



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

(Stock Code 股份代號 : 285)



A Vision For **Future**

Interim Report

2017 年中期報告

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Revenue	13.18%	to RMB17,526 million
Gross profit	70.90%	to RMB2,114 million
Profit attributable to owners of the parent	118.97%	to RMB1,322 million
Earnings per share	118.97%	to RMB0.59

HIGHLIGHTS

- Metal component and assembly business developed quickly, driving an increase in income of the Group
- Successfully improved the scale and yield of metal components sales, leading to a substantial increase in the Group's earning
- Actively expanded the 3D glass casing business, bringing new source of growth for the Group

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

For the six months ended 30 June 2017 (the “Period”), the global economy experienced modest recovery under a backdrop of a number of uncertainties. While advanced economies experienced an overall smooth recovery, the trend of emerging markets and developing economies continued to become divided, where China continued to lead in its growth. For the first half of 2017, the economic structural adjustment continued to be optimized in the PRC, the effectiveness of the structural reform of the supply side had gradually become evident, GDP growth amounted to 6.9% year-on-year and the national economy displayed stability and improvement.

According to the statistics provided by IDC, a globally recognized market research institution, global smartphone shipments increased by 1.5% year on year to 689 million units in the first half of 2017 and the growth rate slightly rebounded from the same period last year. Although the overall growth rate was still low, high-end smartphone demand remained robust, bringing structural opportunities for the industry.

In China, the smartphone market was saturated and the market competition was increasingly intense. In the first half of 2017, smartphone shipments fell for the first time year on year. According to data released by the China Information and Communications Research Institute, China’s mobile phone shipments in the first half of 2017 was 239 million units, down 5.9% year on year. Among them, smartphone shipments fell 3.9% to 226 million units. However, product competitiveness of domestic mobile phone brands continued to improve by accurately grasping the consumer preferences and the overall advantages of product performance and the market share reached 90.5% during the Period. In the first half of 2017, among the top five mobile phone brands in the global smartphone sales, three of them were China’s own brands and the global mobile phone market presented a new pattern.

Regarding the use of materials, with rising consumer demand for smartphone aesthetics, the metal casings and metal frames have become increasingly popular among consumers due to the beautiful, thin, sensitive touch and other advantages, and have gradually become the mainstream choice for the mid-and high-end smartphones. During the Period, metal parts were widely used in mobile intelligent terminals and consumer electronics products; the market penetration continued to rise and the market size experienced constant expansion. Suppliers who have comprehensive technologies and a base of diverse customers have great opportunity for development.

BUSINESS REVIEW

BYD Electronic (International) Company Limited (“BYD Electronic” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) is a supplier of handset components and assembly services in China with leading technological strengths and cost competitiveness. The Company adopts an operating strategy of providing one-stop services with vertical integration capabilities, and provides handset manufacturers of different brands with various services including the manufacture of handset components and handset design and assembly services. It also provides such services as product design, parts manufacturing and assembly for manufacturers of other electronic products. During the Period, the Group’s revenue increased by approximately 13.18% year on year to approximately RMB17,526 million, and profit attributable to the shareholders of the Company increased by approximately 118.97% year on year to approximately RMB1,322 million as compared with the same period of 2016.

In the first half of 2017, metal parts continued to be popular among consumers. Many domestic and foreign smartphone brand manufacturers have increased the use of metal casings and metal frame, and applied them to more mobile intelligent terminal products. The market capacity of metal parts continued to improve to promote the Group’s metal parts orders constantly growing. During the Period, the Group continued to maintain close business relationship with leading handset brands in both domestic and overseas markets and successively received orders from several high-end flagship models to promote the constant growth of income from metal parts business and the continuous improvement of the Group’s industry status. At the same time, the Group increased production capacity, improved production efficiency and yield levels; metal parts business profitability has also been significantly improved to promote the Group’s earnings to achieve significant growth. During the Period, the Group’s income from the metal parts business increased significantly by 26.49% to RMB6 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding the use of materials, the Group grasped the latest trends in the development of the industry, and actively invested resources in the research and development of new materials and technologies, including 3D glass and ceramics, to be fully prepared for a wide range of product needs of customers. Some smartphones began to use 3D glass as casing based on the considerations of wireless charging and radio frequency signals. In the face of new market demand, the Group actively expanded the 3D glass casing production capacity during the Period to broaden the sources of revenue and profit with more abundant product lines.

During the Period, the Group's assembly business achieved good development, continued to receive smartphone EMS orders from the leading brand manufacturers, and actively expanded new business field. As a global leader in the design, component production and assembly of consumer electronics products, the Group has expanded its business scope from mobile intelligent terminals to automotive electronics, unmanned aerial vehicles and other intelligent hardware business in a bid to add new impetus to its sustainable development.

FUTURE STRATEGY

Looking into the second half of the year, the global economic growth situation is still full of uncertainty. China's constant supply side structural reform has achieved initial success and the national economy is expected to hold steady with continuous positive momentum. With the global economic recovery and emerging market growth, as well as the launch of more new smartphones, IDC predicts that the global smartphone shipments year-on-year growth rate is expected to reach 3.0% at the end of 2017.

In the field of smartphones, metal parts are expected to remain the mainstream of the industry trend and penetration will continue to improve. In the second half of the year, the Group will continue to expand the application scope of metal parts to promote the continuous growth of the metal parts business. In addition, in order to meet the market demand for the diversified appearance of mobile phones, the Group will actively expand new products, including glass, ceramics, and new technologies, improve product yield and expand production capacity to become the world's leading supplier of 3D glass casings and provide customers with more diversified solutions.

Looking ahead, the Group will continue to maintain solid relationships with the existing well-known mobile phone brands in both domestic and overseas markets in order to gain more parts and assembly business orders and seek more diversified business cooperation in the smartphone industry chain. On the other hand, the Group will continue to develop new customer in both domestic and overseas markets so as to optimize the customer structure while broadening the income and enhance market share. At the same time, the Group will set up efforts to develop the market, and actively develop automotive electronics, unmanned aerial vehicles and other smart hardware business so as to foster new growth drivers for its sustainable development going forward.

BYD Electronic will adhere to its core values and positioning, firmly grasp the opportunities for the development of the industry, consolidate and deepen the strategic cooperation with the existing partners in both domestic and overseas markets, accelerate its technological innovation and improve product competitiveness to provide customers with cost-effective innovative products. At the same time, it will continue to increase production capacity and exert the cost advantage to lay a solid foundation for its long-term development with an aim to generate good returns to shareholders.

FINANCIAL REVIEW

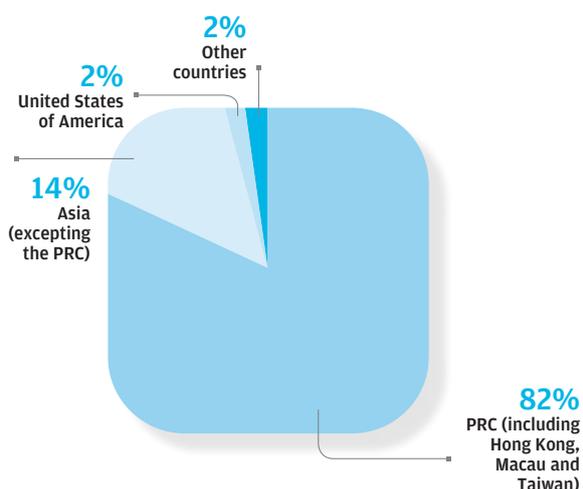
During the Period, the increase in revenue was mainly due to the growth in metal component and assembly business. Profit attributable to owners of the parent recorded a sharp increase as compared with the same period of the previous year, mainly due to the increase in the income from and the improvement of profitability of metal components.

MANAGEMENT DISCUSSION AND ANALYSIS

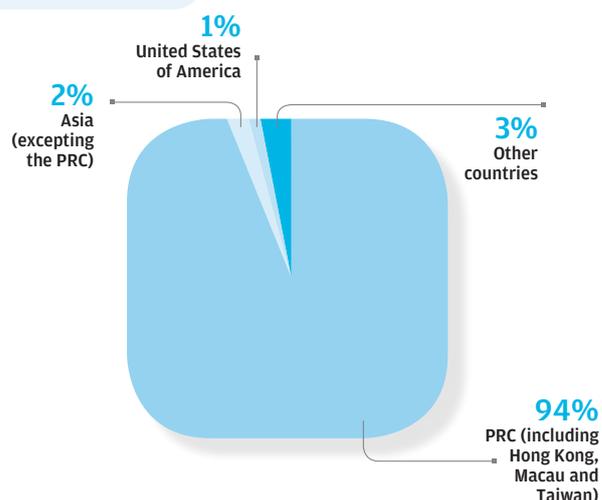
SEGMENTAL INFORMATION

Set out below is a comparison of geographical information by customer locations of the Group for the six months ended 30 June 2017 and 2016:

1H 2017



1H 2016



GROSS PROFIT AND MARGIN

The Group's gross profit for the Period increased by approximately 70.90% to approximately RMB2,114 million. Gross profit margin increased from approximately 7.99% in the first half of 2016 to approximately 12.06% during the Period. The increase in gross profit margin was mainly due to the increase in proportion to revenue and earnings of metal components.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group recorded cash inflow in operations of approximately RMB465 million, compared to approximately RMB1,233 million of cash inflow recorded in the first half of 2016. During the Period, funds were obtained from the net cash derived from the Company's operations.

The Company possessed sufficient liquidity to meet the daily liquidity management and capital expenditure requirements and control internal operating cash flows. For the six months ended 30 June 2017, the turnover days of trade and bills receivables were approximately 86 days, while the turnover days were approximately 80 days for the six months ended 30 June 2016, mainly due to the increase in the average trade and bills receivables in the same period higher than the increase in revenue in the same period. Inventory turnover days decreased from approximately 52 days for the six months ended 30 June 2016 to approximately 47 days for the Period, mainly due to the increase in sales cost in the same period higher than the increase in the average stock in the same period.

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 2017, 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 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 2017 and 31 December 2016.

EXPOSURE TO FOREIGN EXCHANGE RISK

The majority of the Group's income and expenses are settled in Renminbi and US dollars. 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 2017, the Group had approximately 72,000 employees. During the Period, total staff cost accounted for approximately 14.73% of the Group's revenue. 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 2017, the share capital of the Company was as follows:

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

CAPITAL COMMITMENTS

As at 30 June 2017, the Company had capital commitments of approximately RMB533 million (31 December 2016: approximately RMB476 million).

CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLEMENTARY INFORMATION

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

As at 30 June 2017, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary 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 were 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 owner and beneficiary	16,002,000 ¹ (long position)	0.71%
	BYD Company Limited ("BYD")	Beneficial owner	19,049,740 ² (long position)	0.70%
Mr. WANG Bo	The Company	Beneficiary	2,805,000 ³ (long position)	0.12%
Mr. WU Jing-sheng	The Company	Beneficiary	8,602,000 ³ (long position)	0.38%
	BYD	Beneficial owner	4,457,580 ² (long position)	0.16%
Mr. WANG Chuan-fu	BYD	Beneficial owner	517,351,520 ⁴ (long position)	18.96%

Notes:

- Of which 7,400,000 shares are held by Mr. WANG Nianqiang, while 8,602,000 shares are held by Gold Dragonfly Limited ("Gold Dragonfly"), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited ("BF Trustee") as trustee of BF Trust, of which Mr. WANG Nianqiang is a beneficiary.

2. These are the A shares of BYD held by Mr. WANG Nianqiang and Mr. WU Jing-sheng. The total share capital of BYD as at 30 June 2017 was RMB2,728,142,855, comprising 1,813,142,855 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 and Mr. WU Jing-sheng represented approximately 1.05% and 0.25% of the total issued A shares of BYD as of 30 June 2017.
3. These are held by Gold Dragonfly, which is wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. WANG Bo and Mr. WU Jing-sheng are beneficiaries.
4. These are the 512,623,820 A shares, 3,727,700 A shares held through E Fund Asset BYD Zengchi No.1 Assets Management Plan and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.48% and approximately 0.11% of total issued A shares and H shares of BYD as of 30 June 2017, 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 2017.

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 2017 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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	1,481,700,000 (long position)	65.76%
BYD (H.K.) Co., Limited ("BYD H.K.")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
BYD Company Limited ("BYD")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
Gold Dragonfly	Beneficial interest ²	137,081,650 (long position)	6.08%
BF Trustee	Trustee ²	137,081,650 (long position)	6.08%

Notes:

1. BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.
2. These are held by Gold Dragonfly, a company 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 2017, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CODE”)

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

The Board puts emphasis on maintaining a quality Board with 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Period.

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 2017, 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 2017, 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 28 August 2017 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.

The audit committee has reviewed the unaudited results of the Group for the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the Period (six months ended 30 June 2016: payment of cash dividend of RMB0.067 (including tax) per share).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Six Months Ended 30 June 2017

	Notes	For the six months ended	
		30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
REVENUE	5	17,525,878	15,484,424
Cost of sales		(15,412,296)	(14,247,719)
Gross profit		2,113,582	1,236,705
Other income and gains	5	218,151	182,703
Government grants and subsidies		42,069	8
Research and development costs		(454,644)	(381,474)
Selling and distribution costs		(111,580)	(89,547)
Administrative expenses		(210,439)	(227,591)
Other expenses		(46,715)	(14,019)
Finance costs	6	(20,396)	(8,691)
PROFIT BEFORE TAX	7	1,530,028	698,094
Income tax expense	8	(207,869)	(94,288)
PROFIT FOR THE PERIOD			
Attributable to the owners of the parent		1,322,159	603,806
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted for the period	9	RMB0.59	RMB0.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2017

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	1,322,159	603,806
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	7,794	40,011
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	7,794	40,011
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,329,953	643,817
Attributable to owners of the parent	1,329,953	643,817

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,758,816	6,396,606
Prepaid land lease payments		213,256	215,155
Prepayment for property, plant and equipment		603,776	398,569
Other intangible assets		22,927	24,938
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		226,788	215,990
Available-for-sale investments		13,779	–
Total non-current assets		8,239,342	7,651,258
CURRENT ASSETS			
Inventories	11	4,302,456	3,337,732
Trade and bills receivables	12	7,181,261	9,394,599
Prepayments, deposits and other receivables		383,604	397,974
Short-term deposits		–	247,360
Cash and cash equivalents		2,646,708	2,966,064
Total current assets		14,514,029	16,343,729
CURRENT LIABILITIES			
Trade and bills payables	13	7,654,097	10,118,810
Other payables		1,864,583	1,998,659
Due to related parties		–	2,760
Tax payable		225,962	120,536
Deferred income		222	–
Total current liabilities		9,744,864	12,240,765
NET CURRENT ASSETS		4,769,165	4,102,964
TOTAL ASSETS LESS CURRENT LIABILITIES		13,008,507	11,754,222
NON-CURRENT LIABILITIES			
Deferred income		79,803	–
Total non-current liabilities		79,803	–
Net assets		12,928,704	11,754,222
EQUITY			
Share capital and other statutory capital reserves		4,052,228	4,052,228
Other reserves		8,876,476	7,701,994
Total equity		12,928,704	11,754,222

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2017

	Attributable to owners of the parent					
	Share capital	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	4,052,228	(46,323)*	731,431*	(300,904)*	6,111,347*	10,547,779
Profit for the period	-	-	-	-	603,806	603,806
Exchange differences on translation of foreign operations	-	-	-	40,011	-	40,011
Total comprehensive income for the period	-	-	-	40,011	603,806	643,817
At 30 June 2016	4,052,228	(46,323)*	731,431*	(260,893)*	6,715,153*	11,191,596
At 1 January 2017	4,052,228	(46,323)*	823,297*	(176,987)*	7,102,007*	11,754,222
Profit for the period	-	-	-	-	1,322,159	1,322,159
Exchange differences on translation of foreign operations	-	-	-	7,794	-	7,794
Total comprehensive income for the period	-	-	-	7,794	1,322,159	1,329,953
2016 Final dividend declared	-	-	-	-	(155,471)	(155,471)
At 30 June 2017	4,052,228	(46,323)*	823,297*	(169,193)*	8,268,695*	12,928,704

* These reserve accounts comprise the consolidated reserves of RMB8,876,476,000 (31 December 2016: RMB7,701,994,000) in the interim condensed consolidated statement of financial position as at 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,530,028	698,094
Adjustments for:			
Finance costs	6	20,396	8,691
Interest income	5	(30,773)	(58,989)
Government grants and subsidies		(288)	(8)
Loss on disposal of items of property, plant and equipment	7	18,969	2,292
Depreciation	7	764,194	847,281
Amortisation of intangible assets	7	3,999	5,338
Recognition of prepaid land lease payments		2,473	2,465
Impairment of trade receivables	7	11,629	5,998
Impairment losses of trade receivables reversed	7	(15,815)	(310)
Impairment of inventories	7	65,006	20,429
		2,369,818	1,531,281
Increase in inventories		(1,029,875)	(155,888)
Decrease in trade and bills receivables		2,217,525	2,132,217
Decrease in prepayments, deposits and other receivables		14,370	92,072
Decrease in trade and bills payables		(2,754,445)	(2,059,111)
Decrease in an amount due from the related party		–	3,669
Decrease in other payables		(267,336)	(227,469)
Decrease in an amount due to the related party		(2,760)	(24,822)
Cash generated from operations		547,297	1,291,949
Interest received	5	30,773	58,989
Tax paid		(113,242)	(118,378)
Net cash flows from operating activities		464,828	1,232,560

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Net cash flows from operating activities		464,828	1,232,560
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,031,836)	(1,001,969)
Additions to prepaid land lease payments		(72,991)	–
Additions to other intangible assets		(1,987)	(16,533)
Proceeds from disposal of items of property, plant and equipment		25,891	50,009
Receipt of government grants		80,313	–
Purchases of available-for-sale investments		(13,779)	–
Investment in short-term deposits		–	(124,305)
Withdrawal of short-term deposits		247,360	152,205
Decrease in pledged deposits		–	1,155
Net cash flows used in investing activities		(767,029)	(939,438)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(20,396)	(8,691)
Net cash flows used in financing activities		(20,396)	(8,691)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		2,966,064	1,958,902
Effect of foreign exchange rate changes, net		3,241	35,628
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,646,708	2,278,961

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

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 2017 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 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the new standards and interpretations as noted below.

Amendments to IAS 7	Disclosure initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrecognised Losses
Annual Improvements 2014-2016 Cycle	Clarification of the scope of disclosure requirements in IFRS 12

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

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.

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

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Revenue		
Sales of mobile handset components and modules	7,905,580	6,787,375
Assembly services income	9,620,298	8,697,049
	17,525,878	15,484,424

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Other income and gains		
Bank interest income	30,773	58,989
Gain on disposal of scrap and materials	129,632	86,600
Others	57,746	37,114
	218,151	182,703

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

6. FINANCE COSTS

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Interest on factored trade receivables	20,396	8,691

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Cost of inventories sold	5,795,478	5,596,127
Cost of services provided	9,551,812	8,631,163
Depreciation	764,194	847,281
Amortization of other intangible assets	3,999	5,338
Impairment of trade receivables	11,629	5,998
Impairment losses of trade receivables reversed	(15,815)	(310)
Impairment of inventories	65,006	20,429
Loss on disposal of items of property, plant and equipment	18,969	2,292

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

8. INCOME TAX

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Current-Mainland China	218,667	91,778
Deferred	(10,798)	2,510
Total tax charge for the period	207,869	94,288

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, 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.

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, as in the basic earnings per share calculation	1,322,159	603,806

	For the six months ended	
	30 June 2017	30 June 2016
Shares		
Number of ordinary shares in issue during the period	2,253,204,500	2,253,204,500

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB1,167,140,000 (six months ended 30 June 2016: RMB582,546,000) on additions to property, plant and equipment.

Assets with a net book value of RMB44,860,000 were disposed of by the group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB52,301,000) resulting in a net loss on disposal of RMB18,969,000 (six months ended 30 June 2016: RMB2,292,000).

11. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Raw materials	1,922,333	1,490,321
Work-in-progress	148,034	100,114
Finished goods	2,212,787	1,727,848
Mould held for production	19,302	19,449
	4,302,456	3,337,732

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally one 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 and bills receivables as at the end of reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 90 days	6,775,041	9,001,700
91 to 180 days	365,414	381,617
181 to 360 days	40,806	11,282
	7,181,261	9,394,599

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

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:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within 90 days	6,253,367	9,049,082
91 to 180 days	608,387	633,316
181 to 360 days	408,574	406,960
1 to 2 years	382,410	26,471
Over 2 years	1,359	2,981
	7,654,097	10,118,810

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days.

14. CONTINGENT LIABILITIES

Action in relation to Foxconn

On 11 June 2007, a Hong Kong High 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 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 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. 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 total damages sought by the Plaintiffs in the October 2007 Action have not been quantified.

On 2 October 2009 the Defendants instituted a counter-action against Foxconn International Holdings Limited and certain of its affiliates for their intervention, by means of illegal measures, in the operations involving the Company and certain of its subsidiaries, collusions, written and verbal defamation, and the economic loss as a result of the said activities.

As at reporting date, the case remains in the process of legal proceedings. With assistance from the Company's legal counsel representing the Company for the case, the Board is of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

15. COMMITMENTS

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	488,356	425,028
Buildings	44,552	51,137
	532,908	476,165

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 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Purchases of plant and machinery	(i) Ultimate holding company Fellow subsidiaries	66 49,988	198 64,324
Sales of plant and machinery	(i) Ultimate holding company Fellow subsidiaries	5,110 3,035	22,187 26,763
Purchases of inventories	(ii) Ultimate holding company Fellow subsidiaries	6,700 281,674	17,991 535,828
Sales of inventories	(ii) Ultimate holding company Fellow subsidiaries	18,779 76,480	13,619 241,526
Leasing and ancillary expenses paid	(iii) Ultimate holding company Fellow subsidiaries	62,891 272,665	47,428 147,417
Exclusive Processing Service received	(iv) Ultimate holding company Fellow subsidiaries	173,278 22,061	50 140,834
Exclusive Processing Service provided	(iv) Ultimate holding company Fellow subsidiaries	26,475 4,835	6,240 4,192
Agent fee for procurement service	(v) Intermediate holding company Fellow subsidiaries	20,465 4,071	6,380 2,960
Interest received from	(vi) Ultimate holding company	11,545	11,389

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

16. RELATED PARTY TRANSACTIONS (Continued)

(a) (continued)

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.
- (iv) The processing service fees/revenue were charged/received 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 provided by the intermediate holding company ("BYD H.K.") and fellow subsidiaries on behalf of the Group. For the period ended 30 June 2017, the total amount of procurement conducted is RMB6,077,105,000 (For the six months ended 30 June 2016: RMB4,666,195,000).
- (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 2017, the interest received from the ultimate holding company relating to the entrusted loans was RMB11,545,000 (For the six months ended 30 June 2016: RMB11,389,000).

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

	For the six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Short term employee benefits	6,243	7,626
Pension scheme contributions	39	64
	6,282	7,690

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2017

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

	Carrying amounts		Fair values	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Financial assets				
Loan to the ultimate holding company	400,000	400,000	400,000	400,000

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 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 2017 was assessed to be insignificant.

18. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on 28 August 2017.



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