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

INTERIM REPORT 2012 中期報告

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Turnover	-9.45%	to RMB7,021 million
Gross profit	-22.21%	to RMB629 million
Profit attributable to equity holders of the parent	-21.93%	to RMB261 million
Earnings per share	-21.93%	to RMB0.12

HIGHLIGHTS

– Due to product restructuring and declined sales of major customer, the Group recorded sales of approximately RMB7,021 million

– Successfully introduced emerging smart phone manufacturers and notebook manufacturers as customers, and established more solid strategic co-operation relationships with existing customers

– Strived to secure more orders for smart phones and related high-end consumer electronics to further achieve broader sources of income

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC ENVIROMENT REVIEW

During the six months ended 30 June 2012 (the "Period"), the global economy has seen a bumpy ride. European debt crisis further deteriorated and affected the major European economies while economic recovery of US economic was slow. During the reporting period, China's economic growth continued to slow down. China's gross domestic product ("GDP") growth for the first half of 2012 moderated to 7.8%, dipping below 8% for the first time since 2009. The global economy, including China, is experiencing escalating downside risk.

Global demand for mobile phones saw continued slowdown in the first half of the year owing to a number of factors, including the soft demand in mobile phone in the mature market, the absence of new models launched by leading mobile manufacturers and consumers' anticipation of better package deals. Nevertheless, demand for smart phones remained solid and continued to drive the growth of global mobile phone business. According to the statistics of market research institute, the global handset output for the first half of 2012 was approximately 838 million units, down 2.2% year-on-year, of which smart phone output was 298 million, representing a significant growth of 43.6% year-on-year, and its share to the total handset output increased to 35.6%.

Declined total shipments of global handsets and the prevalence of smart phones have led to the intensifying competition in handset market, with its sales gradually becoming the most important factor affecting the overall results of every handset manufacturers as well as driving handset market consolidation. Besides the shrinking market shares of traditional handset manufacturers, renowned Asian handset manufacturers have been actively launching various models covering the high-, medium- and low-end market segments. In addition to low-cost, entry level smart phones, they have also launched innovative smartphone-tablet hybrids so as to capture market share and compete for the leading position in the smart phone market against international leading players. Notwithstanding the fact that traditional handset market leaders are gradually undergoing strategic transformation and joining hands with global leading software developers in introducing new platforms and new products to tap the smart phone market, their new smart phones products are yet to be widely recognized by the market and consumers and the overall market share is still under pressure.

As for the China market, along with the popularisation of smart phones driven by mobile operators as well as the rapid penetration of mobile internet, China has been experiencing a wave of handset upgrade. According to the data released by *the Academy of Telecommunications Research under the Ministry of Industry and Information Technology ("MIIT")*, the handset output of China for the first half of 2012 reached nearly 200 million units, of which over 100 million units were 3G handsets and 94.85 million sets were smart phones, accounting for half of the total handset output for the same period. The smart phone output of China has surpassed that of the US, making China the largest smart phone manufacturer in the world. The rapid growth of the smart phone market has created more expansion opportunities for suppliers with the ability to provide one-stop services with highly vertically integrated capabilities as well as global manufacturing and service platforms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BYD Electronic (International) Company Limited (“BYD Electronic” or the “Company”) and its subsidiaries (collectively, the “Group”) has always adhered to its operating strategy of providing one-stop service with high vertical integration capabilities. BYD Electronic provides handset manufacturers with two major services, namely production of handset components and module business, as well as providing vertical integration of handset design and assembly services. During the first half of 2012, the Group’s sales dropped when compared with the same period last year owing to the decreasing sales volume and market share of its major customer. Moreover, the profit of the Group also decreased owing to the declined sales of its major customer, intense market competition as well as increased costs. During the Period, the Group recorded sales of approximately RMB7,021 million, representing a decrease of approximately 9.45% year-on-year. Profit attributable to shareholders decreased by approximately 21.93% year-on-year to approximately RMB261 million.

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

During the Period, the Group’s major customer gradually underwent a business strategic transformation so as to enhance the R&D of smart phone. Its new smart phone products have gained much market attention, yet it failed to reverse the sales downtrend. Sales of new products are yet to offset the sales slump in traditional products, hence the market share and sales volume continued to be squeezed and it in turn resulted in some negative impact on the development of the Group’s handset component businesses. During the reporting period, the major customer of the Group’s assembly business managed a diversify supply chain strategy, and its orders dropped correspondly.

Leveraging the Group’s highly vertical integration capabilities, strong product competitiveness and advantage with high value for money, the Group continued to secure orders from international renowned smart phone manufacturers while actively exploring new clientele. During the Period, the Group successfully introduced smart phone manufacturers and notebook manufacturers as customers and established a solid strategic co-operation relationships with current customers, which helped lay a solid foundation for the sustainable development of the Group in the future. However, as such cooperation was still in an infant stage, its contribution to revenue was limited and yet to offset the negative impact of decreasing orders from part of the Group’s original customer. The Group will continue to enhance cooperation with new customers in a bid to generate more revenue from them.

The intense global handset market has left international handset manufacturers very cost-conscious, and they exercised stringent control over production cost. The increasing cost cut pressures from customers have led to a more challenging operating environment for the Group and profitability in both the handset component and module production businesses.

Benefited from the promotion of 3G large-scale application and increasing promotion efforts on 3G handsets by operators in China, number of 3G users saw rapid growth in China. According to the statistics of the MIIT, the net increase of 3G subscribers during the first half of 2012 amounted to 47.33 million, making the total number of 3G subscribers reach approximately 176 million. Currently, China’s 3G penetration rate stands at only 16.7%, when compare with over 60% of pretration rate in Europe and U.S., reflecting that China’s market potential awaits to be explored. In light of the vast market development prospects, the Group continued to develop its 3G business and secured orders from renowned 3G handset manufactures.

FUTURE STRATEGY

Looking forward to the second half of 2012, the Group believe that the prolonged European debt crisis and stagnant US economy will cast a much larger shadow over the global economic recovery. Amidst the global economic downturn, the emerging economies cannot remain immune to the impact. As for China, the second largest economy in the world, its economic development will also be hindered. Thanks to the stimulus actions by the central government of China and its efforts to boost domestic demand, China remains as the world's growth engine. Notwithstanding the uncertain macroeconomic environment, demand from the emerging markets can continue to underpin the global smart phone output growth. According to Gartner's forecasts, worldwide smart phone sales will reach 1.9 billion units in 2012, over 30% of which will be smart phones. By 2015, sales of smart phones will even exceed 1 billion units, accounting for nearly half of the global sales of handsets.

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

In June 2012, the State Council published the "*Several Opinions of the State Council on Vigorously Advancing Informationisation Development and Thoroughly Ensuring Information Security*" (*《國務院關於大力推進信息化發展和切實保障信息安全的若干意見》*) stating that by the end of the Twelfth Five Year Plan period, 3G coverage will be extended to rural areas. With the long-term technology enhancement of 3G business area, the Group will grasp potential business opportunities brought about by the extension of 3G networks in China, and will continue to invest on R&D of its 3G handset business to further expand its 3G business.

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

With the further integration of the industry and the continual improvement of information technology in the emerging market, the Group is well positioned to seize the great market opportunities ahead of us. Looking forward, second half of the year is always the traditional peak season for handset market. With the enormous opportunities brought to the Group by smart phones and 3G handsets, the development strategies and objectives of BYD Electronic remain unchanged — a commitment to continuously enhance its R&D capabilities and technological standards, maintain and improve its product quality and cost advantage and a determination to develop an integrated global manufacturing and service platform in order to enhance its market position and create great returns to the Group's shareholders.

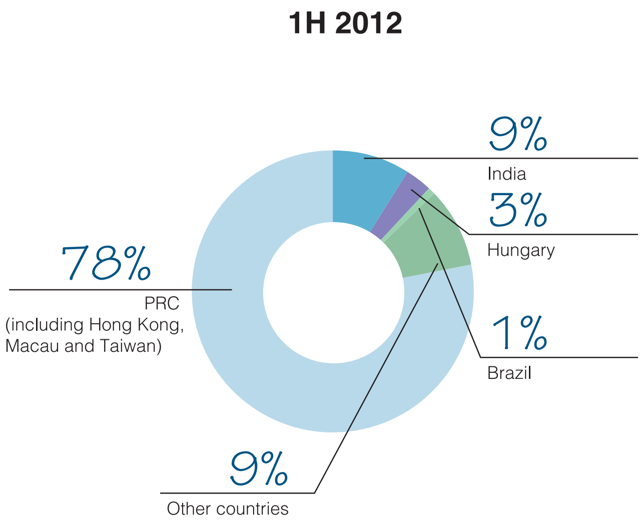
MANAGEMENT DISCUSSION AND ANALYSIS

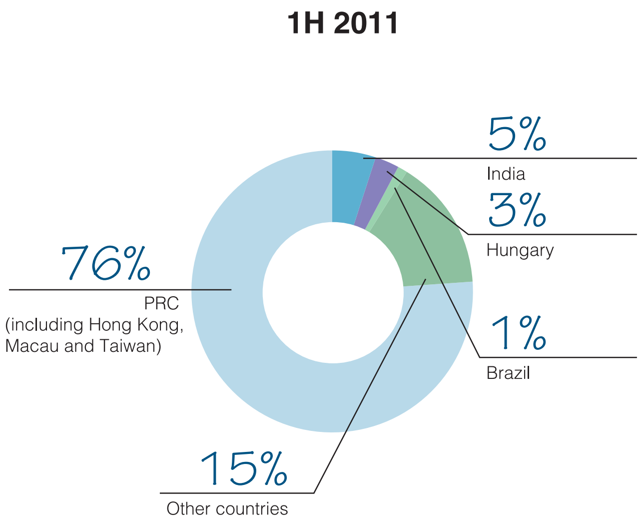
FINANCIAL REVIEW

During the period under review, turnover and profit attributable to equity owners of the parent company recorded a decrease compared with the same period of the previous year, mainly due to declined sales of the major customer of the Group, intense market competition and increased costs.

Segmental Information

Set out below is a comparison of geographical information by customer locations for the six months ended 30 June 2011 and 2012:





Gross Profit and Margin

The Group's gross profit for the Period decreased by approximately 22.21% to approximately RMB629 million. Gross profit margin declined from approximately 10.42% in the first half of 2011 to approximately 8.95% during the Period. The decrease in gross margin was mainly due to decrease in sales of our major customer, intense market competition and higher costs.

Liquidity and Financial Resources

During the Period, the Group recorded cash inflow from operations of approximately RMB907 million, compared to RMB1,244 million recorded in the first half of 2011. During the Period, funds were obtained from the net cash generated from the Company's operations. As at 30 June 2011 and 30 June 2012, the Group did not have any bank borrowings.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. For the six months ended 30 June 2012, the turnover days of accounts and bills receivables were approximately 81 days, while the turnover days were approximately 84 days for the six months ended 30 June 2011. During the Period, the turnover days of accounts and bills receivables remained stable. Inventory turnover increased from approximately 47 days for the six months ended 30 June 2011 to approximately 51 days for the Period. The change in inventory turnover was mainly due to decreased sales and decreased sales cost for the period, while the average inventory did not change significantly as compared with 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 30 June 2012, the Company did not have any 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 generated 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 six months.

Exposure to Foreign Exchange Risk

A majority of the Company's income and expenses are settled in Renminbi and US dollars. During the Period, the Group recorded an increase in foreign exchange gains, which was mainly attributed to change in exchange rate of RMB and the Hungarian Forint against the U.S. dollar. During the Period, 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 foreign exchange requirements.

Employment, Training and Development

As at 30 June 2012, the Company had over 47 thousand employees. During the Period, total staff cost accounted for approximately 14.52% of the Company's turnover. Employee remuneration is determined on the basis of the Company employees' 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 2012, the share capital of the Company was as follows:

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

Purchase, Sale or Redemption of Shares

In the six months ended 30 June 2012, the Company did not redeem any of its shares. During the Period, neither the Company nor any of its subsidiaries purchased or sold any shares in the Company.

Capital Commitments

As at 30 June 2012, the Company had capital commitments of approximately RMB434 million (31 December 2011: approximately RMB770 million).

Contingent Liabilities

Please refer to note 14 to the interim condensed consolidated financial statements for details of contingent liabilities.

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

As at 30 June 2012, 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 Hong Kong Stock Exchange Limited ("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 Companies under the Rules Governing the Listing of Securities on the Stock Exchange 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	The Company	Beneficial Interest	8,602,000[1] (long position)	0.38%
	BYD Company Limited "BYD"	Personal Interest	11,884,500[2] (long position)	0.50%
Mr. SUN Yi-zao	The Company	Beneficial Interest	5,797,000[1] (long position)	0.26%
	BYD	Personal Interest	10,824,680[2] (long position)	0.46%
Mr. WU Jing-sheng	The Company	Beneficial Interest	8,602,000[1] (long position)	0.38%
	BYD	Personal Interest	6,110,880[2] (long position)	0.26%
Mr. WANG Chuan-fu	BYD	Personal Interest	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 30 June 2012 was RMB2,354,100,000, comprising 1,561,000,000 A shares and 793,100,000 H shares, all were 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 0.39% of the total issued A shares of BYD as of 30 June 2012.

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 30 June 2012.

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 30 June 2012.

SHARE OPTIONS

During the period under review, the Company has not adopted any share option scheme.

SUPPLEMENTARY INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares", at no time during the year ended 30 June 2012 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 2012, to the best knowledge of 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 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 required to be 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	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 BYD, its subsidiaries and 35 employees of 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 30 June 2012, 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practice

The Stock Exchange merged the "Corporate Governance Report" contained in Appendix 23 to the Listing Rules with the "Code on Corporate Governance Practices" contained in Appendix 14 (the "Former Code") to be the "Corporate Governance Code and Corporate Governance Report" as set out in the amended Appendix 14 (the "New Code"). The New Code took effect on 1 April 2012. The New Code with the Former Code is collectively referred to as the "Code".

The Board of the Company 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.

DISCLOSURE PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

Since the publication of the latest annual report of the Company, Mr. Wang Chuan-fu was appointed as an independent non-executive director of Renren Inc.(Stock Code: NYSE:RENN) on 14 May 2012, whose shares of the company is listed on the New York Stock Exchange. Mr. Chan Yuk-tong retired as an independent non-executive director of Anhui Conch Cement Company Limited (Stock Code: 0914[H Share]/ 600585[A Share]) on 31 May 2012, whose shares of the company is listed on Hong Kong and Shanghai.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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

During the six months ended 30 June 2012, 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 27 August 2012 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 2011: Nil).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	For the six months ended 30 June 2012 (Unaudited) RMB'000	30 June 2011 (Unaudited) RMB'000
REVENUE	5	7,020,914	7,753,679
Cost of sales		(6,392,311)	(6,945,633)
Gross profit		628,603	808,046
Other income and gains	5	141,910	126,571
Selling and distribution costs		(63,404)	(62,095)
Research and development costs		(274,298)	(258,460)
Administrative expenses		(122,081)	(205,776)
Other expenses		(30,179)	(29,087)
Finance costs	6	—	(125)
PROFIT BEFORE TAX	7	280,551	379,074
Income tax expense	8	(19,252)	(44,392)
PROFIT FOR THE PERIOD attributable to the owner of the parent		261,299	334,682
Earnings per share attributable to ordinary equity holders of the parent – Basic and diluted	9	RMB0.12	RMB0.15

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	261,299	334,682
Exchange differences on translation of foreign operations	(30,414)	(8,691)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	230,885	325,991
Attributable to:		
Owners of the parent	230,885	325,991

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,970,775	3,560,203
Prepaid land lease payments		134,836	138,254
Prepayment for property, plant and equipment		76,117	432,974
Other intangible assets		10,197	9,331
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		166,086	135,228
Total Non-Current Assets		4,758,011	4,675,990
CURRENT ASSETS			
Inventories	11	1,554,672	1,780,122
Trade and bills receivables	12	2,771,960	3,446,342
Prepayments, deposits and other receivables		165,192	211,377
Due from the intermediate holding company		109,148	109,148
Due from the ultimate holding company		92,545	147,876
Pledged deposits		—	100,000
Cash and cash equivalents		2,635,909	2,106,993
Total current assets		7,329,426	7,901,858
CURRENT LIABILITIES			
Trade and bills payables	13	2,980,128	3,467,996
Other payables and accruals		604,514	775,371
Tax payable		57,506	51,679
Dividend payable		120,561	—
Due to fellow subsidiaries		222,871	167,185
Due to the ultimate holding company		—	124,084
Total current liabilities		3,985,580	4,586,315
NET CURRENT ASSETS		3,343,846	3,315,543
TOTAL ASSETS LESS CURRENT LIABILITIES		8,101,857	7,991,533
EQUITY			
Issued capital		216,999	216,999
Reserves		7,884,858	7,653,973
Proposed final dividend		—	120,561
Total equity		8,101,857	7,991,533

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Issued capital *(Unaudited)* *RMB'000*	Capital redemption reserve *(Unaudited)* *RMB'000*	Share premium *(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 profits *(Unaudited)* *RMB'000*	Total equity *(Unaudited)* *RMB'000*
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 period	—	—	—	—	—	—	—	334,682	334,682
Other comprehensive income	—	—	—	—	—	(8,691)	—	—	(8,691)
Total comprehensive income	—	—	—	—	—	(8,691)	—	334,682	325,991
At 30 June 2011	216,999	1,670	3,833,559	(46,323)	399,670	(80,705)	—	3,523,244	7,848,114
At 1 January 2012	216,999	1,670	3,833,559	(46,323)	469,704	(205,410)	120,561	3,600,773	7,991,533
Profit for the period	—	—	—	—	—	—	—	261,299	261,299
Other comprehensive income	—	—	—	—	—	(30,414)	—	—	(30,414)
Total comprehensive income	—	—	—	—	—	(30,414)	—	261,299	230,885
2011 final dividend declared	—	—	—	—	—	—	(120,561)	—	(120,561)
At 30 June 2012	**216,999**	**1,670***	**3,833,559***	**(46,323)***	**469,704***	**(235,824)***	**—**	**3,862,072***	**8,101,857**

* These reserve accounts comprise the consolidated reserves of RMB7,884,858,000 in the interim condensed consolidated statement of financial position as at 30 June 2012.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	**2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	907,419	1,244,116
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(374,244)	(325,838)
NET INCREASE IN CASH AND CASH EQUIVALENTS	533,175	918,278
Cash and cash equivalents at beginning of period	2,106,993	1,559,025
Effect of foreign exchange rate changes, net	(4,259)	(6,193)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,635,909	2,471,110
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,635,909	2,471,110

1. CORPORATE INFORMATION

BYD Electronic (International) Company Limited ("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 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 manufacture, assembly and sale of mobile handset components and modules.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 interim 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 consolidated financial statements for the year ended 31 December 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011, except for the adoption of the new standards and interpretations as of 1 January 2012, noted below.

HKFRS 1 Amendments	Amendments to HKFRS1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the above new standards and interpretations has had no material effect on the interim condensed consolidated financial statements.

The Group has not early adopted any standard interpretation or amendment that was issued but not yet effective.

4. 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. The segment performance is evaluated based on the revenue and profit before tax which is consistent with the Group's revenue and profit before tax.

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 service rendered during the period.

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue		
Sales of mobile handset components and modules	3,771,916	3,406,511
Assembly services income	3,248,998	4,347,168
	7,020,914	7,753,679

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	31,254	13,581
Gain on disposal of scrap	70,717	79,049
Others	39,939	33,941
	141,910	126,571

6. FINANCE COSTS

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interest on bank borrowings	—	125

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Cost of inventories sold	3,213,771	2,788,101
Cost of services provided	3,131,862	4,132,343
Depreciation	398,982	329,906
Amortisation of other intangible assets	2,171	3,683
Impairment of trade receivables	20,918	364
Impairment losses of trade receivables reversed	(501)	(3,210)
Write-down of inventories to net realizable value	46,678	25,189
Loss on disposal of items of property, plant and equipment	7,223	9,113

8. INCOME TAX

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current-Mainland China	50,110	62,619
Deferred	(30,858)	(18,227)
Total tax charge for the period	19,252	44,392

Taxes on profits assessable have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on exsiting legislation interpretations and practices in respect thereof.

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitle to enjoy reduced enterprise income tax rates of 15% of the estimated assessable profits for the period. Under the relevant PRC corporate income tax Law and the respective regulations, certain preferential treatments are available to the Company's subsidiaries, which are taxed at preferential rate of 12.5% (2011:12%) during the period.

No provision for profits tax in Hong Kong, United Stated 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.

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

The calculation of the earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

	For the six months ended	
	30 June 2012	**30 June 2011**
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, as in the basic earnings per share calculation	261,299	334,682

	Numbers of shares	
	30 June 2012	**30 June 2011**
Shares		
Number of ordinary shares in issue during the period	2,253,204,500	2,253,204,500

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired assets with a cost of RMB 792,629,000 (six months ended 30 June 2011: RMB640,868,000) on additions to property, plant and equipment.

Assets with a net book value of RMB24,150,000 were disposed of by the group during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB48,440,000), resulting in a net loss on disposal of RMB7,223,000 (six months ended 30 June 2011: loss of RMB9,113,000).

11. INVENTORIES

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Raw materials	647,051	710,199
Work-in-progress	61,035	16,264
Finished goods	793,786	995,217
Mould held for production	52,800	58,442
	1,554,672	1,780,122

12. 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 end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	2,545,387	3,192,459
3 to 6 months	225,069	248,200
6 months to 1 year	1,504	5,683
	2,771,960	3,446,342

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

13. 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:

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 90 days	2,688,317	3,174,196
91 to 180 days	280,661	275,708
181 to 360 days	7,213	14,006
1 to 2 years	2,636	1,604
Over 2 years	1,301	2,482
	2,980,128	3,467,996

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amount of trade and bills payables approximate to their fair values.

14. CONTINGENT LIABILITIES

(a) 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 Defendants. 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 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. At the date of the interim condensed financial statements, the service of writs on all of the Defendants has been duly acknowledged.

14. CONTINGENT LIABILITIES *(continued)*

(a) (continued)

On 2 November 2007, the ultimate holding company and the intermediate holding company, the Defendants which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgment in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the ultimate holding company and the intermediate holding company. The legal cost, if not agreed, will be determined by the court. On 2 September 2009, the above-mentioned Plaintiffs make an amendment to the writ with the High Court of the Hong Kong Special Administration Region for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a Plaintiff. The Group 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 of the Defendants' reputation and the interference with the Defendants' business, requesting the Plaintiffs to stop broadcasting, expressing and procuring to express words discrediting the Company, request for a verdict to require Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司) to compensate for losses arising from written and oral defamation (including increasing the compensation and punitive compensation).

On 21 January 2010, the Plaintiffs filed an application to the Court for eliminating some paragraphs in the counterclaim filed by the Defendants on the ground of lacking a reasonable cause of action. On 24 August 2010, the Court gave a judgement dismissing the elimination application. On 28 September 2010, the Plaintiffs filed an appeal application. The Court conducted a hearing of the appeal application again on 24 May 2012. On 22 June 2012, the Court announced its verdict dismissing the appeal made by the appellant, Foxconn, in connection with its request for elimination.

Based on the legal opinions issued by the Group's litigation legal counsels, the ultimate outcome of the litigation is not yet determinable given the early stage of the proceedings. Accordingly, whether the litigation may lead to compensation obligations on the part of the Group is uncertain. Moreover, if the litigation may lead to compensation obligations, the amount cannot be measured reliably and no estimated liabilities have been recorded by the Group.

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Contracted, but not provided for:		
Plant and machinery	308,743	645,994
Building	125,335	123,673
	434,078	769,667

16. RELATED PARTY TRANSACTIONS

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

Nature of Transaction	*Note*	Related parties	For the six months ended 30 June 2012 (Unaudited) RMB'000	30 June 2011 (Unaudited) RMB'000
Purchases of plant and machinery	(i)	Ultimate holding company	9	175
		Fellow subsidiaries	86,485	148,575
Sales of plant and machinery	(i)	Ultimate holding company	683	5,131
		Fellow subsidiaries	10,189	11,263
Purchases of inventories	(ii)	Ultimate holding company	108	959
		Fellow subsidiaries	300,980	393,795
Sales of inventories	(ii)	Ultimate holding company	40,254	14,205
		Fellow subsidiaries	59,245	155,115
Ancillary expenses paid to	(iii)	Ultimate holding company	78,900	82,338
		Fellow subsidiaries	32,780	13,084
Exclusive Processing Service received by	(iv)	Ultimate holding company	6,387	27,322
		Fellow subsidiaries	15,600	—
Interest received from	(v)	Ultimate holding company	14,874	—

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 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) 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 use of the relevant machinery and equipment at the depreciation basis as mutually agreed between related parties.

(v) On 29 November 2011, 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. For the six months ended 30 June 2012, the interest received from the ultimate holding company relating to the entrusted loans was RMB14,874,000.

16. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended	
	30 June 2012	**30 June 2011**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Short term employee benefits	6,309	7,664
Pension scheme contributions	55	12
	6,364	7,676

17. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2012.

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