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

(Stock Code 股份代號: 285)

ANNUAL REPORT
2012 年年報

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"; together with its subsidiaries known as the "Group"; stock code: 285) was spun off from BYD Company Limited ("BYD", stock code: 1211) and listed on the Main Board of the Stock Exchange Hong Kong Limited on 20 December 2007. It is a world-leading vertically integrated provider of handset components and modules manufacturing as well as design and assembly services. The Company provides services to global leading vendors of handsets as original equipment manufacturers ("OEMs"). Its highly vertically integrated production process enhances its ability to provide customers with a full range of services, broaden product portfolio, quick and efficient respond to changing demands.

比亞迪電子（國際）有限公司（「比亞迪電子」或「本公司」，連同其附屬公司統稱「本集團」；股份代號：0285）成功於二零零七年十二月二十日由分拆比亞迪股份有限公司「比亞迪」；股份代號：1211）於香港聯交所主板獨立上市。比亞迪電子是一家國際領先的垂直整合手機零部件及模組製造、手機設計及組裝服務供應商。公司為知名手機供應商（即原設備製造商或OEM）提供服務。公司的高度垂直整合生產能力使得公司可以為客戶提供全面的服務，擴大產品組合，更快和更有效率地迎合市場不斷變化的需求。

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FINANCIAL HIGHLIGHTS

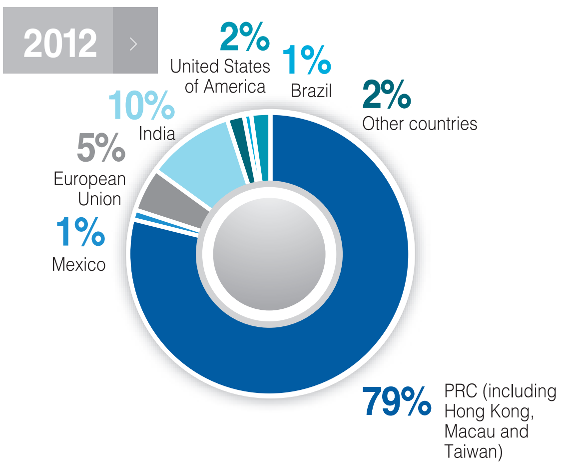
FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

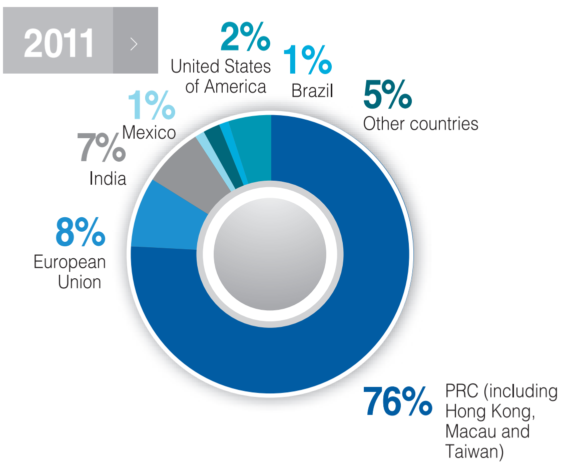
	For the year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**14,090,909**	15,868,300	16,647,129	11,198,670	8,555,112
Gross profit	**1,190,104**	1,730,368	2,069,991	1,561,783	1,709,547
Gross profit margin (%)	**8**	11	12	14	20
Profit attributable to equityholders of the parent	**378,946**	602,806	1,037,836	758,856	765,825
Net profit margin (%)	**3**	4	6	7	9

	For the year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Net assets	**8,254,418**	7,991,533	7,522,123	6,627,944	5,837,536
Total assets	**11,888,796**	12,577,848	11,485,108	10,276,740	8,418,186
Gearing ratio (%) (Note)	**-26**	-26	-21	-18	-19
Current ratio (times)	**1.98**	1.72	1.94	1.78	1.87
Account and bills receivable turnover (days)	**80**	83	75	75	71
Inventory turnover (days)	**52**	49	49	72	77

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

TURNOVER BREAKDOWN BY LOCATION OF CUSTOMERS





CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Li Ke
Sun Yi-zao

NON-EXECUTIVE DIRECTORS

Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Yuk-tong
Antony Francis MAMPILLY
Liang Ping

COMPANY SECRETARIES

Li Qian
Cheung Hon-wan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Li Ke
Wu Jing-sheng

REGISTERED OFFICE

Part of Unit 1712, 17th Floor, Tower 2
Grand Central Plaza
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Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

SHARE REGISTER AND TRANSFER OFFICE

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Shops 1712-1716
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www.byd-electronic.com

STOCK CODE

0285


FANUC

DELIVERING A BRIGHT PROSPERITY

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of BYD Electronic (International) Company Limited ("BYD Electronic" or the"Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report of the Company for the year ended 31 December 2012 (the "Year").

In 2012, recovery of the global economy continued to slacken and the trend of a weakening economy persisted. The Gross Domestic Product (GDP) of the PRC only increased by 7.8% year-on-year, indicating a notable decline from the growth rate recorded in 2011. Under the impact of the depressed economy, global market demand for handsets declined for the first time since 2009. On reviewing the year, under the impact of the decreasing global market demand for handsets and the decline in sales of the Group's major customers, the sales of the Group was approximately RMB14,091 million, representing a decrease of approximately 11.20%, profit attributable to shareholders decreased by approximately 37.14% to RMB379 million as compared to 2011.

During the year, smart phones achieved a breakthrough and maintained a strong growth trend, which in turn became the major driving force for growth in the global handset market. The output of smart phones in China reached 210 million units, making China the largest country in producing smart phones. The major customer of the Group was striving to develop the smart phone market. Its smart phone series launched received good sales response in the fourth quarter of 2012, however, the sales growth was still insufficient to cover the decline in the sales of traditional handset products, causing certain impact on the Group's handset components and assembly business. Nevertheless, by leveraging on the highly vertical integration capability of the Group, strong competitiveness of products and the advantage of a high performance-to-price ratio, the Group successfully attracted a smart mobile terminal manufacturer to become its new customer. The Group would continue to deepen the collaborative relationship with the new customer, which was expected to make more contributions to the future growth of the Group's business gradually.

With increased efforts to propel the application of 3G on a large scale domestically, the Group endeavored to develop and research on the Original Design Manufacturing (ODM) services for high-end handsets. Facing the enormous space for market development, the Group would continue to expand the ODM business of 3G handsets. This would not only facilitate the Group to shift towards the high value-added segment of the industry chain and effectively enhance its business structure, but would also enable the Group to gradually shift to high-end market strategically, and in the long-run it would be favorable to increase the Group's market share in the high-end market and enhance the overall profitability of its business. Meanwhile, the Group diversified its business on the solid foundation of its business. Since rigorous growth was realized in the tablet PC market during the year, equipped with technology in the areas of handset components and assembly, the Group would actively expand this fast growing market to further increase its income streams.

Looking forward in 2013, the future global economic outlook is still full of uncertainties. The global economy remains weak. Although the macroeconomic environment is still gloomy, the PRC economy remains the major driving engine for global economic growth. According to the forecast of IDC, the overall output of smart phones in China will reach 300 million units in 2013, representing an increase of 44% year-on-year, and the development trend will remain strong. On the basis of increased efforts in the development of smart phones and 3G handset business, the Group will actively expand into new business areas, enrich product mix continuously, endeavor to develop new product lines including tablet PCs, secure more international brand manufacturers to become our new customers, gradually optimize product mix and customer structure as well as strive to develop new income streams and profit sources.

Facing the vigorous emerging of smart phones, mobile internet and tablet PC, market competition has become more intensified and offers more development space for handset and components manufacturers. Being an excellent "one-stop" provider, the Group will evolve with times and continue to establish good relationship with major smart phone customers to develop new customer sources proactively, in order to obtain more orders from the most popular smart phones and their related high-end electronic consumer products, increase our market share in the smart phone market and further expand our income streams. On the other hand, the Group believes that the worst moment for its major customer is over, and it is expected to resume its market share gradually in future. The Group has actively adjusted the development strategies and is ready to capture the opportunities arising from market transformation.

Finally, on behalf of BYD Electronic, I would like to thank our loyal customers, business partners, investors and shareholders for their support and trust in the Group. And I would also like to thank all staff for their concerted efforts during the past year. We are confident that the Group will become an international leading supplier of handset and other electronic product components and assembly services with highly vertical integrated capability, and share the returns with our shareholders.

Wang Chuan-fu
Chairman

Hong Kong, 22 March 2013

DELIVERING A INNOVATIVE DEVELOPMENT

For the year ended 31 December 2012 (the "Year"), the global economy remained in a downside trend as the economic recovery continued to slow down. The US economy moved forward at a low growth rate while the economy in Eurozone shrank sharply due to prolonged debt crisis. Asia and emerging markets were also affected and saw a sustained slowdown in economic growth. The growth in China's gross domestic product declined since the beginning of the Year till the fourth quarter when it picked up, with an annual growth rate of 7.8% only, dropping significantly as compared to that of 2011.

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

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

As for the China market, due to further improvement of the 3G networks, a downside trend in the selling price of smart phones and the fast popularization of mobile internet, the output of smart phones increased significantly. According to the data released by the Academy of Telecommunications Research under the Ministry of Industry and Information Technology ("MIIT"), the aggregate number of mobile handset users in China reached 1.1 billion in 2012, among which the number of 3G handset users exceeded 230 million, representing a net increase of more than 100 million, and new 3G handset users accounted for more than 80% of the new mobile handset users. The 3G business has stepped into a stage of rapid growth, creating more

expansion opportunities for suppliers with the ability to provide one-stop services with highly vertically integrated capabilities as well as global manufacturing and service platforms.

BUSINESS REVIEW

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

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

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

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

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

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

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

FUTURE STRATEGY

Looking forward to 2013, the prospect of the world economy is still uncertain. As the global economy continues to grow at a low speed, the global economy has entered a period of profound transition and correction from a period of fast growth in the pre-crisis years. Although the marcoeconomic environment is still gloomy, the PRC economy remains the major driving engine for global economic growth. According to IDC's forecasts, in 2013, the output of smart phones in China will reach 300 million units, representing a year on year growth of 44%, keeping a strong momentum for growth.

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

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

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

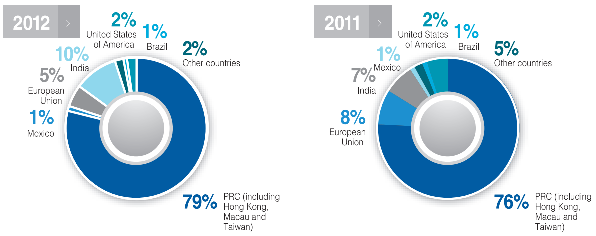
Looking forward, with the enormous opportunities brought to the Group by smart phones and 3G handsets, the development strategies and objectives of BYD Electronic remain unchanged - a commitment to continuously enhance its R&D capabilities and technological standards, maintain and improve its product quality and cost advantage and a determination to develop an integrated global manufacturing and service platform in order to enhance its market position and create great returns to the Group's shareholders.

FINANCIAL REVIEW

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

SEGMENTAL INFORMATION

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



GROSS PROFIT AND MARGIN

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

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group recorded cash inflow from operations of approximately RMB744 million, compared with approximately RMB2,349 million recorded in 2011. During the Year, funds were obtained from the net cash derived from the Company's operations. As at 31 December 2012 and 31 December 2011, the Group did not have bank borrowings.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. Turnover days of accounts and bills receivables were approximately 80 days for the year ended 31 December 2012, compared with approximately 83 days for the year ended 31 December 2011. Inventory turnover for the year ended 31 December 2012 was approximately 52 days, compared with approximately 49 days for the year ended 31 December 2011.

CAPITAL STRUCTURE

The duty of the Company's financial division is to oversee the Company's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As at 31 December 2012, the Company had no bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Company's current bank deposits and cash balances and fixed deposits as well as the Company's credit facilities and net cash derived from operating activities will be sufficient to satisfy the Company's material commitments and the requirements for working capital, capital expenditure, business expansion, investments and expected debt repayment needs for at least the next twelve months.

EXPOSURE TO FOREIGN EXCHANGE RISK

Most of the Company's income and expenditure are settled by Renminbi and US dollars. During the Year, the Company recorded revenue arising from exchange differences which was mainly attributed to the change in exchange rate of US dollars to Reminibi and of HUF to US dollars. During the Year, the Company did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Company will have sufficient foreign exchange to meet its own foreign exchange requirements.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2012, the Company had over 55,000 employees. During the Year, total staff cost accounted for approximately 14.57% of the Company's turnover. The Company determines the remuneration of its employees based on their performance, experience and prevailing industry practices, and compensation policies are reviewed on a regular basis. Bonuses and rewards may also be given to employees based on their annual performance evaluation. In addition, incentives may be offered to encourage personal and career development.

SHARE CAPITAL

As at 31 December 2012, the share capital of the Company was as follows:

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

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2012 to 31 December 2012, the Company did not redeem any shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

CAPITAL COMMITMENTS

As at 31 December 2012, the Company had capital commitment of approximately RMB353 million (31 December 2011: approximately RMB770 million).

CONTINGENT LIABILITIES

Please refer to Note 28 to the financial statements for details of contingent liabilities.

ENVIRONMENTAL PROTECTION

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

EXECUTIVE DIRECTORS

LI, KE

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

SUN, YI-ZAO

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

NON-EXECUTIVE DIRECTORS

WANG CHUAN-FU

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

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

WU JING-SHENG

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN, YUK-TONG

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

MAMPILLY, ANTONY FRANCIS

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

LIANG, PING

Mr. Liang Ping, born in 1951, Chinese national with no right of abode overseas, master degree holder, senior engineer. He was the deputy director of the Petroleum and Chemical Industry Bureau of Shaanxi Province (陝西省石油化學工業局), general manager of Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司). He joined Shaanxi Provincial Investment Group Co. (陝西省投資集團(有限)公司) in August 2006 and served as general manager. He is an Independent Non-Executive Director of the Company and also the chairman of Shaanxi Energy Group Limited (陝西能源集團有限公司), Shaanxi Provincial Hydropower Development Company Limited (陝西省水電開發有限責任公司), Shaanxi Qing Shui Chuan Electric Co., Ltd. (陝西清水川發電有限公司) and Shaanxi Renmin Daxia Company Limited (陝西人民大廈有限公司) and a member of the 12th National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆全國委員會).

SENIOR MANAGEMENT

DONG, GE-NING

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

WANG, BO

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

WANG, JIANG

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

ZHU, AI-YUN

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

LI, QIAN

Mr. Li Qian, born in 1973, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學), with a bachelor degree in economics in 1997. Mr. Li worked as an auditor and business consultant at PwC China and Arthur Andersen and served as a representative of securities affairs at ZTE Corporation (中興通訊股份有限公司). Mr. Li joined the BYD Group in August 2005, he is currently a joint company secretary of the Company, a company secretary of BYD Company Limited (HK: 01211) and a supervisor of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd..

CHEUNG, HON-WAN

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

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

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

BOARD OF DIRECTORS

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

THE DIRECTORS

As of the date of this report, the Board comprises seven Directors. There are two Executive Directors, two Non-Executive Directors and three Independent Non-Executive Directors. Detailed biographies outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on pages 14 to 15 of this annual report.

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

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

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

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

In accordance with Article 106 of the Company's Articles of Association (the "Articles") at each annual general meeting, one-third of the Directors, or if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least every three (3) years. A retiring director shall be eligible for re-election. Accordingly, Mr. Chan Yuk-tong, Ms. Li Ke and Mr. Sun Yi-zao shall retire by rotation, and Ms. Li Ke and Mr. Sun Yi-zao shall be eligible for re-election at the forthcoming annual general meeting. Mr. Chan Yuk-tong has tendered his resignation to the Nomination Committee to cease acting as an independent non-executive director of the Company, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee due to personal reasons. According to the Articles, such resignation shall be effective upon approval at the forthcoming annual general meeting.

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting. The meeting agenda is set in consultation with members of the Board. The Board held six meetings in 2012. The attendance of individual Director at the Board meetings is set out below:

Member of the Board	No. of Board meetings attended	Attendance rate
LI Ke	6	100%
SUN Yi-zao	6	100%
WANG Chuan-fu	6	100%
WU Jing-sheng	6	100%
CHAN Yuk-tong	6	100%
Antony Francis MAMPILLY	6	100%
LIANG Ping	6	100%

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

— the Audit Committee;

— the Remuneration Committee; and

— the Nomination Committee

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

AUDIT COMMITTEE

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

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

The Company established the Audit Committee on 29 November 2007 and has held two meetings during the year to review the audited consolidated financial statements of the Group for the year ended 31 December 2011 and the unaudited consolidated financial statements for the six months ended 30 June 2012 and the effectiveness of the financial reporting process and internal control system of the Company.

REMUNERATION COMMITTEE

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

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

REMUNERATION POLICY FOR DIRECTORS

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

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

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director of the Company for the year ended 31 December 2012 are set out in note 8 to the financial statements.

NOMINATION COMMITTEE

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

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

INDEPENDENT INTERNATIONAL AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2012, the total remuneration paid and payable by the Company to the independent international auditors, Ernst & Young, were RMB1,340,000 for audit services. The audit fee was approved by the Board.

During the year ended 31 December 2012, the Company appointed Ernst & Young as independent international auditors of the Company. The re-appointment of Ernst & Young as the Company's independent international auditor for 2013 has been recommended and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The Board is required to ensure the stable and sound internal control of the Company and has established a risk management structure for the Group, identified material risks faced by the Group in the operating environment and assessed the effects of such identified risks. The Company has designed various measures to ensure that the assets will not be used or sold illegally, maintain sound accounting records and ensure the reliability of financial information for business use or publication. Such measures provide reasonable (but not absolute) assurance against material errors, losses or fraud. The Board has conducted an annual review on the Group's internal control system through the Audit Committee and the system has been considered as proper and effective.

INTERNAL AUDIT

The Group has an Internal Audit Department which plays an important role in the Group's internal control framework. Apart from ensuring immediate discovery of new risks relevant to the Group by the management, assessment on the action plans formulated to manage the relevant risks and sufficiency of the control system, monitoring the implementation of the action plans and the effectiveness and sufficiency of the control system, the tasks of the Internal Audit Department also include conducting regular annual review and audit on the soundness and efficiency of the Company's management of business practices, thus achieving effective control and driving improvement in the overall operating activities of the Company to the greatest extent possible.

The Internal Audit Department reports directly to the Audit Committee appointed by the Board at the functional level and reports to the Chief Financial Officer at the administrative level.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2012.

SHAREHOLDERS' RIGHTS

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

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

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

INVESTOR RELATIONS

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

DRIVING TO A FUTURE GROWTH

The board of directors (the "Board") of BYD Electronic (International) Company Limited would like to present its annual report and audited consolidated financial statements for the year ended 31 December 2012.

CORPORATE REORGANISATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on pages 33 to 89 in this annual report.

The Board recommends no payment of final dividend for the year ended 31 December 2012.

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL/PAID-IN CAPITAL

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

DISTRIBUTABLE RESERVES OF THE COMPANY

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

DIRECTORS AND SERVICE CONTRACTS

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

EXECUTIVE DIRECTORS

Li Ke
Sun Yi-zao

NON-EXECUTIVE DIRECTORS

Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Yuk-tong
Antony Francis Mampilly
Liang Ping

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 14 to 16.

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

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

Name of Director	Name of corporation	Capacity	Number of issued shares held	Approximate percentage of total issued share capital of the corporation
Ms. LI Ke	Company	Beneficiary	8,602,000[1] (long position)	0.38%
	BYD	Personal	11,884,500[2] (long position)	0.50%
Mr. SUN Yi-zao	Company	Beneficiary	5,797,000[1] (long position)	0.26%
	BYD	Personal	10,164,680[2] (long position)	0.43%
Mr. WU Jing-sheng	Company	Beneficiary	8,602,000[1] (long position)	0.38%
	BYD	Personal	6,110,880[2] (long position)	0.26%
Mr. WANG Chuan-fu	BYD	Personal	570,642,580[3] (long position)	24.24%

Notes

1. The shares are held by Gold Dragonfly Limited, a company incorporated in the British Virgin Islands and wholly owned by HSBC Trustee (Hong Kong) Limited as trustee of BF Trust, of which Ms. LI Ke, Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.

2. These are the A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jing-sheng. The total issued share capital of BYD as at 31 December 2012 was RMB2,354,100,000, comprising 1,561,000,000 A shares and 793,100,000 H shares, all of par value of RMB1 each. The A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jine-sheng represented approximately 0.76%, 0.65% and 0.39% of the total issued A shares of BYD as of 31 December 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 31 December 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 31 December 2012.

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares" above, at no time during the year ended 31 December 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 31 December 2012, so far as was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (Cap. 571 of the Laws of Hong Kong), or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes

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

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

Save as disclosed above, as at 31 December 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 Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

Report for the corporate governance practice adopted by the Company is set out on page 17 to 21 of this annual report.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2012, the total remunerations of the Directors and the five highest paid employees are set out in note 8 and 9 to the financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The top five largest customer groups and the largest customer group of the Group, represent approximately 70% and 29% of the Group's total sales of the year respectively. The top five largest suppliers and the largest supplier of the Group represent approximately 39% and 25% of the Group's total purchases of the year respectively.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2012.

NON-COMPETE UNDERTAKING

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

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

RELATED PARTY TRANSACTIONS

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

CONNECTED TRANSACTIONS

Details of the connected transactions are as follows:

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

(i) *Sale of assets by the Company to BYD*

On 4 June 2012, the Company entered into an assets sale agreement with BYD for the transfer of production equipment such as injection molding machines (注塑機)、punch machines (沖床) and laser marking machines (激光打標機) to BYD Group by the Company at a consideration of RMB11,561,650, which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2012, subject to a downward adjustment on the day of assets delivery of the assets due to depreciation up to the delivery.

Such sale proceeds have been used as general working capital of the Group.

As BYD is the controlling shareholder of the Company, it is a connected person of the Company and therefore the sale of assets constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the sales were subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

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

(ii) *Purchase of assets by the Company from BYD*

On 4 June 2012, the Company entered into an assets purchase agreement with BYD for the purchase by the Group from the BYD Group of the production equipment including Drilling and Milling Center (鑽銑中心), milling machines (銑床) and certain equipment for inspection at the consideration of RMB89,946,730, which was determined with reference to the unaudited net asset value of the acquired assets as at 30 April 2011 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

On 5 November 2012, the Company entered into another assets purchase agreement with BYD for the acquisition by the Group from the BYD Group of the production equipment including Machining Center (加工中心), milling machines (銑床) and wire cutting machines (絲線切割機床) at the consideration of RMB1,372,000, which was determined with reference to the unaudited net asset value of the trasferred assets as at 30 September 2012 and subject to downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

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

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The purchases conducted in June and November 2012 were aggregated for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the purchases were subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

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

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

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

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company. For the year ended 31 December 2012, the annual cap of rental transactions of the Company amounted to RMB31,547,000, the actual aggregate amount was approximately RMB31,546,000.

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

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

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

The annual cap of total expenditure for acquiring the Ancillary Services for the year ended 31 December 2012 is RMB11,024,000, the actual aggregate amount was approximately RMB9,937,000.

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

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

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

The annual cap of expenditure for acquiring the inspection services from the BYD Group is RMB28,879,000 for the year ended 31 December 2012. No actual transaction took place in 2012 and therefore the actual expenditure (including value-added tax) was nil.

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

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

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

The annual cap of expenditure for acquiring processing services from the BYD Group is RMB199,821,100 for the year ended 31 December 2012, the actual aggregate amount (including value-added tax) was approximately RMB41,792,000.

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

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

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

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

The annual cap set for the total supply of products to the BYD Group for the year ended 31 December 2012 is RMB541,372,000, the actual aggregate amount (including value-added tax) was approximately RMB245,321,000.

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

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

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

The annual cap set for the total purchases of products from the BYD Group for the year ended 31 December 2012 is RMB3,356,836,000. The actual aggregate amount (including value-added tax) was approximately RMB654,041,000.

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

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

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

The annual cap set for the total expenditure for acquiring utility connection and/or utility from the BYD Group for the year ended 31 December 2012 is RMB349,713,000, the actual aggregate amount (including value-added tax) was approximately RMB226,631,900.

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

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

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

(2) on normal commercial terms; and

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2012 to 31 December 2012, the Company did not redeem any shares. During the year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

DIRECTORS' INTEREST IN CONTRACTS

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

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float during the year end 31 December 2012.

CONFIRMATION OF INDEPENDENCE

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

INDEPENDENT INTERNATIONAL AUDITORS

Since the incorporation of the Company, all its financial statements have been audited by Ernst & Young. A resolution will be proposed regarding the re-appointment of Ernst & Young as the Company's independent international auditor for 2013 at the forthcoming annual general meeting.

By the order of the Board

LI KE
Director

22 March 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of BYD Electronic (International) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/ F CITIC Tower
1 Tim Mei Avenue, Central,
Hong Kong

22 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**14,090,909**	15,868,300
Cost of sales		**(12,900,805)**	(14,137,932)
Gross profit		**1,190,104**	1,730,368
Other income and gains	5	**250,006**	259,253
Research and development expenses		**(529,626)**	(614,488)
Selling and distribution expenses		**(126,149)**	(130,841)
Administrative expenses		**(299,203)**	(444,780)
Other expenses		**(52,304)**	(124,926)
Finance costs	6	**(2,520)**	(213)
PROFIT BEFORE TAX	7	**430,308**	674,373
Income tax expense	10	**(51,362)**	(71,567)
PROFIT FOR THE YEAR Attributable to owners of the parent		**378,946**	602,806
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic and diluted	13	**RMB0.17**	RMB0.27

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,913,812**	3,560,203
Prepaid land lease payments	15	**134,305**	138,254
Prepayments for property, plant and equipment	16	**75,965**	432,974
Other intangible assets	17	**8,360**	9,331
Loan to the ultimate holding company	31(b)	**400,000**	400,000
Deferred tax assets	24	**176,432**	135,228
Total non-current assets		**4,708,874**	4,675,990
CURRENT ASSETS			
Inventories	19	**1,738,539**	1,780,122
Trade and bills receivables	20	**2,751,198**	3,446,342
Prepayments, deposits and other receivables	16	**228,241**	211,377
Due from fellow subsidiaries	31(b)	**79,256**	—
Due from the intermediate holding company	31(b)	**109,148**	109,148
Due from the ultimate holding company	31(b)	**145,643**	147,876
Pledged deposits	21	**16,532**	100,000
Cash and cash equivalents	21	**2,111,365**	2,106,993
Total current assets		**7,179,922**	7,901,858
CURRENT LIABILITIES			
Trade and bills payables	22	**2,690,856**	3,467,996
Other payables and accruals	23	**691,125**	775,371
Due to fellow subsidiaries	31(b)	**145,162**	167,185
Due to the ultimate holding company	31(b)	**42,580**	124,084
Tax payable		**64,655**	51,679
Total current liabilities		**3,634,378**	4,586,315
NET CURRENT ASSETS		**3,545,544**	3,315,543
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,254,418**	7,991,533
Net assets		**8,254,418**	7,991,533
EQUITY			
Issued capital	25	**216,999**	216,999
Reserves	26(a)	**8,037,419**	7,653,973
Proposed final dividend	12	**—**	120,561
Total equity		**8,254,418**	7,991,533

Director Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Issued capital RMB'000 (note 25)	Capital redemption reserve RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000 (note (a))	Exchange fluctuation reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	216,999	1,670	3,833,559	(46,323)	399,670	(72,014)	—	3,188,562	7,522,123
Profit for the year	—	—	—	—	—	—	—	602,806	602,806
Exchange differences on translation of foreign operations	—	—	—	—	—	(133,396)	—	—	(133,396)
Total comprehensive income for the year	—	—	—	—	—	(133,396)	—	602,806	469,410
Proposed 2011 dividend (note 12)	—	—	—	—	—	—	120,561	(120,561)	—
Transfer to statutory surplus	—	—	—	—	70,034	—	—	(70,034)	—
At 31 December 2011 and 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 year	—	—	—	—	—	—	—	378,946	378,946
Exchange differences on translation of foreign operations	—	—	—	—	—	4,500	—	—	4,500
Total comprehensive income for the year	—	—	—	—	—	4,500	—	378,946	383,446
2011 dividend declared	—	—	—	—	—	—	(120,561)	—	(120,561)
Transfer to statutory surplus	—	—	—	—	48,837	—	—	(48,837)	—
At 31 December 2012	216,999	1,670*	3,833,559*	(46,323)*	518,541*	(200,910)*	—	3,930,882*	8,254,418

Notes:

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

* These reserve accounts comprise the consolidated reserves of RMB8,037,419,000 (2011: RMB7,653,973,000) in the consolidated statement of financial position as at 31 December 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**430,308**	674,373
Adjustments for:			
Finance costs	6	**2,520**	213
Interest income	5	**(63,278)**	(43,862)
Loss/(Profit) on disposal of items of property, plant and equipment	7	**4,067**	(1,991)
Depreciation	7	**691,454**	680,077
Amortisation of intangible assets	7	**4,542**	6,589
Recognition of prepaid land lease payments	7	**2,585**	2,737
Impairment of trade receivables	7	**19,650**	354
Impairment of trade receivables reversed	7	**(868)**	(3,129)
Impairment of inventories	7	**38,893**	62,699
Impairment of property, plant and equipment	7	**9,715**	19,700
Gain on acquisition of Lens Business	7	**—**	(2,491)
		1,139,588	1,395,269
Decrease in inventories		**2,863**	54,260
Decrease in trade and bills receivables		**676,362**	376,145
(Increase)/decrease in prepayments, deposits and other receivables		**(16,864)**	64,146
(Increase)/decrease in amounts due from fellow subsidiaries		**(79,256)**	44,901
Increase in an amount due from the intermediate holding company		**—**	(66)
(Increase)/decrease in an amount due from the ultimate holding company		**2,233**	(147,876)
Increase/(decrease) in trade and bills payables		**(777,140)**	678,086
Increase/(decrease) in other payables and accruals		**(84,246)**	35,080
Increase/(decrease) in an amount due to the ultimate holding company		**(81,504)**	110,227
Decrease in an amount due to fellow subsidiaries		**(22,023)**	(170,748)
Cash generated from operations		**760,013**	2,439,424
Interest received		**63,278**	43,862
India tax paid		**(14,899)**	—
PRC tax paid		**(64,691)**	(133,802)
Net cash flows from operating activities		**743,701**	2,349,484

	Notes	2012 RMB'000	2011 RMB'000
Net cash flows from operating activities		**743,701**	2,349,484
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(769,690)**	(1,296,194)
Acquisition of Lens Business		**—**	(55,430)
Additions to other intangible assets	17	**(3,571)**	(215)
Proceeds from disposal of items of property, plant and equipment		**53,422**	61,785
Loan to the ultimate holding company		**—**	(400,000)
(Increase)/decrease in a pledged time deposit		**83,468**	(100,000)
Net cash flows used in investing activities		**(636,371)**	(1,790,054)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(2,520)**	(213)
Dividend paid		**(120,561)**	—
Net cash flows used in financing activities		**(123,081)**	(213)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(15,751)**	559,217
Cash and cash equivalents at beginning of year		**2,106,993**	1,559,025
Effect of foreign exchange rate changes, net		**20,123**	(11,249)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,111,365**	2,106,993
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,127,897**	2,206,993
Pledged time deposit for banking facilities		**(16,532)**	(100,000)
Cash and cash equivalents at end of year		**2,111,365**	2,106,993

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**1,926,000**	1,926,000
CURRENT ASSETS			
Prepayments, deposits and other receivables		**49**	48
Due from subsidiaries	18	**3,741,100**	3,859,393
Due from fellow subsidiaries	31(b)	**8**	8
Dividend receivable		**142,111**	—
Cash and bank balances	21	**2,027**	2,723
Total current assets		**3,885,295**	3,862,172
CURRENT LIABILITIES			
Due to the ultimate holding company		**13**	13
Due to the immediate holding company		**658**	658
Due to subsidiaries	18	**19,005**	11,963
Other payables and accruals	23	**1,600**	1,580
Total current liabilities		**21,276**	14,214
NET CURRENT ASSETS		**3,864,019**	3,847,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,790,019**	5,773,958
Net assets		**5,790,019**	5,773,958
EQUITY			
Issued capital	25	**216,999**	216,999
Reserves	26(b)	**5,573,020**	5,556,959
Total equity		**5,790,019**	5,773,958

Director

Director

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong with limited liability on 14 June 2007.

The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2007.

The registered office of the Company is located at Unit 1712, 17th Floor, Grand Central Plaza, No. 138 Shatin Rural Committee Road, Shatin, Hong Kong.

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

In the opinion of the directors, the parent of the Company is Golden Link Worldwide Limited, an enterprise established in the British Virgin Islands, and the ultimate holding company of the Company is BYD Company Limited, which is incorporated in the PRC.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

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

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

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

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

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

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

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

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

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

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

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

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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

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

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

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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

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

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

BUSINESS COMBINATIONS AND GOODWILL

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

RELATED PARTIES

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

Computer software

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

Research and development costs

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

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

OPERATING LEASES

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

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

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

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

INVESTMENT AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

INVESTMENT AND OTHER FINANCIAL ASSETS *(Continued)*

Loans and receivables

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

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

PROVISION

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

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

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

INCOME TAX

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

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

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

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

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

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

INCOME TAX *(Continued)*

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

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

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

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

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

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

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

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

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

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

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

EMPLOYEE BENEFITS

Employees' leave entitlements

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

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

Retirement benefit obligations

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all their PRC employees at rates ranging from 11% to 13% of the basic salary predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

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

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

Medical benefits

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

Housing fund

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

BORROWING COSTS

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

DIVIDENDS

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Deferred tax on withholding tax arising from the distributions of dividends

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

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

ESTIMATION UNCERTAINTY

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

Impairment of non-financial assets (other than goodwill)

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

Depreciation and amortisation

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2012 was RMB30,890,000 (2011: RMB 17,282,000). Further details are contained in note 24 to the financial statements.

Allowance for doubtful receivables

Management makes provision for doubtful accounts by determining whether there is any objective evidence affecting collectability, like the insolvency of the debtor or the possibility of serious financial difficulties. Management re-estimates the allowance for doubtful reveivables at the end of each reporting period.

Write-down of inventories based on the lower of cost and market

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period.

4. OPERATING SEGMENT INFORMATION

The Group's primary business is the manufacture, assembly and sale of mobile handset components and modules. For management purposes, the Group is organised into one operating segment based on industry practice and management's vertical integration strategy. Management monitors the result of the Group as a whole for the purpose of making decision about resources allocation and performance assessment. No further analysis thereof is presented. Segment performance is evaluated based on the revenue and profit before tax which is consistent with the Group's revenue and profit before tax.

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

INFORMATION ABOUT MAJOR CUSTOMER

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**5,451,702**	5,915,104
Cost of services provided		**7,410,207**	8,160,129
Depreciation	14	**691,454**	680,077
Research and development costs:			
Current year expenditure		**529,626**	614,488
Minimum lease payments under operating leases – buildings		**26,949**	33,610
Auditors' remuneration		**2,413**	3,413
Recognition of prepaid land lease payments#	15	**2,585**	2,737
Amortisation of intangible assets#	17	**4,542**	6,589
Employee benefit expense (including directors' remuneration (note 8))			
Wages and salaries		**1,867,047**	1,958,919
Retirement benefit scheme contributions		**78,374**	88,246
		1,945,421	2,047,165
Impairment of trade receivables##	20	**19,650**	354
Impairment losses of trade receivables reversed##	20	**(868)**	(3,129)
Impairment of property, plant and equipment##	14	**9,715**	19,700
Impairment of inventories##		**38,893**	62,699
Loss/(gain) on disposal of items of property, plant and equipment##		**4,067**	(1,991)
Gain on acquisition of Lens Business###		**–**	(2,491)
Foreign exchange (gain)/loss, net###		**(800)**	102,914

\# Included in "Administrative expenses" in the consolidated income statement.

\## Included in "Other expenses" in the consolidated income statement.

\### Included in "Other income and gains" in the consolidated income statement.

8. DIRECTORS' REMUNERATION

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

	Group	
	2012 **RMB'000**	2011 RMB'000
Fees	**400**	401
Other emoluments:		
Salaries, allowances and benefits in kind	**5,307**	8,192
Pension scheme contributions	**33**	6
	5,340	8,198
	5,740	8,599

(A) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	Group	
	2012 **RMB'000**	2011 RMB'000
Mr. Mampilly, Antony Francis	**200**	200
Mr. Liang Ping	**—**	—
Mr. Chan Yuk-tong	**200**	200
	400	400

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(B) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
31 December 2012					
Executive directors:					
Ms. Li Ke	–	2,934	–	16	2,950
Mr. Sun Yi-zao	–	2,373	–	17	2,390
	–	5,307	–	33	5,340
Non-executive directors:					
Mr. Wang Chuan-fu	–	–	–	–	–
Mr. Wu Jing-sheng	–	–	–	–	–
	–	–	–	–	–
31 December 2011					
Executive directors:					
Ms. Li Ke	–	4,476	–	3	4,479
Mr. Sun Yi-zao	–	3,716	–	3	3,719
	–	8,192	–	6	8,198
Non-executive directors:					
Mr. Wang Chuan-fu	–	–	–	–	–
Mr. Wu Jing-sheng	–	–	–	–	–
	–	–	–	–	–

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2011: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2011: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	3,028	3,996
Pension scheme contributions	51	5
	3,079	4,001

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

	Number of employees	
	2012	2011
RMB1,000,001 to RMB1,500,000	1	4
RMB500,001 to RMB1,000,000	2	—

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Huizhou BYD Electronic Co., Limited, a wholly-owned subsidiary of the Company, is entitled to an exemption from income tax for the two years commencing from its first profit-making year of operation and a 50% relief from income tax for the next three years thereafter. The current year was the fifth profit-making year for Huizhou BYD Electronic Co., Limited.

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

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions of which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No provision has been made for profits tax in Hungary, Romania, the United States of America and Finland as the Group had no assessable profits derived from these countries.

10. INCOME TAX (Continued)

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

	2012 RMB'000	2011 RMB'000
Group:		
Current – PRC	83,281	104,488
Current – India	9,285	—
Deferred (note 24)	(41,204)	(32,921)
Total tax charge for the year	51,362	71,567

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

GROUP

	2012 RMB'000	2012 %	2011 RMB'000	2011 %
Profit before tax	430,308		674,373	
Tax at the applicable tax rate	107,577	25.0	168,594	25.0
Expenses not deductible for tax	27,437	6.4	16,825	2.5
Lower tax rate for specific provinces or enacted by local authority	(44,482)	(10.3)	(72,007)	(10.7)
Super-deduction of research and development costs	(34,569)	(8.0)	(39,834)	(5.9)
Tax losses utilised from previous periods	(18,649)	(4.3)	(6,123)	(0.9)
Tax losses and deductible differences not recognised	14,048	3.3	4,112	0.6
Tax charge at the Group's effective rate	51,362	11.9	71,567	10.6

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB16,061,000 (2011: loss of RMB6,753,000) which has been dealt with in the financial statements of the Company (note 26(b)).

12. DIVIDENDS

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

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

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,253,204,500 (2011: 2,253,204,500).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

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

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,253,204,500**	2,253,204,500

14. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012							
At 31 December 2011 and at 1 January 2012:							
Cost	745,918	23,837	4,015,070	634,880	9,992	388,548	5,818,245
Accumulated depreciation and impairment	(40,738)	(9,842)	(1,938,206)	(263,870)	(5,386)	–	(2,258,042)
Net carrying amount	705,180	13,995	2,076,864	371,010	4,606	388,548	3,560,203
At 1 January 2012, net of accumulated depreciation and impairment	705,180	13,995	2,076,864	371,010	4,606	388,548	3,560,203
Additions	3,494	2,955	494,819	159,992	2,029	463,410	1,126,699
Disposals	–	–	(51,363)	(1,186)	(234)	(4,706)	(57,489)
Impairment	–	–	(9,715)	–	–	–	(9,715)
Depreciation provided during the year	(18,294)	(5,429)	(498,887)	(167,183)	(1,661)	–	(691,454)
Exchange realignment	(5,358)	–	(8,532)	(274)	6	(274)	(14,432)
Transfers	1,165	–	159,917	79,965	69	(241,116)	–
At 31 December 2012, net of accumulated depreciation and impairment	686,187	11,521	2,163,103	442,324	4,815	605,862	3,913,812
At 31 December 2012:							
Cost	744,780	26,792	4,476,198	865,128	11,147	605,862	6,729,907
Accumulated depreciation and impairment	(58,593)	(15,271)	(2,313,095)	(422,804)	(6,332)	–	(2,816,095)
Net carrying amount	686,187	11,521	2,163,103	442,324	4,815	605,862	3,913,812

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB8,030,000 (2011: equivalent to RMB7,349,000), is freehold and not depreciated

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

GROUP *(Continued)*

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

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

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	RMB'000	RMB'000
Carrying amount at 1 January	**140,991**	150,721
Recognised during the year	**(2,585)**	(2,737)
Exchange realignment	**(1,516)**	(6,993)
Carrying amount at 31 December	**136,890**	140,991
Current portion included in prepayments, deposits and other receivables	**(2,585)**	(2,737)
Non-current portion	**134,305**	138,254

The leasehold land situated in Mainland China is held under a medium term lease with a carrying amount of RMB106,851,000 and the leasehold land situated in India is held under a long term lease with a carrying amount of RMB27,454,000.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Non-current portion:		
Prepayments for property, plant and equipment	**75,965**	432,974
Current portion:		
Prepayments	**41,507**	39,123
Deposits and other receivables	**186,734**	172,254
	228,241	211,377

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

17. OTHER INTANGIBLE ASSETS

GROUP

	Computer software RMB'000
31 December 2012	
Cost at 1 January, net of accumulated amortisation	**9,331**
Additions	**3,571**
Amortisation provided during the year	**(4,542)**
At 31 December 2012	**8,360**
At 31 December 2012:	
Cost	**40,820**
Accumulated amortisation	**(32,460)**
Net carrying amount	**8,360**

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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**1,926,000**	1,926,000

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB3,741,100,000 (2011: RMB 3,859,393,000) and RMB19,005,000 (2011: RMB 11,963,000) respectively, are unsecured, interest-free and are repayable on demand. The carrying amounts of the amounts due from and to subsidiaries approximate to their fair values.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation or registration and operations	Nominal value of paid-up/ registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
BYD Electronic Company Limited ("BYD Electronic") (比亞迪電子有限公司)	Cayman Islands	HK$1	100	–	Investment holding
Lead Wealth International Limited ("Lead Wealth") (領裕國際有限公司)	British Virgin Islands	US$1	–	100	Investment holding
BYD Precision Manufacture Company Ltd. ("BYD Precision") (比亞迪精密製造有限公司)*	PRC/Mainland China	US$145,000,000	–	100	Manufacture and sale of mobile handset components and modules
BYD (Tianjin) Co., Limited ("BYD Tianjin") (天津比亞迪电子有限公司)*	PRC/Mainland China	US$40,000,000	–	100	High-level assembly and PCB assembly
Huizhou BYD Electronic Co., Limited ("BYD Huizhou") (惠州比亞迪电子有限公司)**	PRC/Mainland China	US$110,000,000	–	100	High-level assembly
BYD Electronics India Private Limited ("BYD India")	India	INR2,407,186,600	–	100	Manufacture and sale of mobile handset components and modules
BYD Electronic Hungary Kft	Hungary	HUF500,000	–	100	Manufacture and sale of mobile handset components

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

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

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

19. INVENTORIES

	Group 2012 RMB'000	2011 RMB'000
Raw materials	**705,419**	710,199
Work in progress	**14,282**	16,264
Finished goods	**967,422**	995,217
Moulds held for production	**51,416**	58,442
	1,738,539	1,780,122

20. TRADE AND BILLS RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit. The credit period is generally for two to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise its credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentration of credit risk as 28% (2011: 38%) and 78% (2011: 83%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2012 RMB'000	2011 RMB'000
Within 90 days	**2,596,368**	3,192,459
91 to 180 days	**154,035**	248,200
181 to 360 days	**795**	5,683
	2,751,198	3,446,342

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**23,650**	26,432
Impairment losses recognised (note 7)	**19,650**	354
Impairment losses reversed (note 7)	**(868)**	(3,129)
Amount written off as uncollectible	**(1,731)**	(7)
At 31 December	**40,701**	23,650

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB40,701,000 (2011: RMB23,650,000) with a carrying amount of RMB65,307,000 (2011: RMB27,099,000). The individually impaired trade receivables mainly relate to balances in dispute.

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

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**2,251,533**	2,992,794
Less than one year past due	**499,120**	453,302
	2,750,653	3,446,096

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

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

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

21. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

		Group		Company	
		2012	2011	**2012**	2011
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**781,347**	1,588,993	**2,027**	2,723
Time deposits		**1,346,550**	618,000	**—**	—
		2,127,897	2,206,993	**2,027**	2,723
Less: Restricted bank deposits:					
Pledged deposit	(i)	**(16,532)**	(100,000)	**—**	—
Cash and cash equivalents	(ii)	**2,111,365**	2,106,993	**2,027**	2,723

(i) At 31 December 2012, RMB 14,050,000 (2011: RMB100,000,000) of the pledged bank deposit was pledged for bills payables of RMB 14,050,000 (2011: RMB 100,000,000). and the pledged bank deposit of RMB 2,482,000 (2011: RMB nil) was pledged to customs department for the operating in bonded zone.

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB1,854,791,000 (2011: RMB1,580,389,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

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

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

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**245,516**	246,570	**—**	—
Accruals	**445,609**	528,801	**1,600**	1,580
	691,125	775,371	**1,600**	1,580

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

24. DEFERRED TAX

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

DEFERRED TAX ASSETS

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Salary payable RMB'000	Tax loss RMB'000	Accruals RMB'000	Undeducted payable RMB'000	Total RMB'000
At 1 January 2012	**73,434**	**14,730**	**22,197**	**17,282**	**7,585**	**—**	**135,228**
Deferred tax credited/ (charged) to the income statement during the year (note 10)	**20,145**	**3,722**	**(1,668)**	**13,608**	**3,988**	**1,409**	**41,204**
At 31 December 2012	**93,579**	**18,452**	**20,529**	**30,890**	**11,573**	**1,409**	**176,432**
At 1 January 2011	63,980	11,068	20,310	—	6,949	—	102,307
Deferred tax credited to the income statement during the year (note 10)	9,454	3,662	1,887	17,282	636	—	32,921
At 31 December 2011	73,434	14,730	22,197	17,282	7,585	—	135,228

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

	Group	
	2012 RMB'000	2011 RMB'000
Tax losses	**12,632**	234,706
Deductible temporary differences	**228,188**	102,412
	240,820	337,118

The above tax losses will expire in two to three years for offsetting against future taxable profits of BYD (Tianjin) Co., Limited in which the losses arose. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

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

At 31 December 2012, no provision has been made for the potential deferred tax arising on the future distribution of retained profits of these subsidiaries as the Company controls the dividend policy of these subsidiaries and the directors are of the opinion that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,753,828,000 at the end of the reporting period (2011: RMB3,314,297,000).

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

25. SHARE CAPITAL

SHARES

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

26. RESERVES

(A) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

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

(B) COMPANY

	Share premium account RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	5,578,523	(14,811)	5,563,712
Loss for the year	—	(6,753)	(6,753)
At 31 December 2011	5,578,523	(21,564)	5,556,959
Profit for the year	—	16,061	16,061
At 31 December 2012	**5,578,523**	**(5,503)**	**5,573,020**

27. BUSINESS COMBINATION

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

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

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

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

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

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

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

28. CONTINGENT LIABILITIES

On 11 June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group (the "Defendants") for using confidential information obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the holding companies of the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 action without any liability to the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising from the June 2007 Action. In essence, the Plaintiffs alleged that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages.

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

Regarding the October 2007 Action, the ultimate holding company has given an indemnity in favour of the Company and other Defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the ultimate holding company to the indemnified parties will not cover loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents. As at the date of the consolidated financial statements, the service of writs on all of the Defendants has been duly acknowledged.

On 2 November 2007, the ultimate holding company and the intermediate holding company, the Defendants which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgment in respect of the stay application was handed down on 27 June 2008. The stay 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.

28. CONTINGENT LIABILITIES *(Continued)*

On 2 October 2009 the Defendants instituted a counter-action against Hon Hai Precision Industry Co., Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd and Hongfujin Precision Industry (Shenzhen) Co., Ltd. for their intervention since 2006, by means of illegal measures, in the operations involving the Company and its subsidiary, which is the holding company, collusions, written and verbal defamation, and the economic loss as a result of the said activities, and made requests in respect of the action as followed: the Defendants requested the Court to issue an injunction banning Hon Hai Precision Industry Co., Ltd and Foxconn International Holdings Limited from spreading, releasing and procuring the release of statements against the Defendants or any similar wordings to discredit the Defendants. Requests were also made to order Hon Hai Precision Industry Co., Ltd to compensate for the damage (including aggravated damages and punitive damages) arising from its written and oral defamation, to order Foxconn International Holdings Limited to compensate for the damage (including aggravated damages and punitive damages) arising from its written defamation, and to order Hon Hai Precision Industry Co. Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. to compensate for the losses due to unlawful interference with the operations of the Company and its subsidiaries, and the loss, nterest, costs and other relief caused by their collusion.

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

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

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

29. OPERATING LEASE ARRANGEMENTS

AS LESSEE

The Group leases certain of its production plants, staff quarters and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms within one year.

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

	Group	
	2012 **RMB'000**	2011 RMB'000
Within one year	**2,378**	32,181
In the second to fifth years, inclusive	**—**	—
	2,378	32,181

30. COMMITMENTS

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

	Group	
	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
Plant and machinery	**271,720**	645,994
Building	**81,194**	123,673
	352,914	769,667

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

31. RELATED PARTY TRANSACTIONS

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

			Year ended 31 December	
Nature of transactions	**Notes**	**Related parties**	**2012 RMB'000**	2011 RMB'000
Sales of plant and machinery	(i)	Ultimate holding company	**1,367**	6,194
		Fellow subsidiaries	**20,446**	16,376
Purchases of plant and machinery	(i)	Ultimate holding company	**18**	981
		Fellow subsidiaries	**172,971**	183,333
Purchases of inventories	(ii)	Ultimate holding company	**116,062**	262,229
		Fellow subsidiaries	**442,947**	461,844
Sales of inventories	(ii)	Ultimate holding company	**90,816**	29,028
		Fellow subsidiaries	**118,860**	213,436
Leasing and ancillary expenses paid	(iii)	Ultimate holding company	**163,074**	175,368
		Fellow subsidiary	**72,111**	40,617
Exclusive processing services provided	(iv)	Ultimate holding company	**—**	43
		Fellow subsidiaries	**—**	309
Exclusive processing services received	(iv)	Ultimate holding company	**2,714**	21,325
		Fellow subsidiaries	**33,006**	60,638
Provide inspection services	(v)	Ultimate holding company	**—**	20
		Fellow subsidiaries	**93**	403

31. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

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

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

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

(iv) The processing service fees were charged for the depreciation of the relevant machinery and equipment during the year ended 31 December 2012.

(v) The inspection service fees were charged for the inspection of the relevant machinery and equipment during the year ended 31 December 2012.

(b) Outstanding balances with related parties:

Except for the entrusted loan to ultimate holding company of RMB400,000,000, balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

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

	2012 RMB'000	2011 RMB'000
Short term employee benefits	**10,162**	14,580
Pension scheme contributions	**117**	63
	10,279	14,643

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2012

Financial assets

	Group
	Loans and receivables RMB'000
Trade and bills receivables	**2,751,198**
Financial assets included in prepayments, deposits and other receivables (note 16)	**44,865**
Due from the intermediate holding company	**109,148**
Due from the ultimate holding company	**145,643**
Pledged deposits	**16,532**
Cash and bank balances	**2,111,365**
	5,178,751

Financial liabilities

	Group
	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**2,690,856**
Financial liabilities included in other payables and accruals (note 23)	**213,970**
Due to fellow subsidiaries	**145,162**
Due to the ultimate holding company	**42,580**
	3,092,568

At 31 December 2012, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") with a carrying amount of RMB7,670,000 (2011: RMB9,779,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse is RMB7,670,000 (2011: RMB9,779,000) as at 31 December 2012.

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2011

Financial assets

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

Financial liabilities

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

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2012

Financial assets

	Company
	Loans and receivables RMB'000
Financial assets included in prepayments, deposits and other receivables	49
Due from subsidiaries	3,741,100
Due from fellow subsidiaries	8
Cash and bank balances	2,027
	3,743,184

Financial liabilities

	Company
	Financial liabilities at amortised cost RMB'000
Due to the ultimate holding company	13
Due to the immediate holding company	658
Due to subsidiaries	19,005
	19,676

32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2011

Financial assets

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

Financial liabilities

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

33. FAIR VALUE AND FAIR VALUE HIERARCHY

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

GROUP

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Trade and bills receivables	**2,751,198**	3,446,342	**2,751,198**	3,446,342
Financial assets included in prepayments, deposits and other receivables	**44,865**	47,194	**44,865**	47,194
Due from the intermediate holding company	**109,148**	109,148	**109,148**	109,148
Due from the ultimate holding company	**145,643**	147,876	**145,643**	147,876
Pledged deposits	**16,532**	100,000	**16,532**	100,000
Cash and cash equivalents	**2,111,365**	2,106,993	**2,111,365**	2,106,993
	5,178,751	5,957,553	**5,178,751**	5,957,553

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**2,690,856**	3,467,996	**2,690,856**	3,467,996
Financial liabilities included in other payables and accruals	**213,970**	227,150	**213,970**	227,150
Due to fellow subsidiaries	**145,162**	167,185	**145,162**	167,185
Due to the ultimate holding company	**42,580**	124,084	**42,580**	124,084
	3,092,568	3,986,415	**3,092,568**	3,986,415

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

COMPANY

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets included in prepayments, deposits and other receivables	**49**	48	**49**	48
Due from subsidiaries	**3,741,100**	3,859,393	**3,741,100**	3,859,393
Due from fellow subsidiaries	**8**	8	**8**	8
Cash and bank balances	**2,027**	2,723	**2,027**	2,723
	3,743,184	3,862,172	**3,743,184**	3,862,172

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Due to the ultimate holding company	**13**	13	**13**	13
Due to the immediate holding company	**658**	658	**658**	658
Due to fellow subsidiaries	**19,005**	11,963	**19,005**	11,963
	19,676	12,634	**19,676**	12,634

All financial assets and liabilities of the Group and the Company as at 31 December 2012 and 2011 are loans and receivables, and financial liabilities stated at amortised cost, respectively. Fair values approximate to their carrying amounts largely due to the short term maturities of these instruments.

FAIR VALUE HIERARCHY

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

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

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

FOREIGN CURRENCY RISK

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

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

	Group		
	Increase/ (decrease) in United States dollar exchange rate %	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
2012			
If RMB weakens against United States dollar	**5**	**34,508**	**—**
If RMB strengthens against United States dollar	**(5)**	**(34,508)**	**—**
2011			
If RMB weakens against United States dollar	5	(59,752)	—
If RMB strengthens against United States dollar	(5)	59,752	—

* Excluding retained profits and exchange fluctuation reserve

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

CREDIT RISK

The Group trades only with recognised and creditworthy customers. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 28 % (2011: 38%) and 78% (2011: 83%) of the Group's trade receivables were due from the Group's largest customers and the five largest customers, respectively. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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

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

LIQUIDITY RISK

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

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

FINANCIAL LIABILITIES

Group	2012			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade and bills payables (note 22)	6,111	2,428,255	256,490	2,690,856
Other payables (note 23)	29,345	166,791	17,834	213,970
Due to fellow subsidiaries	145,162	—	—	145,162
Due to the ultimate holding company	42,580	—	—	42,580
	223,198	2,595,046	274,324	3,092,568

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

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

FINANCIAL LIABILITIES *(Continued)*

Company	**2012**
	On demand RMB'000
Due to the ultimate holding company	**13**
Due to the immediate holding company	**658**
Due to a fellow subsidiary	**19,005**
	19,676

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

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Equity represents equity attributable to owners of the parent. As the Group did not have any interest-bearing bank borrowings, the gearing ratio was zero as at 31 December 2012 and 31 December 2011.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2013.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
REVENUE	**14,090,909**	15,868,300	16,647,129	11,198,670	8,555,112
Cost of sales	**(12,900,805)**	(14,137,932)	(14,577,138)	(9,636,887)	(6,845,565)
Gross profit	**1,190,104**	1,730,368	2,069,991	1,561,783	1,709,547
Other income and gains	**250,006**	259,253	216,718	130,414	152,689
Research and development costs	**(529,626)**	(614,448)	(577,978)	(423,214)	(355,722)
Selling and distribution costs	**(126,149)**	(130,841)	(110,484)	(92,151)	(90,720)
Administrative expenses	**(299,203)**	(444,780)	(352,334)	(281,865)	(270,098)
Other expenses	**(52,304)**	(124,926)	(106,797)	(99,667)	(302,782)
Finance costs	**(2,520)**	(213)	(516)	(594)	(39,510)
PROFIT BEFORE TAX	**430,308**	674,373	1,138,600	794,706	803,404
Tax	**(51,362)**	(71,567)	(100,764)	(35,850)	(37,579)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**378,946**	602,806	1,037,836	758,856	765,825
ASSETS AND LIABILITIES					
TOTAL ASSETS	**11,888,796**	12,577,848	11,485,108	10,276,740	8,418,186
TOTAL LIABILITIES	**3,634,378**	4,586,315	3,962,985	3,648,796	(2,580,650)
Total equity	**8,254,418**	7,991,533	7,522,123	6,627,944	5,837,536

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