

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

Turnover	5.00%	to RMB9,560 million
Gross profit	-9.03%	to RMB965 million
Profit attributable to owners of the parent	-22.74%	to RMB456 million
Earnings per share	-22.74%	to RMB0.20

**HIGHLIGHTS**

- Income from metal component business increased significantly, offsetting the negative contributions from plastic and assembly business to revenue and gross profit
- The Company captured the industry opportunities to expand its production capacity of metal component business and increased its investments in fixed assets
- The Company successfully secured contracts from smartphone manufacturers of global leading brands and continued to improve its customer mix, which has laid a solid foundation for the Group's future development



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2015 (the “Period”), the global economy was complicated and characterized by a contrast between the US economy’s gradual recovery and Greece’s debt crisis which overshadowed the Eurozone’s economic development. In the first half of the year, China’s gross domestic product grew 7.0% as compared to the corresponding period last year, showing a steady albeit slow pace of economic development. To cope with the complicated economic environment at home and abroad and the mounting downward pressure on it, the Central Government has introduced a series of policies and measures to promote steady economic growth and reform, including two pivotal national strategies, namely “Made in China 2025” and the “One Belt, One Road” initiative to bring new business opportunities to the manufacturing industry, and at the same time promote the development of the whole value chain of the industry. China’s economy has entered what the government termed as “new normal” that leads to its transition to sustainable development and continuous structural transformation and upgrade.

During the Period, the global handset market saw a steady growth. According to the statistics provided by IDC, a globally recognized market research institution, in the first half of 2015, the global smartphone shipments increased by 14.1% year on year to 670 million units, representing a slowdown. Among which, the 4G handsets emerged rapidly as a new growth engine in the development of handset industry. The upgrade of mobile terminals products has also presented new market opportunities.

In China, the government’s “Internet +” policy has added impetus to the development of the market for mobile terminals. Domestic handset manufacturers continued to maintain growth and launch new models of smartphone products with rising brand influence. According to the data of the China Academy of Information and Communication Technology, in the first half of the year, the shipments of handset in the domestic market reached 237 million units, representing a year-on-year increase of 7.4%. A breakdown shows that the shipments of smartphones stood at 208 million units, up 7.5% year on year with increasing market share of domestic branded manufacturers.

Regarding the usage of materials, the penetration of metal components in the global smart phone market was rising, with the application of metal cases and metal structural components extended from high-end models to mid-range models and tablets. The demand for such metal cases and metal structural components was enormous. With advantages in performance and good user experience, metal components have been well received by domestic and overseas smart phone manufacturers. This has presented huge opportunities for development to the suppliers who have developed comprehensive technologies and established a diverse customer base.

## BUSINESS REVIEW

BYD Electronic (International) Company Limited (“BYD Electronic” or the “Company”) and its subsidiaries (which are collectively referred to as the “Group”) is a leading handset components and assembly service provider with state-of-art technology and cost competitiveness. By providing a “one-stop” service which is vertically integrated to a high extent, the Group provides handset components (including phone cases and structural parts), and the services of modules manufacturing, complete hand set design and assembly for the branded handset manufacturers. It also provides services such as design, parts manufacturing and assembly for manufacturers of other electronic products. During the Period, the Group’s turnover rose by approximately 5.00% year on year to approximately RMB9,560 million. Profit attributable to owners of the parent decreased by approximately 22.74% to approximately RMB456 million as compared to the corresponding period last year.

With the increasing demand for metal components from the market, the Group, being a supplier possessing leading technological advantages and cost-competitiveness, has gradually shifted its focus from plastic components to metal components, with a view to proactively increase its production capacity to meet the market demand. During the Period, the production capacity of metal component improved rapidly as the Group proactively purchased CNC machines and increased its investments in fixed assets, which has laid a solid foundation for the Group to seize industry opportunities to achieve rapid growth. During the Period, the Group had continuously secured contracts from domestic and overseas smartphone manufacturers, including famous branded smartphone manufacturers in Asia, to produce their high-end flagship handsets, which drove up the sales of the Group’s metal component business by more than 100% and greatly enhanced its overall competitiveness and reinforced its strategic position in the industry.



The Group continued to develop new customers domestically and overseas. It proactively strengthened its sound business relations with domestic branded manufacturers by matching their needs for launch of new smartphone models, selling to them the metal handset cases and parts and providing assembly services for them. As a result, the Group obtained contracts from such manufacturers for producing several high-end, mid-range and flagship models of handsets with the aim of meeting the demand in the booming market. Meanwhile, the Group continued to bolster the relationships with its existing customers which are internationally renowned brands to promote the development of its new business and to foster relations with its long-term partners.

During the Period, the Group made further progress in its original design manufacturing (ODM) businesses for products such as smartphones, tablets and other mobile terminal products by providing a one-stop service for its customers, which ranges from complete handset design, production of components to assembly. Due to the change in the smartphone system of certain customers, there was a significant drop in the Group's smartphone ODM business during the Period. This also resulted in a decelerating growth in the Group's overall results to a certain extent.

In April 2015, Mr. Wang Nianqiang was appointed as the CEO and an executive director of the Company, who is fully responsible for the operation and management of the Group. Mr. Wang is a technical specialist in the electronic industry with over 20 years of experience in management and operation in the electronic industry. The appointment of Mr. Wang as the CEO of the Company will facilitate the consistent enhancement of overall technical standard and cost control capacity, which will in turn boost the operation efficiencies and market competitiveness of the Group.

## **FUTURE STRATEGY**

Looking ahead to the second half of 2015, the global economic recovery trend is expected to stay on track. Meanwhile, China's macroeconomic outlook remains positive. In particular, new generation of information technology will deeply integrate with the manufacturing sector, bringing a healthier business environment for the domestic handset industry.

A report by IDC forecasts that the number of global smartphone users will reach 1.91 billion in 2015 and that one-third of the world's consumers will use smartphones by 2018. In China, smartphone's penetration rate continued to increase on the back of the rapid development of mobile Internet. Moreover, the development of the smartphone industry has entered into a new phase of replacement and upgrade to more technologically advanced models, and this will drive the growth in the demand for mobile telecommunication terminal products among consumers.

Emergence of new technologies and new market trends, and changing customer needs have presented both opportunities and challenges to the market. The Group believes that more overseas and domestic handset brand manufacturers will use metallic cases, and they will be committed to introducing smartphones of more models and different prices to the market and providing consumers with products with improved mechanical performance, aesthetical appeal in design, texture and signal reception in order to gain market share. At the same time, the popularity of metal cases will further increase and the handset manufacturers' requirement for better product quality will gradually become higher. It is expected that the scope of the applications of metal cases will expand and continue to develop rapidly. BYD Electronic will be committed to consolidating its first-mover advantage and leading position and expanding the scope of applications of its products so as to enhance the Group's competitiveness.

In the future, the Group will continue to strengthen its relationships with customers, capture the opportunities to introduce new products and secure contracts from domestic and overseas brand manufacturers for producing their high-end and mid-range models of smartphones so as to improve the product mix and market share. For the tablets business, the Group will further broaden the source of revenue and profit, optimize its product mix, and strengthen the capacity in product design, component manufacturing and assembly of complete handsets. In addition, the Group will firmly grasp the market opportunities for its ODM business by winning more contracts from domestic and overseas well-known brand manufacturers in order to build a diverse customer base, expand market share, boost revenue and improve profitability.



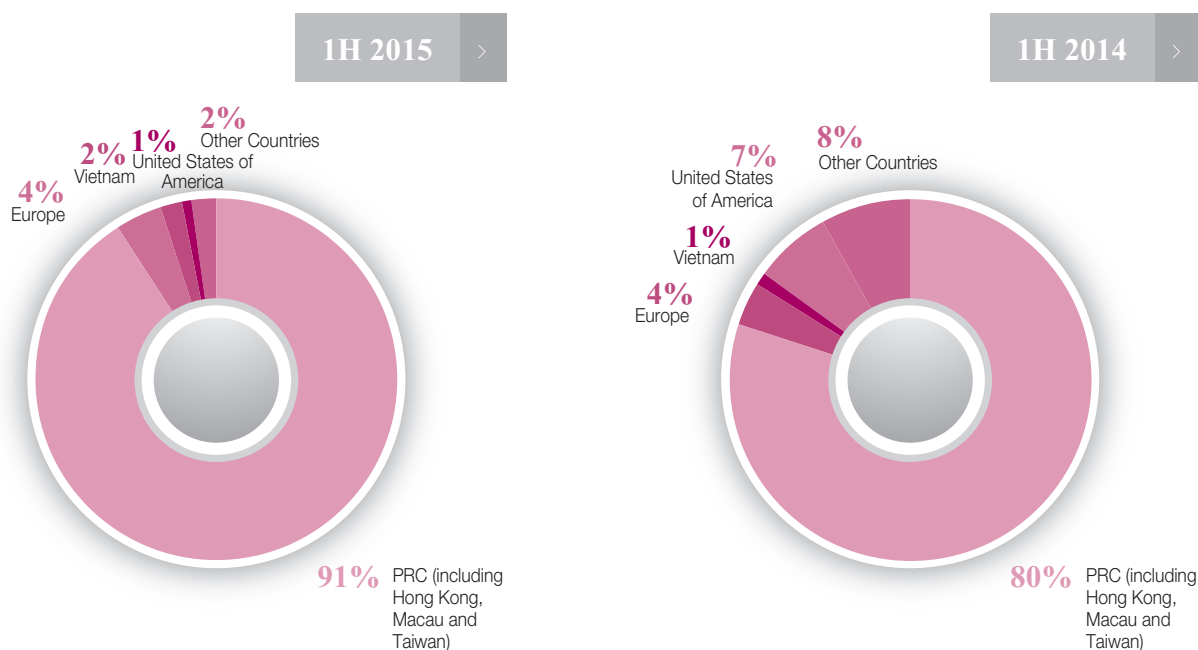
Looking ahead, BYD Electronic will continue to uphold its corporate core values, enhance the quality of production through technological innovation, strike a balance between customer satisfaction and production costs, consolidate and deepen its strategic and cooperative partnerships, actively develop the business in the relevant markets and firmly grasp the growing opportunities in the markets for handsets and tablets. All these moves will help enhance the Group's overall competitiveness. In the future, the Group will continue to promote its business integration and optimize its resource allocation. It will also concentrate on the development of its core business and deliver long-term sustainable development of the Group. Meanwhile, the Group will actively adjust its corporate structure to accommodate its strategic adjustment and business integration, with a view to improve the overall operation efficiencies and profitability of the Group and create greater return for the shareholders.

## FINANCIAL REVIEW

During the period under review, turnover recorded an increase as compared with the same period of the previous year, but profit attributable to owners of the parent recorded a year-on-year decrease, mainly due to the decline in plastic components and assembly business.

## SEGMENTAL INFORMATION

Set out below is a comparison of geographical information by customer locations of the Group for the six months ended 30 June 2014 and 2015:



## GROSS PROFIT AND MARGIN

The Group's gross profit for the Period decreased by approximately 9.03% to approximately RMB965 million. Gross profit margin decreased from approximately 11.66% in the first half of 2014 to approximately 10.10% during the Period. The decrease in gross profit margin was mainly due to the decrease in gross profit margin of plastic components and assembly business.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group recorded cash inflow in operations of approximately RMB2,130 million, compared to RMB366 million of cash outflow recorded in the first half of 2014. During the Period, the significant increase in trade and bills payables resulted in cash inflow.



The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. For the six months ended 30 June 2015, the turnover days of trade and bills receivables were approximately 91 days, while the turnover days were approximately 85 days for the six months ended 30 June 2014. The increase in turnover days of trade and bills receivables was primarily due to the increase in average balance of trade and bills receivables. Inventory turnover days increased from approximately 46 days for the six months ended 30 June 2014 to approximately 61 days for the Period. The change in inventory turnover days was primarily due to the lower year-on-year increase in cost of sales than the year-on-year increase in average inventory level.

### **CAPITAL STRUCTURE**

The duty of the Company's financial division is to oversee the Company's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As at 30 June 2015, the Group did not have any bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Group's current bank deposits and cash balances and fixed deposits as well as the Group's credit facilities and net cash generated from operating activities will be sufficient to satisfy the Group'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.

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 30 June 2015 and 31 December 2014.

### **EXPOSURE TO FOREIGN EXCHANGE RISK**

The majority of the Group's income and expenses are settled in Renminbi, US dollars and Rupees. During the Period, the Group recorded an increase in foreign exchange gain as compared to the same period of the previous year, which was mainly attributed to change in exchange rate of RMB against Rupee. During the Period, the Group 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 Group will have sufficient foreign exchange to meet its foreign exchange requirements.

### **EMPLOYMENT, TRAINING AND DEVELOPMENT**

As at 30 June 2015, the Group had over 70,000 employees. During the Period, total staff cost accounted for approximately 20.63% of the Group's turnover. Employee remuneration is determined on the basis of the employees' performance, qualification and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on their annual performance appraisal. In addition, incentives may be offered for personal drive and encouragement.

### **SHARE CAPITAL**

As at 30 June 2015, the share capital of the Company was as follows:

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

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

For the six months ended 30 June 2015, the Company did not redeem any of its shares. During the Period, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

### **CAPITAL COMMITMENTS**

As at 30 June 2015, the Company had capital commitments of approximately RMB458 million (31 December 2014: approximately RMB1,601 million).

### **CONTINGENT LIABILITIES**

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

## SUPPLEMENTARY INFORMATION

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

As at 30 June 2015, 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 Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of company	Capacity	Number of issued shares held	Approximate percentage of total issued shares of the Company
Mr. WANG Nianqiang	The Company	Beneficial Interest	8,602,000 <sup>1</sup> (long position)	0.38%
	BYD Company Limited ("BYD")	Personal Interest	19,049,740 <sup>2</sup> (long position)	0.77%
Mr. SUN Yi-zao	The Company	Beneficial Interest	5,797,000 <sup>1</sup> (long position)	0.26%
	BYD	Personal Interest	8,164,680 <sup>2</sup> (long position)	0.33%
Mr. WU Jing-sheng	The Company	Beneficial Interest	8,602,000 <sup>1</sup> (long position)	0.38%
	BYD	Personal Interest	4,420,880 <sup>2</sup> (long position)	0.18%
Mr. WANG Chuan-fu	BYD	Personal Interest	513,393,520 <sup>3</sup> (long position)	20.73%

*Notes:*

- The shares are held by Gold Dragonfly Limited, a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited as trustee of BF Trust, of which Mr. WANG Nianqiang, Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.
- These are the A shares of BYD held by Mr. WANG Nianqiang, Mr. Sun Yi-zao and Mr. Wu Jing-sheng. The total share capital of BYD as at 30 June 2015 was RMB2,476,000,000, comprising 1,561,000,000 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nianqiang, Mr. Sun Yi-zao and Mr. Wu Jing-sheng represented approximately 1.22%, 0.52% and 0.28% of the total issued A shares of BYD as of 30 June 2015.
- These are the 512,393,520 A shares and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 32.82% and approximately 0.11% of total issued A shares and H shares of BYD as of 30 June 2015, respectively.

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, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2015.



## SHARE OPTIONS

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares", at no time during the year ended 30 June 2015 was the Company, its holding company or any of its fellow subsidiaries and subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the equity holder has or is deemed to have interests or short positions	Approximate percentage of total issued shares
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest	1,481,700,000 (long position)	65.76%
BYD (H.K.) Co., Limited ("BYD H.K.")	Interest of controlled corporation <sup>1</sup>	1,481,700,000 (long position)	65.76%
BYD Company Limited ("BYD")	Interest of controlled corporation <sup>1</sup>	1,481,700,000 (long position)	65.76%
Gold Dragonfly Limited ("Gold Dragonfly")	Beneficial interest	150,320,300 (long position)	6.67%
BF Gold Dragon Fly (PTC) Limited ("BF Trustee")	Trustee <sup>2</sup>	150,320,300 (long position)	6.67%

Notes:

- 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.
- The 150,320,300 shares of the Company are held by Gold Dragonfly, a company incorporated in the British Virgin Islands and wholly-owned by BF Trustee as trustee of BF Trust, the beneficiaries of which are 32 employees of BYD, its subsidiaries and the Group. As such, BF Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

## **CORPORATE GOVERNANCE**

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE**

The Board of the Company is committed to maintaining and ensuring high standards of corporate governance practices.

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

As set out in the announcement of the Company dated 3 February 2015, following Mr. Liang's resignation: the Company had only two independent non-executive directors, which fell below the minimum number required under Rule 3.10(1) of the Listing Rules; the audit committee of the Company had a chairman and three members after the resignation of Mr. Liang, of which only two were independent non-executive directors, thus deviating from Rule 3.21 of the Listing Rules, pursuant to which the audit committee shall comprise a majority of independent non-executive directors; the remuneration committee of the Company had four members after the resignation of Mr. Liang, of which only two were independent non-executive directors, thus deviating from Rule 3.25 of the Listing Rules, which requires the remuneration committee to be chaired by an independent non-executive director and comprise a majority of independent non-executive directors. As set out in the annual report of the Company for the year ended 31 December 2014, during the year ended 31 December 2014 and up until 2 February 2015, the Company had three independent non-executive directors. However, following the resignation by Mr. Liang, the Company deviated from paragraph I(f) of the Code as the total number of independent non-executive directors was below the minimum requirement under Rule 3.10(1) of the Listing Rules. The Company took appropriate steps to identify a suitable candidate to fill the vacancy and following the appointment of Mr. Qian Jingjie as an independent non-executive director of the Company with effect from 27 April 2015, the Company has met all the requirements under Rules 3.10(1), 3.21 and 3.25 of 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 Company's code of conduct regarding securities transactions by its Directors. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code during the Period.

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

During the period from the date of publication of the latest annual report of the Company to 30 June 2015, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.





**THE BOARD'S DIVERSITY POLICY**

The Board has adopted the Diversity Policy, which sets out the approach to the diversity of Board members. In determining the Board composition, the Company considers a range of diversity elements of Board members, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. All appointments of the Board will be made based on merit and objective criteria while taking into full account of the interest of Board's diversity.

The selection of candidate will be based on a range of diversity elements. The final decision will be made according to the strengths of the candidate and his/her contribution that would bring to the Board.

**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 26 August 2015 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

**INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2014: Nil).



# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 June 2015

	Notes	For the six months ended	
		30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>9,559,840</b>	9,104,236
Cost of sales		<b>(8,594,356)</b>	(8,042,968)
Gross profit		<b>965,484</b>	1,061,268
Other income and gains	5	<b>174,788</b>	154,082
Research and development costs		<b>(305,895)</b>	(273,171)
Selling and distribution costs		<b>(91,159)</b>	(76,698)
Administrative expenses		<b>(207,983)</b>	(163,022)
Other expenses		<b>(15,470)</b>	(43,734)
Finance costs	6	<b>(1,592)</b>	(3,487)
<b>PROFIT BEFORE TAX</b>	7	<b>518,173</b>	655,238
Income tax expense	8	<b>(62,210)</b>	(65,064)
<b>PROFIT FOR THE PERIOD</b>			
Attributable to the owners of the parent		<b>455,963</b>	590,174
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
– Basic and diluted for the period	9	<b>RMB0.20</b>	RMB0.26



	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>455,963</b>	590,174
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	<b>(3,258)</b>	44,449
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(3,258)</b>	44,449
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>452,705</b>	634,623
Attributable to owners of the parent	<b>452,705</b>	634,623



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	6,297,346	4,697,261
Prepaid land lease payments		221,421	224,160
Prepayment for property, plant and equipment		297,913	464,036
Other intangible assets		18,645	20,596
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		193,482	180,457
Total non-current assets		7,428,807	5,986,510
<b>CURRENT ASSETS</b>			
Inventories	11	3,100,342	2,438,583
Trade and bills receivables	12	4,339,629	5,273,786
Prepayments, deposits and other receivables		303,381	433,359
Due from fellow subsidiaries		196,648	237,554
Due from the intermediate holding company		133,207	133,207
Due from the ultimate holding company		204,287	350,316
Pledged deposits		45,014	101,909
Short-term deposits		362,211	139,051
Cash and cash equivalents		1,704,536	1,740,182
Total current assets		10,389,255	10,847,947
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	3,547,457	5,169,794
Other payables		1,883,917	772,482
Tax payable		95,176	77,187
Due to fellow subsidiaries		1,592,316	682,824
Due to the intermediate holding company		372,883	155,276
Due to the ultimate holding company		208,396	311,682
Total current liabilities		7,700,145	7,169,245
<b>NET CURRENT ASSETS</b>		<b>2,689,110</b>	3,678,702
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,117,917</b>	9,665,212
Net assets		10,117,917	9,665,212
<b>EQUITY</b>			
Share capital and other statutory capital reserves		4,052,228	4,052,228
Other reserves		6,065,689	5,612,984
Total equity		10,117,917	9,665,212



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2015

	Share capital (Unaudited) RMB'000	Capital redemption reserve <sup>#</sup> (Unaudited) RMB'000	Share premium account <sup>#</sup> (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2014	216,999	1,670*	3,833,559*	(46,323)*	593,003*	(269,592)*	64,841	4,439,984*	8,834,141
Profit for the period	-	-	-	-	-	-	-	590,174	590,174
Exchange differences on translation of foreign operations	-	-	-	-	-	44,449	-	-	44,449
Total comprehensive income for the period	-	-	-	-	-	44,449	-	590,174	634,623
Final 2013 dividend declared **	-	-	-	-	-	-	(64,841)	(51)	(64,892)
At 30 June 2014	216,999	1,670*	3,833,559*	(46,323)*	593,003*	(225,143)*	-	5,030,107*	9,403,872
At 1 January 2015	<b>4,052,228</b>	-	-	<b>(46,323)*</b>	<b>694,326*</b>	<b>(275,326)*</b>	-	<b>5,240,307*</b>	<b>9,665,212</b>
Profit for the period	-	-	-	-	-	-	-	455,963	455,963
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,258)	-	-	(3,258)
Total comprehensive income for the period	-	-	-	-	-	(3,258)	-	455,963	452,705
At 30 June 2015	<b>4,052,228</b>	-	-	<b>(46,323)*</b>	<b>694,326*</b>	<b>(278,584)*</b>	-	<b>5,696,270*</b>	<b>10,117,917</b>

\* These reserve accounts comprise the consolidated reserves of RMB6,065,689,000 (31 December 2014: 5,612,984,000) in the interim condensed consolidated statement of financial position as at 30 June 2015.

# Include in other statutory capital reserves in the interim condensed consolidated statement of financial position.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>518,173</b>	655,238
Adjustments for:			
Finance costs	6	<b>1,592</b>	3,487
Interest income	5	<b>(41,166)</b>	(59,604)
Loss on disposal of items of property, plant and equipment	7	<b>1,813</b>	3,838
Depreciation	7	<b>560,914</b>	414,349
Amortisation of intangible assets	7	<b>2,594</b>	1,305
Recognition of prepaid land lease payments		<b>2,464</b>	2,471
Impairment of trade receivables	7	<b>10,969</b>	29,977
Impairment of trade receivables reversed	7	<b>(1,818)</b>	(364)
Write-down of inventories to net realisable value	7	<b>32,431</b>	39,223
		<b>1,087,966</b>	1,089,920
Increase in inventories		<b>(697,126)</b>	(171,108)
Decrease/(increase) in trade and bills receivables		<b>925,014</b>	(1,732,864)
Decrease in prepayments, deposits and other receivables		<b>129,968</b>	168,205
Decrease/(increase) in amounts due from fellow subsidiaries		<b>40,906</b>	(34,073)
Decrease/(increase) in an amount due from the ultimate holding company		<b>146,029</b>	(24,175)
Decrease in trade and bills payables		<b>(1,622,337)</b>	(343,267)
Increase in other payables		<b>1,111,435</b>	20,294
Increase in an amount due to fellow subsidiaries		<b>909,492</b>	19,860
Increase in an amount due to the intermediate holding company		<b>217,607</b>	–
Decrease/(increase) in an amount due to the ultimate holding company		<b>(103,286)</b>	639,398
Cash (used in)/generated from operations		<b>2,145,668</b>	(367,810)
Interest received	5	<b>41,166</b>	59,604
Tax paid		<b>(57,246)</b>	(58,117)
Net cash flows (used in)/from operating activities		<b>2,129,588</b>	(366,323)



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(2,005,536)	(253,200)
Additions to prepaid land lease payments		–	(33)
Additions to other intangible assets		(643)	(831)
Proceeds from disposal of items of property, plant and equipment		1,989	12,368
Increase in short term deposits		(223,160)	(112,851)
Decrease/(increase) in pledged deposits		56,895	37,565
Net cash flows used in investing activities		(2,170,455)	(316,982)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(1,592)	(3,487)
Net cash flows used in financing activities		(1,592)	(3,487)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of period		1,740,182	2,375,234
Effect of foreign exchange rate changes, net		6,813	28,796
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,704,536</b>	<b>1,717,238</b>



## 1. CORPORATION INFORMATION

BYD Electronic (International) Company Limited (“The Company”) was incorporated in Hong Kong with limited liability on 14 June 2007.

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

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

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

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. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No.34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new standards and interpretations as noted below.

Amendments to HKAS 19	<i>Defined benefit plans: Employee contributions</i>
<i>Annual Improvements</i>	<i>Amendments to a number of HKFRSs</i>
<i>2010-2012 Cycle</i>	
<i>Annual Improvements</i>	<i>Amendments to a number of HKFRSs</i>
<i>2011-2013 Cycle</i>	

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

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



#### 4. SEGMENT INFORMATION

For management purposes, the group has only one operating segment which is the manufacture, assembly and sales of mobile handset components and modules. Since this is the only operating segment of the Group, no further analysis thereof is presented. The segment performance is evaluated based on the revenue and profit before tax which is consistent with the Group's revenue and profit before tax.

#### 5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
<b>Revenue</b>		
Sales of mobile handset components and modules	5,855,427	4,213,654
Assembly services income	3,704,413	4,890,582
	<b>9,559,840</b>	9,104,236

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
<b>Other income and gains</b>		
Bank interest income	41,166	59,604
Gain on disposal of scrap and materials	97,089	58,661
Others	36,533	35,817
	<b>174,788</b>	154,082

#### 6. FINANCE COSTS

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Interest on factored trade receivables	1,592	3,487

## 7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Cost of inventories sold	5,022,325	3,441,413
Cost of services provided	3,569,138	4,562,332
Depreciation	560,914	414,349
Amortisation of other intangible assets	2,594	1,305
Impairment of trade receivables	10,968	29,977
Impairment losses of trade receivables reversed	(1,818)	(364)
Write-down of inventories to net realisable value	32,431	39,223
Loss on disposal of items of property, plant and equipment	1,813	3,838

## 8. INCOME TAX

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Current-Mainland China	75,235	76,630
Deferred	(13,025)	(11,566)
Total tax charge for the period	62,210	65,064

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

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy reduced enterprise income tax rates of 15% of the estimated assessable profits for the period.

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

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

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

	<b>For the six months ended</b>	
	<b>30 June 2015</b>	30 June 2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000

**Earnings**

Profit attributable to ordinary equity holders of the Company,  
as in the basic earnings per share calculation

	<b>455,963</b>	590,174
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	<b>For the six months ended</b>	
	<b>30 June 2015</b>	30 June 2014

**Shares**

Number of ordinary shares in issue during the period	<b>2,253,204,500</b>	2,253,204,500
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No diluted earnings per share amount has been presented for the period as no diluting events existed during these period.

**10. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB2,171,660,000 (six months ended 30 June 2014: RMB224,385,000) on additions to property, plant and equipment.

Assets with a net book value of RMB7,021,000 were disposed of by the group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB16,206,000) resulting in a net loss on disposal of RMB1,813,000 (six months ended 30 June 2014: loss of RMB3,838,000).

**11. INVENTORIES**

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Raw materials	<b>1,350,696</b>	1,105,864
Work-in-progress	<b>7,864</b>	12,377
Finished goods	<b>1,728,066</b>	1,305,361
Mould held for production	<b>13,716</b>	14,981
	<b>3,100,342</b>	2,438,583



## 12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 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. Trade receivables are non-interest-bearing.

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

	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000
Within 90 days	<b>3,988,425</b>	4,919,235
91 to 180 days	<b>313,903</b>	281,710
181 to 360 days	<b>37,301</b>	72,841
	<b>4,339,629</b>	5,273,786

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

## 13. TRADE AND BILLS PAYABLES

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

	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000
Within 90 days	<b>2,938,807</b>	4,247,293
91 to 180 days	<b>572,098</b>	887,953
181 to 360 days	<b>30,650</b>	18,044
1 to 2 years	<b>3,688</b>	14,036
Over 2 years	<b>2,214</b>	2,468
	<b>3,547,457</b>	5,169,794

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

#### 14. CONTINGENT LIABILITIES

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 Company and certain subsidiaries of the Group (the “Defendants”) for using confidential information alleged to have been 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 Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs’ handset production system and using the Plaintiffs’ confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the “October 2007 Action”). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same grounds 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 included 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 Company has given an indemnity in favour of 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 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. The service of writs on all of the Defendants has been duly acknowledged.



#### 14. CONTINGENT LIABILITIES (CONTINUED)

On 2 November 2007, the Company and its fellow subsidiary, BYD Hong Kong Limited (“BYD Hong Kong”), 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 turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiffs is to be borne by the Company and BYD Hong Kong. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff.

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, 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 follows: The Company 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 Company or any similar wording to discredit the Company. 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, interest, costs and other relief caused by their collusion.

On 21 January 2010, the Plaintiffs based on no reasonable cause of action and other reasons applied to the court for rejecting the contents of some paragraphs in the defendant’s counterclaim. On 24 August 2010, the court made a judgement dismissing the application for elimination. On 28 September 2010, the Plaintiffs appealed against the aforesaid judgement. On 31 December 2010, the Court granted leave for the appeal application. In response to the appeal application, the court held hearings on 16 September 2011 and 24 May 2012. On 20 June 2012, the court handed down the judgement to dismiss the appeal relating to the elimination request from the appellant.

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.

**14. CONTINGENT LIABILITIES (CONTINUED)**

On 6 June 2013, Hong Hai Precision Industry Co., Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industrial (Shenzhen) Co., Ltd. (defendants of the counterclaim) replied to the counterclaim from the Defendants and argued that the alleged intervention in the operations of the Defendants and the collusions were not actionable pursuant to the PRC laws, and the alleged charges of written and verbal defamation were legal disclosures under Taiwanese laws, therefore, the counterclaim made by the Defendants against them was groundless. On 27 June 2013, the Defendants made an application to the High Court for raising a defence against the reply from the defendants of the counterclaim. On 6 December 2013, BYD submitted a response against the above-mentioned defence of Foxconn. Both parties exchanged their respective evidence list on 4 July 2014.

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

**15. COMMITMENTS**

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

	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	<b>398,023</b>	1,473,376
Building	<b>60,303</b>	127,508
	<b>458,326</b>	1,600,884



## 16. RELATED PARTY TRANSACTIONS

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

Nature of Transaction	Note	Related parties	For the six months ended	
			30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Purchases of plant and machinery	(i)	Ultimate holding company	1,607	3,477
		Fellow subsidiaries	52,420	16,729
Sales of plant and machinery	(i)	Ultimate holding company	25,078	–
		Fellow subsidiaries	64,550	27,397
Purchases of inventories	(ii)	Ultimate holding company	119,757	155,063
		Fellow subsidiaries	625,698	461,845
Sales of inventories	(ii)	Ultimate holding company	22,903	124,675
		Fellow subsidiaries	132,129	43,535
Ancillary expenses paid to	(iii)	Ultimate holding company	49,465	138,871
		Fellow subsidiaries	138,348	4,186
Exclusive Processing Service received by	(iv)	Ultimate holding company	898	1,335
		Fellow subsidiaries	3,739	18,295
Exclusive Processing Service provided by	(iv)	Ultimate holding company	1,970	–
		Fellow subsidiaries	43,334	–
Service fee for procurement service	(v)	Intermediate holding company	2,065	–
		Fellow subsidiaries	4,949	–
Interest received from	(vi)	Ultimate holding company	12,074	14,793

Notes:

- (i) The sales and purchases of plant and machinery were made at net book values.
- (ii) The sales and purchases of inventories were conducted at the then prevailing market prices in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iii) 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.



**16. RELATED PARTY TRANSACTIONS (CONTINUED)**

(a) (continued)

Notes: (continued)

- (iv) The processing service fees and revenue were charged for the depreciation of the relevant machinery and equipment during the reporting period.
- (v) The agent fee for procurement service is charged on certain percentage of the total amount of procurement conducted by the intermediate holding company and fellow subsidiaries on behalf of the Group. For the period ended 30 June 2015, the total amount of procurement conducted is RMB2,191,681,000 (For the six months ended 30 June 2014: Nil).
- (vi) On 28 November 2014, BYD Precision, a wholly-owned subsidiary of the Company extended entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), through China Construction Bank, in order to satisfy the need for further working capital of BYD. The loans were unsecured, bear interest at 10% above the prime rate of three-year loans, with a three-year term from 28 November 2014 to 27 November 2017. For the six months ended 30 June 2015, the interest received from the ultimate holding company relating to the entrusted loans was RMB12,074,000.

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

	<b>For the six months ended</b>	
	<b>30 June 2015 (Unaudited) RMB'000</b>	30 June 2014 (Unaudited) RMB'000
Short term employee benefits	<b>8,248</b>	7,376
Pension scheme contributions	<b>90</b>	108
	<b>8,338</b>	7,484

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.

**17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	<b>Carrying amounts</b>		<b>Fair values</b>	
	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000	<b>30 June 2015 (Unaudited) RMB'000</b>	31 December 2014 (Audited) RMB'000
Financial assets				
Loan to the ultimate holding company	<b>400,000</b>	400,000	<b>400,000</b>	400,000

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of short term deposits, cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, amounts due from/to subsidiaries, amounts due from/to the ultimate holding company and the immediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the loan to the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the loan to the ultimate holding company as at 30 June 2015 was assessed to be insignificant

## 18. INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2014: Nil).

## 19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2015.