities transactions by its Directors. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors and two non-executive directors. A meeting was convened by the Company’s audit committee on 29 August 2009 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period before recommending them to the Board for approval).

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2008: Nil).

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	<i>Notes</i>	For the six months ended	
		30 June 2009	30 June 2008
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	3,801,335	3,637,603
Cost of sales		<u>(3,273,372)</u>	<u>(2,956,742)</u>
Gross profit		527,963	680,861
Other income and gains	4	77,867	108,198
Research and development costs		(154,483)	(84,500)
Selling and distribution costs		(32,923)	(45,390)
Administrative expenses		(142,853)	(147,413)
Other expenses		(11,311)	(20,440)
Finance costs	5	<u>(340)</u>	<u>(25,546)</u>
PROFIT BEFORE TAX	6	263,920	465,770
Tax	7	<u>(35,033)</u>	<u>(35,548)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>228,887</u>	<u>430,222</u>
Earnings per share attributable to equity holders of the Company - basic	9	<u>RMB0.10</u>	<u>RMB0.19</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	For the six months ended	
	30 June 2009	30 June 2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE PERIOD	<u>228,887</u>	<u>430,222</u>
Exchange differences on translation of foreign operations	<u>(13,958)</u>	<u>(40,726)</u>
Other comprehensive loss for the period, net of tax	<u>(13,958)</u>	<u>(40,726)</u>
Total comprehensive income for the period, net of tax	<u>214,929</u>	<u>389,496</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Notes	30 June 2009 <i>(Unaudited)</i> RMB'000	31 December 2008 <i>(Audited)</i> RMB'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		3,283,648	3,031,354
Prepaid land lease payments		150,288	151,511
Prepayment for property, plant and equipment		228,204	332,486
Other intangible assets		12,175	12,959
Deferred tax assets		60,006	56,426
		<u>3,734,321</u>	<u>3,584,736</u>
Current Assets			
Inventories	10	1,609,102	1,824,003
Trade and bills receivables	11	1,767,459	1,526,898
Prepayments, deposits and other receivables		109,212	216,463
Due from fellow subsidiaries		42,872	57,175
Due from the intermediate holding company		60,527	64,075
Due from the ultimate holding company		29,643	—
Cash and bank balances		1,119,851	1,141,478
Pledged bank deposit		3,159	836
Restricted bank deposit		—	2,522
		<u>4,741,825</u>	<u>4,833,450</u>
Current assets		4,741,825	4,833,450
Total assets		<u>8,476,146</u>	<u>8,418,186</u>
Current Liabilities			
Trade and bills payables	12	1,616,129	1,467,518
Other payables and accruals		546,800	557,813
Tax payable		32,496	23,428
Interest-bearing bank borrowings		—	14,256
Due to fellow subsidiaries		228,256	218,078
Due to immediate holding company		—	1,052
Due to the ultimate holding company		—	298,505
		<u>2,423,681</u>	<u>2,580,650</u>
Total current liabilities		2,423,681	2,580,650
NET CURRENT ASSETS		<u>2,318,144</u>	<u>2,252,800</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,052,465</u>	<u>5,837,536</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,052,465</u>	<u>5,837,536</u>
EQUITY			
Issued capital		217,070	217,070
Reserves		5,835,395	5,620,466
		<u>6,052,465</u>	<u>5,837,536</u>
Total equity		<u>6,052,465</u>	<u>5,837,536</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Contributed Surplus (Unaudited) RMB'000	Statutory Surplus reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Retained earnings (Unaudited) RMB'000	Total (Unaudited) RMB'000
At 1 January 2008	211,929	3,208,537	(46,323)	101,501	(1,542)	340,837	1,076,849	4,891,788
Issue of shares	6,739	694,263	—	—	—	—	—	701,002
Final 2007 dividend	—	—	—	—	—	(340,837)	—	(340,837)
Profit for the period	—	—	—	—	—	—	430,222	430,222
Other comprehensive income	—	—	—	—	(40,726)	—	—	(40,726)
At 30 June 2008	<u>218,668</u>	<u>3,902,800</u>	<u>(46,323)</u>	<u>101,501</u>	<u>(42,268)</u>	<u>—</u>	<u>1,507,071</u>	<u>5,641,449</u>
At 1 January 2009	217,070	3,837,167	(46,323)	200,009	(114,553)	—	1,744,166	5,837,536
Profit for the period	—	—	—	—	—	—	228,887	228,887
Other comprehensive income	—	—	—	—	(13,958)	—	—	(13,958)
At 30 June 2009	<u>217,070</u>	<u>3,837,167*</u>	<u>(46,323)*</u>	<u>200,009*</u>	<u>(128,511)*</u>	<u>—</u>	<u>1,973,053*</u>	<u>6,052,465</u>

* These reserve accounts comprise the consolidated reserves of 5,835,395,000RMB in the consolidated balance sheet as at 30 June 2009.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

For the six months ended 30 June

	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	368,326	906,510
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(378,665)	(1,394,233)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(14,256)	226,755
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,595)	(260,968)
Cash and cash equivalents at beginning of period	1,144,000	3,196,766
Effect of foreign exchange rate changes, net	446	(276)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,119,851</u>	<u>2,935,522</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,119,851	2,616,522
Non-pledged time deposits with original maturity of less than three months when acquired	—	319,000
	<u>1,119,851</u>	<u>2,935,522</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

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.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also included HKASs and Interpretations, that affect the Group and are adopted for the first time for the current period's financial statements.

HKFRS 1 and HKAS 27 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
Amendments to HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of this amendment has no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

HKFRS 7 Amendments requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurement is now required, as well as significant transfer between level 1 and level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures. The amendments do not contain any additional disclosure requirements specific applicable to the interim financial report.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)

Significant accounting policies (cont'd)

HKFRS 8, which has replaced HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard did not have any effect on the financial position or performance of the Group.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended HKAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During six months to 30 June 2009, no borrowing costs have been capitalized on long-term construction in progress.

Improvements to HKFRSs

In October 2008, the HKICPA issued its *first Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- (a) HKFRS 7 Financial Instruments: Disclosures: Removes the reference to "total interest income" as a component of finance costs.
- (b) HKAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with HKAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.
- (c) HKAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is calculated as the higher of an asset's fair value less costs to sell and its value in use. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- (d) HKAS 20 Accounting for Government Grants and Disclosure of Government Assistance: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)

Improvements to HKFRSs (cont'd)

- (e) HKAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing cost' into one - the interest expense calculated using the effective interest rate method calculated in accordance with HKAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- (f) HKAS 27 Consolidated and Separate Financial Statements: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- (g) HKAS 28 Investments in Associates: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.
- (h) HKAS 36 Impairment of Assets: When discounted cash flows are used to estimate "fair value less cost to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Group:

HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKAS 8	Accounting Policies, Change in Accounting Estimates
HKAS 10	Events after the Reporting Period
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 29	Financial Reporting in Hyperinflationary Economics
HKAS 31	Interest in Joint Ventures
HKAS 34	Interim Financial Reporting
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture

3. SEGMENT INFORMATION

For management purposes, the group has only one operating segment which is the manufacture, assembly and sales of mobile handset components and modules. Since this is the only operating segment of the Group, no further analysis thereof is presented.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of assembly service rendered during the period.

	For the six months ended	
	30 June 2009	30 June 2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of mobile handset components and modules	2,491,274	2,041,698
Assembly services income	1,310,061	1,595,905
	<u>3,801,335</u>	<u>3,637,603</u>
Other income and gains		
Bank interest income	8,131	48,831
Sale of scrap materials	29,525	29,041
Sale of materials	1,930	3,442
Subcontracting income	749	3,072
Foreign exchange gain, net	17,844	—
Forward contracts: transactions not qualifying as hedges	—	18,392
Others	19,688	5,420
	<u>77,867</u>	<u>108,198</u>

5. FINANCE COSTS

	For the six months ended	
	30 June 2009	30 June 2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings and bank advances, wholly repayable within one year	340	24,362
Interest on discounted notes	—	1,184
	<u>340</u>	<u>25,546</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2009	30 June 2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	1,900,675	1,441,565
Cost of services provided	1,262,148	1,528,828
Depreciation	225,777	134,705
Amortisation of other intangible assets	3,304	4,162
Forward contracts: transactions not qualifying as hedges	—	(18,392)
Impairment of trade receivables	4,366	—
Write-down of inventories	110,549	(13,651)
Loss on disposal of items of property, plant and equipment	3,485	1,495

7. TAX

	For the six months ended	
	30 June 2009	30 June 2008
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current-Mainland	38,613	46,684
Deferred	(3,580)	(11,136)
Total tax charge for the period	35,033	35,548

The Company's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT"). Under the relevant PRC CIT Law and the respective regulations, certain preferential treatments are available to the Company's subsidiaries, which are taxed at preferential rates ranging from 0% to 10% (2008:0% to 9%) during the period.

Furthermore, certain of its subsidiaries are also entitled to full exemption from CIT for the first two years and 50% reduction in CIT for the next three years.

No provision for profits tax in Hong Kong, United States of America, Finland, India, Hungary and Romania have been made for the periods as the Group did not generate any assessable profits in these countries during the period.

8. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2009 attributable to equity holders of the Company of RMB228,887,000 (Six months ended 30 June 2008: RMB430,222,000) and the weighted average of 2,254,009,000 (30 June 2008: 2,268,298,000) ordinary shares deemed to have been in issue during the period.

No diluted earnings per share amount has been presented for the period as no diluting events existed during these periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

10. INVENTORIES

	30 June 2009	30 June 2008
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials	836,569	927,083
Work-in-progress	51,922	60,510
Finished goods	590,547	682,841
Mould held for production	130,064	153,569
	<u>1,609,102</u>	<u>1,824,003</u>

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 to 90 days. 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. Trade receivables are non-interest-bearing.

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

	30 June 2009	30 June 2008
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	1,681,947	1,478,658
3 to 6 months	59,623	45,614
Over 6 months	25,889	2,626
	<u>1,767,459</u>	<u>1,526,898</u>

The directors are of the opinion that the carrying amounts of trade and bills receivables approximate their fair values.

12. TRADE AND BILLS PAYABLE

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

	30 June 2009	30 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	1,542,398	1,331,804
3 to 6 months	45,383	93,893
6 months to 1 year	9,645	31,727
1 to 2 years	17,461	9,752
Over 2 years	1,242	342
	<u>1,616,129</u>	<u>1,467,518</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

13. CONTINGENT LIABILITIES

In June 2007, the High Court of the Hong Kong Special Administrative Region (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group (the "Defendants") for using confidential information obtained improperly from the Plaintiffs. The Plaintiffs alleged that the defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the holding companies of the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the defendants named in the action and that this finally disposed of the June 2007 action without any liability to the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group. On the same day, the plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The defendants named in the October 2007 Action are the same as the defendants in the June 2007 Action, and the claims made by the plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising in the June 2007 Action. In essence, the plaintiffs allege that the defendants have misappropriated and misused confidential information belonging to the plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages.

The plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000, and an amount of RMB3,600,000 which allegedly represents compensation paid by the plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the ultimate holding company has given an indemnity in favor 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 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 interim condensed consolidated financial statements, the service of writs on all of the Defendants have 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 judgment in respect of the stay application was handed down on 27 June 2008. The stay application was dismissed and an order was also made that costs of the stay application to the Plaintiff, to be assessed by the Court, if not agreed. The Group is seeking legal advice in light of the judgment and reserve the right to appeal against the decision of the Court of First Instance. The ultimate holding company and the intermediate holding company also reserves the right to file counterclaims against the Plaintiffs.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

14. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	30 June 2009	31 December 2008
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Contracted, but not provided for:		
Plant and machinery	140,539	204,419
Building	86,185	21,231
	<u> </u>	<u> </u>

15. RELATED PARTY TRANSACTIONS

(a) During the period, the Group had the following material transactions with related parties:

Nature of Transaction	<i>Note</i>	Related parties	For the six months ended	
			30 June 2009	30 June 2008
			<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Purchases of plant and machinery	(i)	Fellow subsidiaries	84,841	—
Sales of plant and machinery	(i)	Ultimate holding company	2,707	—
		Fellow subsidiaries	32,848	—
Purchases of inventories	(ii)	Ultimate holding company	74,991	13,230
		Intermediate holding company	2,504	7,262
		Fellow subsidiaries	229,834	100,253
Sales of inventories	(ii)	Ultimate holding company	11,414	8,525
		Intermediate holding company	—	11
		Fellow subsidiaries	16,965	24,229
Ancillary expenses paid to	(iii)	Ultimate holding company	80,243	122,647
		Fellow subsidiaries	17,885	12,687
			<u> </u>	<u> </u>

Notes:

- (i) The sales and purchases of plant and machinery were made at net book values.
- (ii) The sales and purchases of inventories were conducted at market price/price and terms mutually agreed between the parties/cost. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iii) Expenses were charged on an actual incurred basis/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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2009

15. RELATED PARTY TRANSACTIONS (CONT'D)

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

	For the six months ended	
	30 June 2009	30 June 2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	4,409	3,119

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period presentation and accounting treatment.

17. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approval and authorised for issue by the board of directors on 29 August 2009.



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