



比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

Turnover	+96%	To RMB3,638 million
Gross profit	+9%	To RMB681 million
Profit attributable to equity holders of the Company	-4%	To RMB430 million
Basic earnings per share	-21%	To RMB0.19

HIGHLIGHTS

- Sustainable growth in sales of handset components and modules with sales amount increased by approximately 21%
- A significant growth in sales of approximately 8.5 times in assembly services

FINANCIAL RESULTS

The board of directors (the “Board”) of BYD Electronic (International) Company Limited (the “Company” or “BYD Electronic”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 (the “Period”) together with comparative figures for the same period in 2007.

The Board does not recommend the payment of interim dividend for the Period.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		For the six months ended	
		30 June	30 June
		2008	2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	4	3,637,603	1,854,170
Cost of sales		<u>(2,956,742)</u>	<u>(1,227,309)</u>
Gross profit		680,861	626,861
Other income and gains	4	108,198	23,423
Research and development costs		(84,500)	(56,766)
Selling and distribution costs		(45,390)	(22,172)
Administrative expenses		(147,413)	(77,818)
Other expenses		(20,440)	(15,895)
Finance costs	5	<u>(25,546)</u>	<u>(33,220)</u>
PROFIT BEFORE TAX	6	465,770	444,413
Tax	7	<u>(35,548)</u>	<u>1,903</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>430,222</u>	<u>446,316</u>
Earnings per share attributable to equity holders of the Company			
— Basic	8	<u>RMB0.19</u>	<u>RMB0.24</u>

CONSOLIDATED BALANCE SHEET

30 JUNE 2008

		30 June	31 December
		2008	2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,746,768	1,643,129
Prepaid land lease payments		135,220	136,661
Goodwill		16,327	—
Other intangible assets		14,055	13,546
Non-current prepayments		160,660	119,208
Deferred tax assets		<u>20,842</u>	<u>9,706</u>
Total non-current assets		<u>3,093,872</u>	<u>1,922,250</u>
CURRENT ASSETS			
Inventories	9	1,404,670	1,062,926
Trade and bills receivables	10	1,220,989	1,794,005
Factored trade receivables	11	173,947	—
Prepayments, deposits and other receivables		130,934	88,937
Financial asset at fair value through profit or loss		100,457	—
Derivative financial instruments		2,490	6,530
Due from fellow subsidiaries		81,505	92,677
Due from the intermediate holding company		56,787	14,257
Due from the ultimate holding company		—	39,000
Restricted bank deposit		1,419	1,860
Pledged bank deposit		—	19,924
Cash and cash equivalents		<u>2,934,103</u>	<u>3,194,906</u>
Total current assets		<u>6,107,301</u>	<u>6,315,022</u>
Total assets		<u>9,201,173</u>	<u>8,237,272</u>

		30 June 2008	31 December 2007
	<i>Notes</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
CURRENT LIABILITIES			
Trade and bills payables	12	1,312,304	1,416,141
Bank advances on factored trade receivables		173,947	—
Other payables and accruals		654,577	489,689
Dividend payable		118,582	—
Derivative financial instruments		—	7,280
Interest-bearing bank borrowings	13	822,736	1,296,983
Tax payable		27,670	—
Due to the ultimate holding company		80,354	—
Due to the immediate holding company		223,307	—
Due to fellow subsidiaries		<u>146,247</u>	<u>135,391</u>
Total current liabilities		<u>3,559,724</u>	<u>3,345,484</u>
NET CURRENT ASSETS		<u>2,547,577</u>	<u>2,969,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,641,449</u>	<u>4,891,788</u>
EQUITY			
Issued capital	14	218,668	211,929
Reserves		5,422,781	4,339,022
Proposed final dividend		<u>—</u>	<u>340,837</u>
Total equity		<u>5,641,449</u>	<u>4,891,788</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Issued capital <i>(Unaudited)</i> RMB'000	Share premium account <i>(Unaudited)</i> RMB'000	Contributed surplus <i>(Unaudited)</i> RMB'000	Statutory surplus reserve fund <i>(Unaudited)</i> RMB'000	Exchange fluctuation reserve <i>(Unaudited)</i> RMB'000	Retained profits <i>(Unaudited)</i> RMB'000	Proposed final dividend <i>(Unaudited)</i> RMB'000	Total equity <i>(Unaudited)</i> RMB'000
At 1 January 2007	181,036	—	(181,036)	72,589	—	488,022	300,000	860,611
Issue of shares	1	—	—	—	—	—	—	1
Final 2006 dividend	—	—	—	—	—	—	(300,000)	(300,000)
Exchange realignment	—	—	—	—	(642)	—	—	(642)
Profit for the period	—	—	—	—	—	446,316	—	446,316
Transfer to contributed surplus	—	—	134,713	—	—	(134,713)	—	—
At 30 June 2007	<u>181,037</u>	<u>—</u>	<u>(46,323)</u>	<u>72,589</u>	<u>(642)</u>	<u>799,625</u>	<u>—</u>	<u>1,006,286</u>
At 1 January 2008	211,929	3,208,537	(46,323)	101,501	(1,542)	1,076,849	340,837	4,891,788
Issue of shares	6,739	694,263	—	—	—	—	—	701,002
Final 2007 dividend	—	—	—	—	—	—	(340,837)	(340,837)
Exchange realignment	—	—	—	—	(40,726)	—	—	(40,726)
Profit for the period	—	—	—	—	—	430,222	—	430,222
At 30 June 2008	<u>218,668</u>	<u>3,902,800*</u>	<u>(46,323)*</u>	<u>101,501*</u>	<u>(42,268)*</u>	<u>1,507,071*</u>	<u>—</u>	<u>5,641,449</u>

* These reserve accounts comprise the consolidated reserves of RMB5,422,781,000 in the consolidated balance sheet as at 30 June 2008.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*FOR THE SIX MONTHS ENDED 30 JUNE 2008*

	For the six months ended	
	30 June 2008	30 June 2007
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	906,510	410,862
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,394,233)	(594,279)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>226,755</u>	<u>(239,893)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(260,968)	(423,310)
Cash and cash equivalents at beginning of period	3,196,766	609,599
Effect of foreign exchange rate changes, net	<u>(276)</u>	<u>(642)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,935,522</u>	<u>185,647</u>
Cash and bank balances	2,616,522	185,647
Non-pledged time deposits with original maturity of less than three months when acquired	<u>319,000</u>	<u>—</u>
	<u>2,935,522</u>	<u>185,647</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2008

1. CORPORATE INFORMATION

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

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

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

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

2. SUMMARY OF MAJOR ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accounts.

The accounting policies and methods of computation used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2008. The adoption of such standards did not have material effect on these financial statements.

HK (IFRIC) — Int 11	HKFRS2 — Group and Treasury Share Transactions
HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segment

The Group's primary business segment is the manufacture, assembly and sale of mobile handset components and modules. Since this is the only business segment of the Group and these activities are related and are subject to similar risks and returns, no further analysis thereof is presented.

(b) **Geographical segment**

The following table presents revenue for the Group's geographical segments for the six months ended 30 June 2008 and 2007:

	For the six months ended	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue		
People's Republic of China ("PRC")	1,910,563	789,161
US	433,216	247,587
Europe	456,409	430,634
India	393,512	301,352
Asia Pacific (excluding the PRC and India)	443,903	85,436
	<u>3,637,603</u>	<u>1,854,170</u>

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Revenue</u>		
Sale of mobile handset components and modules	2,041,698	1,685,832
Assembly services income	<u>1,595,905</u>	<u>168,338</u>
	<u>3,637,603</u>	<u>1,854,170</u>
<u>Other income and gains</u>		
Bank interest income	48,831	2,599
Sale of scrap materials	29,041	13,756
Sale of materials	3,442	1,256
Subcontracting income	3,072	2,864
Fair value gain:		
— forward contracts: transactions not qualifying as hedges	18,392	—
Others	<u>5,420</u>	<u>2,948</u>
	<u>108,198</u>	<u>23,423</u>

5. FINANCE COSTS

	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on bank borrowings and bank advances, wholly repayable within one year	24,362	22,928
Interest on discounted notes	1,184	—
Finance charge on an amount due to the ultimate holding company	—	4,992
Finance charge on an amount due to the intermediate holding company	—	5,300
	<u>25,546</u>	<u>33,220</u>

6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of inventories sold	992,547	661,293
Cost of services provided	1,528,828	178,286
Depreciation	134,705	69,831
Amortisation of other intangible assets	4,162	639
Fair value loss/(gain):		
— forward contracts: transactions not qualifying as hedges	(18,392)	5,163
Provision against/(write-back of) obsolete inventories ^{##}	(13,651)	—
Loss on disposal of items of property, plant and equipment [#]	1,495	1,554
Foreign exchange differences, net [#]	<u>18,220</u>	<u>9,002</u>

The loss on disposal of items of property, plant and equipment and the foreign exchange differences are included in "Other expenses" on the face of the consolidated income statement.

The provision against/(write-back of) obsolete inventories is included in "Cost of sales" on the face of the consolidated income statement.

7. TAX

	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current - Mainland China	46,684	—
Deferred	<u>(11,136)</u>	<u>(1,903)</u>
Total tax charge for the period	<u><u>35,548</u></u>	<u><u>(1,903)</u></u>

The Company's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT"). On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic-invested and foreign-invested enterprises from 1 January 2008 will decrease from 33% to 25%. Pursuant to the transitional arrangement under the New CIT Law, the income tax rate applicable to certain PRC subsidiaries will only be gradually increased from the existing rate of 18% to the unified rate of 25% over 5-year transition period.

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

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

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

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2008 attributable to equity holders of the Company of RMB430,222,000 (Six months ended 30 June 2007: RMB446,316,000) and the weighted average of 2,268,298,000 (30 June 2007: 1,870,000,000) ordinary shares deemed to have been in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2008 includes the weighted average of 72,246,000 shares issued on the Stock Exchange on 11 January 2008 in addition to the existing 2,200,000,000 shares.

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

9. INVENTORIES

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials	772,588	388,749
Work-in-progress	7,195	1,636
Finished goods	539,963	562,217
Mould held for production	<u>84,924</u>	<u>110,324</u>
	<u>1,404,670</u>	<u>1,062,926</u>

10. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise its credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 90 days	1,193,164	1,785,047
91 to 180 days	25,257	8,081
181 to 360 days	<u>2,568</u>	<u>877</u>
	<u>1,220,989</u>	<u>1,794,005</u>

11. FACTORED TRADE RECEIVABLES

At 30 June 2008, the Group factored trade receivables of RMB173,947,000 to banks on a recourse basis for cash. As the Group still retain the risks and rewards associated with the payment by the customers, the financial asset derecognition condition as stipulated in HKAS 39 has not been fulfilled. Accordingly, bank advances from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated balance sheets.

12. TRADE AND BILLS PAYABLES

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

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 90 days	1,197,550	1,328,202
91 to 180 days	107,630	85,278
181 to 360 days	6,366	2,107
Over 1 year	<u>758</u>	<u>554</u>
	<u>1,312,304</u>	<u>1,416,141</u>

13. INTEREST-BEARING BANK BORROWINGS

The analysis of interest-bearing bank borrowings at the balance sheet date is as follows:

	Effective interest rate (%)	Maturity	30 June 2008	31 December 2007	
<i>Notes</i>			<i>RMB'000</i>	<i>RMB'000</i>	
			<i>(Unaudited)</i>	<i>(Audited)</i>	
Current					
Bank loans - secured	(i)	5.71% to 6.65%	2009	603,245	107,948
Bank loans - unsecured	(ii)	5.75% to 6.48%	2009	<u>219,491</u>	<u>1,189,035</u>
			<u>822,736</u>	<u>1,296,983</u>	

14. SHARE CAPITAL

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Authorised:		
4,400,000,000 (31 December 2007: 4,400,000,000) ordinary shares of HK\$0.10 each	<u>425,964</u>	<u>425,964</u>
Issued and fully paid:		
2,272,246,000 (31 December 2007: 2,200,000,000) ordinary shares of HK\$0.10 each	<u>218,668</u>	<u>211,929</u>

During the period, in connection with the Company's initial public offering, an over-allotment of 72,246,000 additional shares of HK\$0.1 each was exercised by the Company at a price of HK\$10.75 per share for a total cash consideration, after expenses, of RMB701,002,000. Dealings in these shares on the Stock Exchange commenced on 16 January 2008.

15. BUSINESS COMBINATION

On 1 February 2008, BYD Hungary Guarto, Szolgaltato es Kereskedelmi Korlatolt Felelossegu Tarsasag ("BYD Hungary"), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Mirae Industry Co. Ltd. ("Mirae Industry") for acquisition of 100% equity interest of Mirae Hungary Industrial Manufacturer Ltd. ("Mirae Hungary"), a wholly owned subsidiary of Mirae Industry, at a consideration of EUR2,960,000 (equivalent to approximately RMB32,000,000). In addition, BYD Hungary has agreed to pay a certain sum for the settlement of the liabilities of Mirae Hungary as at 31 October 2007. The completion of the share transfer was dated on 12 February 2008 at a total consideration of EUR15,500,000 (equivalent to approximately RMB167,000,000) and the corresponding carrying amounts of net assets immediately before the acquisition were amounted to RMB151,000,000. Goodwill of RMB16,000,000 was generated from the acquisition.

16. CONTINGENT LIABILITIES

In June 2007, a High Court of the Hong Kong Special Administrative Region (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and certain 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 in 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 the subsidiaries of the Group. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising in the June 2007 Action. In essence, the Plaintiffs 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 this announcement, 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 judgement in respect of the stay application was handed down on 27 June 2008. The stay application was dismissed and an order was also made that costs of the stay application to the Plaintiffs, to be assessed by the Court, if not agreed.

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

17. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 30 June 2008 and 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2007 <i>RMB'000</i> <i>(Audited)</i>
Within one year	30,430	28,137
In the second to fifth years, inclusive	<u>13,431</u>	<u>28,177</u>
	<u>43,861</u>	<u>56,314</u>

18. COMMITMENTS

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

	30 June 2008 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2007 <i>RMB'000</i> <i>(Audited)</i>
Contracted, but not provided for:		
Plant and machinery	<u>416,563</u>	<u>421,612</u>

19. RELATED PARTY TRANSACTIONS

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

Nature of Transaction	Notes	Related parties	For the six months ended	
			30 June 2008 <i>RMB'000</i> <i>(Unaudited)</i>	30 June 2007 <i>RMB'000</i> <i>(Unaudited)</i>
Purchases of plant and machinery	(i)	Ultimate holding company	—	41,051
		Intermediate holding company	—	—
		Fellow subsidiaries	—	3,509
Purchases of inventories	(ii)	Ultimate holding company	13,230	3,662
		Intermediate holding company	7,262	5,585
		Fellow subsidiaries	100,253	29,795
Sales of inventories	(ii)	Ultimate holding company	8,525	11,298
		Intermediate holding company	11	1,659
		Fellow subsidiaries	24,229	40,216
Ancillary expenses paid to	(iii)	Ultimate holding company	122,647	79,783
		Fellow subsidiaries	<u>12,687</u>	<u>—</u>

Notes:

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

Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2008	30 June 2007
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term employee benefits	<u>3,119</u>	<u>1,924</u>

20. POST BALANCE SHEET EVENTS

Repurchase of Shares

In July 2008, the Company repurchased and cancelled its own ordinary shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate
				consideration paid
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
July 2008	18,237,000	4.40	3.92	75,830

The repurchased shares were cancelled and accordingly the issued share capital of the Company would be reduced by the nominal value of these shares. Pursuant to Section 49H of the Hong Kong Companies Ordinance, an amount equivalent to the par value of the shares cancelled of approximately HK\$1,824,000 would be transferred from revenue reserve to the capital redemption reserve. The premium paid and the expenses incurred on the repurchase of the shares would be charged to revenue reserve.

21. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

Operating Environment Review

During the Period, global economic growth was slowed down under the impact of high energy prices, global inflation and the sub-prime crisis in the U.S. etc. The handset industry was also affected. The slowdown in global handset demand has made the market more sensitive to product prices, intensifying market competition and creating operational pressures on upstream handset component manufacturers.

The overall global handset sales grew steadily, the handset output was approximately 598 million units, increased by approximately 13% as compared to approximately 528 million units during the same period of last year, indicating growth is slowing down and the rate of growth was slower than expected. The global average selling price per handset unit declined during the Period. Besides the economic situation affecting the overall consumer demands, the increase in orders from emerging markets was also one of the reasons for the decline in the average selling price per handset unit . With the rising standards of living in emerging markets such as China and India, the purchasing power of local consumers for handsets also increased accordingly. However, most of the handsets for the emerging markets were mainly middle to low end products, thus the average selling price per handset unit was relatively lower.

The prevailing macroeconomic conditions accelerated further integration of the handset industry. The leading international handset suppliers were trying to increase their market competitiveness and market shares through strict controls over production cost, including the relocation of their production, procurement and logistic bases to Asia and other regions of the emerging market to reduce production cost and enhance their competitiveness in product prices. Meanwhile, OEM manufacturers of handsets inclined to outsource production processes and select suppliers with global manufacturing and servicing platform and high capabilities of vertical integration as cooperative partners. With the expertise and techniques of such suppliers in production and supply chain operations, OEM manufacturers could shorten the time for launching new products, achieve better flexibility, lower production costs and shorten capital turnover, and concentrate on the development of products with high profit margin as well as the enhancement of brand value.

Facing with changing circumstances in the global economy and the handset market, the operating environment for OEM manufacturers of handsets will be more challenging. Vertically integrated suppliers, such as BYD Electronic, were able to provide more comprehensive, more cost effective and more competitive services when compared with other suppliers who were only limited to specific market sectors of the handset manufacturing supply chain in meeting changing market needs.

Business Review

The two principal businesses of BYD Electronic are handset component and module business and the provision of handset assembly services. The Company successfully completed its spin-off from BYD Company Limited, its controlling shareholder, and independently listed on the Main Board of Hong Kong Stock Exchange at the end of 2007. The successful spin-off reflected better the true value of the Company, provided sufficient capital and established a financing platform for BYD Electronic, which enabled the Company to capture better the opportunities brought by the growth of the handset industry.

For the Period, the Company recorded consolidated sales of approximately RMB3,638 million, representing an increase of approximately 96% as compared to the same period of last year. Profit attributable to shareholders for the Period amounted to approximately RMB430 million, decreased by approximately 4% over the same period of last year.

Handset Component and Module Business

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

During the Period, as the global output of handsets increased steadily, the highly vertical integrated production process drove the growth of the handset component and module business of BYD Electronic, which recorded a handsome growth in sales. For the Period, the handset component and module business of the Company recorded a turnover of approximately RMB2,042 million, representing an increase of approximately 21% over the same period of last year. Handset component and module business represented approximately 56% of the Company's total turnover (2007 first half: 91%). Nevertheless, the leading international handset makers are more sensitive

to the price of supplied goods of the handset component manufacturers at upper stream of the supply chain, in order to maintain their market competitiveness, and the rising prices of raw materials affected the gross profit of the Group to a certain extent. In addition, the continuous appreciation of RMB brought pressure on profitability, and the increase in research and development funds invested together with administrative expenses during the Period for transforming the Group into a supplier of middle to high end products, had also affected the profitability of the Group.

During the Period, the Group was actively building its global production platform while enhancing its product design and production capabilities, particularly for the research and development of medium to high end products, in order to satisfy the customer needs for efficiency and services. The Group's Phase 1 production base in Chennai, India, was completed and commenced production during the Period. In February 2008, the Group successfully acquired the equity interest of a Korean enterprise in Komaron, Hungary, the integration has been completed and the production is expected to resume during the second half of the year. In addition, the Group will also establish new production facilities in Cluj, Romania, in accordance with market and customers' demands as scheduled, providing customers with more tailor-made services and capturing business opportunities to satisfy the needs of persistent growth.

Assembly Services

BYD Electronic adopts the strategy of providing one-stop vertical integration supply services to customers through improving the Group's highly vertical integrated production process. The Group commenced provision of handset assembly services to customers since the second half of 2006, and successfully secured continuous orders from global leading manufacturers, which further established the Group's market position as a "one-stop handset component supplier" for reputable international handset brands.

The Company provides two types of assembly services including high level assembly and printed circuit board assembly. For the Period, the Group's assembly business recorded rapid growth with a turnover of approximately RMB1,596 million, increased by approximately 848% as compared to the same period of last year. The business of assembly services accounted for approximately 44% of the Company's total turnover (2007 first half: 9%). Since the commencement of assembly services, the Group's end products manufactured through high level assembly, which are multi-functional basic finished products, have attracted the leading international handset manufacturers successfully. The unique advantages of BYD Electronic lie in its strong design capabilities, software and hardware engineering capabilities as well

as its highly efficient operational capabilities which enable the supply of products more tailored to customer needs in a quicker and more cost effective manner. During the Period, the Group further deepened its vertical integration capability, and was successful in providing handset design, development services, etc. to customers, which will further enhance the Group's competitiveness, attract more customers and secure more orders. Emphasis on quality and reliability is part of the elements of the Company's after-sale customer supporting services. The Company participates in the final stage of the handset assembly process of our customers, providing on-site quality control support and collecting customers' opinions regarding quality problems. The strict quality assurance process of the Company enabled it to maintain a good relationship with existing customers and attract more new customers.

Future Strategy

Looking ahead in the second half of 2008, the Group will still have to face the challenges arising from the market pressure due to lower product prices, appreciation of RMB and higher prices of raw materials. The Group will endeavour to optimize cost structure, reduce the cost in each production stage, strengthen the internal development and production of equipment, and enhance the cost efficiency of production lines. We also hope to benefit from economies of scale so as to increase the Group's bargaining power with raw material suppliers, thereby further reducing the costs of products. The Company will continue to strengthen the strategic cooperation partnership with our customers and develop jointly amidst the intensified competition in handset market.

For handset component and module business operations, the Group expects that the middle to high end products launched will not only increase turnover, but will also increase the profitability of the Group through a more competitive cost structure. In addition, the Group foresees an expanded proportion of the results to be contributed by assembly services. With the Group's expertise in high level assembly and printed circuit board assembly services, further vertical integration of the production process will be achieved. With the ever changing technology of the handset industry, the Company will continue to improve its own R&D capabilities through introducing more new materials, developing and adopting advanced production and processing techniques, and further enhancing its capabilities in the production of moulds.

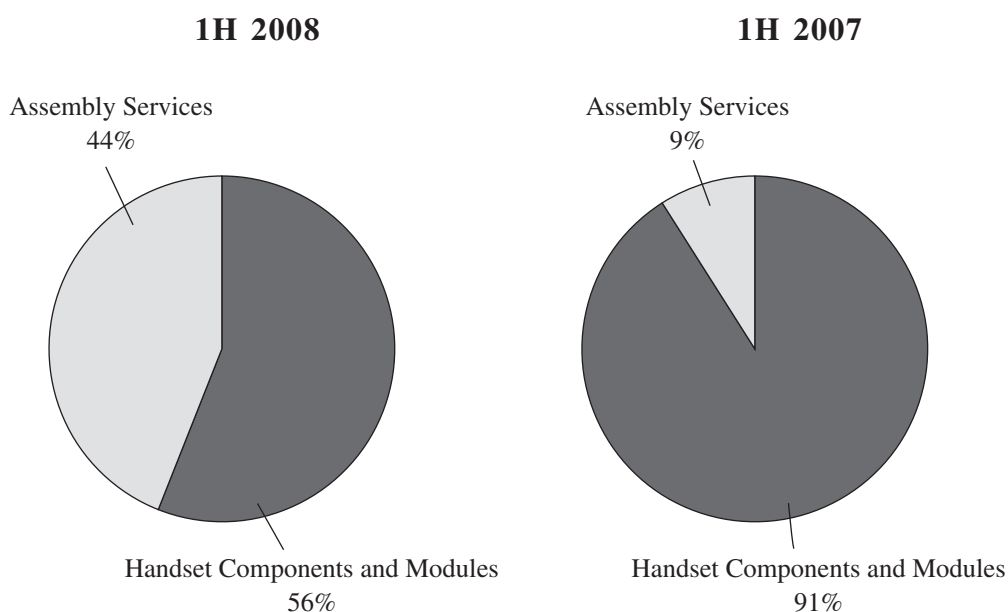
All along, the Group's development strategies and objectives are to provide products and services to customers in a more cost effective and efficient way by horizontal integration model, the Group will focus on the expansion of worldwide manufacturing facilities cautiously, on the another hand, we will further expand customer network, enrich service categories, enter new markets, establish and enhance customer relationship, so as to strengthen its market position and expand the existing technical capabilities, process and core technologies amidst the ever changing and challenging economic conditions and in turn to create maximum value for shareholders.

Financial Review

Benefiting from the growth recorded in the two major business segments during the Period, the turnover for the Period increased significantly. The Company's handset component and module business, which includes the sales of handset casings, handset keypads and handset modules, recorded a growth of approximately 21% during the Period. The business of assembly services, which includes the provision of printed circuit board assembly services and high level assembly services, recorded a growth of approximately 848% during the Period.

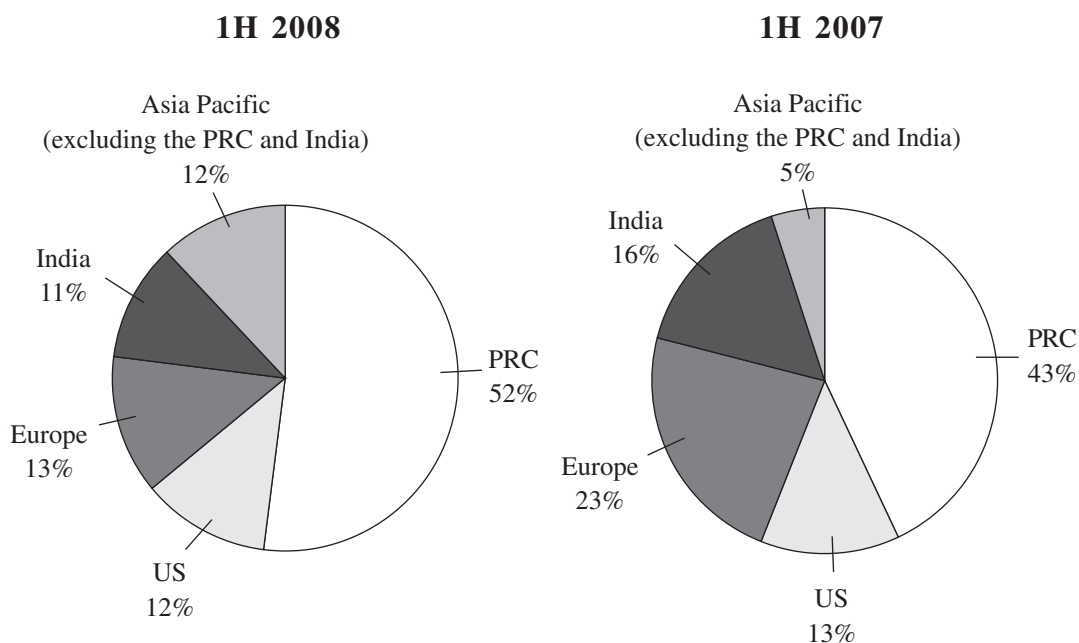
Segmental Information

Set out below are the Company's revenue from the two business segments and their respective proportions in aggregated revenue for the six-month periods ended 30 June 2007 and 2008:



During the Period, the proportions of overall turnover contributed by the two business segments changed significantly when compared with the same period of last year. As the scope of the assembly services business of the Company in the first half of last year was very small, the revenue derived from such services increased significantly by approximately 848% in the first half of 2008, which in turn led to significant growth in the proportion of this business in the overall turnover.

Set out below are the Group's comparison analysis by geographical segments on the basis of the location of customers for the six-month periods ended 30 June 2007 and 2008:



Gross Profit and Margin

The Group's gross profit for the Period increased by approximately 9% to approximately RMB681 million. Gross profit margin declined from approximately 34% in the first six months of 2007 to approximately 19% during the Period. The decrease in gross profit margin was mainly due to including: (1) the significant increase in the proportion of revenue generated from assembly services of the Company with lower gross profit margins in the overall revenue for the Period; (2) reduced gross profit margins of the handset component and module business resulting from unfavourable factors such as difficult operating environment of the industry coupled with high price of raw materials and appreciation of RMB.

Liquidity and Financial Resources

For the Period, BYD Electronic recorded cash inflows of approximately RMB907 million from operating activities, as compared to approximately RMB411 million recorded in the same period of 2007. During the Period, funds were obtained mainly from the net cash generated from the Company's operations and bank loans. Bank loans mainly included short-term secured and unsecured bank loans. As at 30 June 2008, the total borrowings, which included all the bank loans and bank advances, were approximately RMB997 million, as compared to approximately RMB1,297 million as at 31 December 2007, all were repayable within one year. The decrease in the total borrowings was attributable to the partial repayment of bank loans from part of the net proceeds raised from the initial public offering in December 2007. The Group maintained sufficient daily liquidity management and capital expenditure requirements, so as to control cash flows of internal operations.

For the Period, the number of turnover days of accounts receivables was approximately 79 days, whereas for the six months ended 30 June 2007 the number of turnover days of accounts receivables was approximately 78 days. Inventory turnover declined from approximately 81 days for the six months ended 30 June 2007 to approximately 75 days for the Period. The decrease in inventory turnover was attributable to the further enhanced management and control of inventory of the Company in 2008 than the same period last year.

Capital Structure

The duties of the Group's financial division are to oversee the Group's financial risk management and to operate in accordance with the policies approved by the senior management. As at 30 June 2008, loans were mainly denominated in USD, while its cash and cash equivalents were mainly held in RMB and Euro denominations. The Group planned to maintain an appropriate combination of share capital and indebtedness, so as to ensure an effective capital structure. The outstanding loans in foreign currencies were floating interest rate loans. The Group's net proceeds from the global offering, together with the Company's current bank deposits and cash balances and fixed deposits as well as the Company's bank facilities and net cash derived from operating activities, will be sufficient to satisfy the Company's material commitments and working capital, capital expenditures, business expansions, investments and expected debt repayment requirements for at least the next 6 months. After that, funds are expected to be obtained from net cash derived from operations, and if necessary, from additional debts or share capital financing.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 30 June 2008, the Group had over 37,500 employees, representing an addition of approximately 3,500 employees when compared with the year end of 2007. During the Period, total staff cost accounted for approximately 13% of the Group's turnover. Employee remuneration was determined on the basis of performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commissions were also awarded to employees on the basis of their annual job performance appraisals. Incentives were offered as an encouragement for personal motivation.

Share Capital

As at 30 June 2008, the share capital of the Company was as follows:

Number of shares issued: 2,272,246,000 shares

Purchase, Sale or Redemption of Shares

From 1 January 2008 to 30 June 2008, the Company did not redeem any shares.

In July 2008, the Company purchased and cancelled its 18,237,000 ordinary shares on The Stock Exchange of Hong Kong Limited.

Capital Commitments

As at 30 June 2008, the Group's capital commitment was approximately RMB417 million (31 December 2007: approximately RMB422 million)

Contingent Liabilities

Please refer to note 16 to the consolidated financial statements for details of contingent liabilities.

Post Balance Sheet Events

Please refer to note 20 to the consolidated financial statements for details of post balance sheet events.

Litigation

The ultimate holding company, the intermediate holding company, the immediate holding company and certain subsidiaries of the Company are involved in a legal action as defendants commenced by certain affiliates of Foxconn International Holdings Limited as plaintiffs in The High Court of the Hong Kong Special Administrative Region (“High Court”) regarding alleged unauthorised use of confidential information. As of the date of this announcement, the service of writs on all of the defendants has been duly acknowledged. To the knowledge of the directors of the Company, on 2 November 2007, the holding company and the intermediate holding company of the Company, the only parties to the legal action in Hong Kong who had been served with the writ at that time, applied to the High Court for a stay of the action on the ground that the Intermediate People’s Court in Shenzhen, instead of the High Court, was the most appropriate forum to hear the dispute (the “Stay Application”). The hearing of the Stay Application took place on 11 and 12 June 2008 in Chambers at the Court of First Instance of the High Court and the Honourable Court’s judgement in respect of the Stay Application was handed down on 27 June 2008. The Stay Application was dismissed and an order was also made that costs of the Stay Application be to the Plaintiffs, to be assessed by the Court, if not agreed. To the knowledge of the directors of the Company, the holding company, the intermediate holding company and the immediate holding company of the Company, and the subsidiaries of the Company will defend the case vigorously. Reference is also made to the announcement dated 30 June 2008 of the Company.

SUPPLEMENTARY INFORMATION

Corporate Governance

Compliance with the Code on Corporate Governance Practices (the “Code”) The Board is committed to maintaining and ensuring high standards of corporate governance practices.

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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

Audit committee

The audit committee consists of three independent non-executive Directors and two non-executive Directors. A meeting was convened by the Company's audit committee on 29 August 2008 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the six months ended 30 June 2008 before recommending them to the Board for approval).

Disclosure of Information on the Stock Exchange's Website

This interim results announcement is published on the website of the Stock Exchange (<http://www.hkex.com.hk>).

By order of the board of
**BYD Electronic (International)
Company Limited**
LI Ke
Director

Hong Kong, 29 August 2008

As at the date of this announcement, the executive Directors are Ms. LI Ke and Mr. SUN Yi-zao; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHAN Yuk-tong, Mr FENG Xu-chu and Mr. Antony Francis MAMPILLY.