

**BYD ELECTRONIC (INTERNATIONAL) COMPANY LTD:
TARGET STATES, DEFINITELY: NO, THANK YOU !**

Anybody, buying shares in BYD Electronic (International) Company Ltd ([]) (Code: 285, Main Board, The Stock Exchange of Hongkong Ltd), could end up wishing that he (or she) had never heard the name of this Company – because the litigation, hanging over this Company’s proverbial head, could cost Management dearly in the fullness of time.

The cost of hiring solicitors and barristers in order to defend the impending Legal Action is going to be extremely expensive, probably in the tens of millions of dollars, and, if the Company should lose, big time, the damages, awarded to the Plaintiff, could run into the billions of dollars.

The Global Offering Prospectus of BYD Electronic devoted quite a number of pages to this matter, but at Pages 28 to 30, there is comprehensive account of the matter.

These nearly 3 Pages of explanations about this very material litigation start off by stating that, in June 2006, ‘a subsidiary of an affiliate of Foxconn International Holdings Limited () (Code: 2038, Main Board, The Stock Exchange of Hongkong Ltd) (collectively, the “plaintiffs”), our competitor in the production of handset modules, initiated legal proceedings against BYD [BYD Company Ltd (), a company whose shares are listed on the Main Board of The Stock Exchange of Hongkong Ltd, being Stock Code Number 1211], our ultimate shareholder, in the Intermediate People’s Court in Shenzhen [the People’s Republic of China (PRC), being distinct from the Hongkong Special Administrative Region (HKSAR) of the PRC)].’

The explanation, then, continues as follows:

‘In June 2006, a subsidiary and an affiliate of Foxconn International Holdings Limited (collectively, the “plaintiffs”), our competitor in the production of handset modules, initiated legal proceedings against BYD, our ultimate shareholder, in the Intermediate People’s Court in Shenzhen. The plaintiffs are alleging that BYD (BYD Company Ltd []) breached its statutory duty under the PRC Anti-Improper Competition Act by using confidential information obtained improperly from the plaintiffs and that through the use of such information BYD has established a handset production system that the plaintiffs claimed is highly similar to the handset production system adopted by them. The plaintiffs are also alleging that the defendants improperly obtained and used the plaintiff’s confidential information with respect to the plaintiffs’ suppliers and customers. No decision has yet been rendered by the Shenzhen court. Neither our Company nor any of our subsidiaries is currently involved in this legal action. See “Business — Legal Proceedings” for a more detailed description of this legal action.

‘In June 2007, the plaintiffs initiated legal proceedings in the Hong Kong High Court (the “June 2007 Action”) against BYD, BYD H.K. [BYD (Hongkong) Company Ltd ([])], Golden Link (Golden Link Worldwide Ltd) and four of our subsidiaries (collectively the “defendants”). The plaintiffs alleged that the defendants have, directly or indirectly through the assistance of certain former employees of the plaintiffs, induced and procured certain former employees of the plaintiffs (some of whom were subsequently employed by members of the BYD Group) to breach their contractual and fiduciary duties owed to their former employers, 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. In addition, the

plaintiffs alleged that the defendants improperly obtained and illegally used confidential information relating to the plaintiffs' suppliers and customers.

'The plaintiffs discontinued the June 2007 Action on October 5, 2007 and we and the other defendants have not incurred any liability with respect to such action. On the same day, the plaintiffs initiated a new set of legal proceedings in the Hong Kong High 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 as those described in the June 2007 Action and the PRC legal proceedings against BYD in the Intermediate People's Court in Shenzhen. In essence, the plaintiffs alleged that the defendants have misappropriated and misused confidential information belonging to the plaintiffs. BYD has given an indemnity in favor of our Company, BYD Cayman (BYD Electronic Company Ltd []), Lead Wealth (Lead Wealth International Ltd), BYD Tianjin (BYD Tianjin Company Ltd []) and BYD Precision (BYD Precision Manufacture Company Ltd []) (collectively, the "indemnified parties") for all liabilities, losses, damages, costs and expenses (if any) that are incurred by the indemnified parties in connection with, or otherwise arising out of, the October 2007 Action (and any replacement legal action based on the same facts). For the avoidance of doubt, the indemnity given by BYD 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. This indemnity will only come into effect at the Listing Date. See "Business — Legal Proceedings" for a more detailed description of this dispute, including the specific claims made by the plaintiffs and the remedies sought.

'Neither the Hong Kong High Courts nor the Shenzhen Intermediate People's Court have rendered their judgments to date. We have not made any litigation reserve for these actions. We cannot assure you that no further claims or allegations will be made against us or the BYD Group by or on behalf of Foxconn International Holdings Limited or other related parties in connection with this matter, that such courts would determine the issues in favor of us and the other defendants, that injunctions would not be issued against us preventing us to use the handset production system that is in issue, that the aggregate liability the Hong Kong High Courts award against the defendants will not be significantly higher than our estimate, that these legal proceedings will not damage our reputation or our relationships with our suppliers and customers, or that there will not be any interruption to the normal conduct of our ordinary business. If any of these events were to happen, we could be subject to the payment of substantial damages and we could be required to cease using the allegedly confidential information, which may materially and adversely affect our existing products, production process and product or technology development. In addition, our reputation may be adversely affected by these proceedings and a substantial amount of management time and attention may be diverted to handle the proceedings. This in turn may have a material adverse effect on our business, prospects, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business — We may not be able to successfully develop new production processes and new products and services".'

The ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*