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

(Stock Code 股份代號: 285)

ANNUAL REPORT
2015 年年報

A VISION FOR FUTURE

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"; together with its subsidiaries known as the "Group"; stock code: 0285) was spun off from BYD Company Limited ("BYD", stock code: 1211) and listed on the Main Board of the Hong Kong Stock Exchange on 20 December 2007. It is a world-leading provider of handset design, components manufacturing and complete handset assembly services. The Company provides vertically integrated one-stop services to global leading handsets brands (original equipment manufacturers ("OEMs")). Its highly vertically integrated capability enhances its ability to provide customers with a full range of services, and quickly and efficiently respond to changing demands.

比亞迪電子（國際）有限公司（「比亞迪電子」或「本公司」，連同其附屬公司統稱「本集團」；股份代號：0285）於二零零七年十二月二十日由比亞迪股份有限公司（「比亞迪」；股份代號：1211）分拆於香港聯合交易所主板獨立上市。比亞迪電子是一家國際領先的手機設計、部件生產及整機組裝服務供應商。公司為全球知名手機品牌廠商（即原設備製造商或 OEM）提供垂直整合的一站式服務。公司的高度垂直整合能力使得公司可以為客戶提供全面的服務，更快和更有效率地迎合市場不斷變化的需求。

CONTENTS

FINANCIAL HIGHLIGHTS

FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

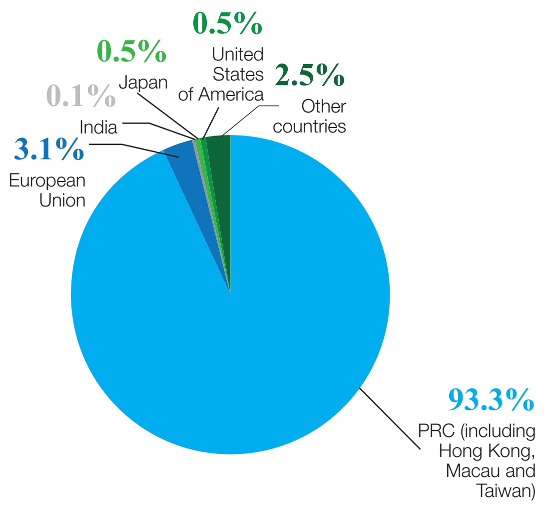
	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**29,285,830**	19,832,127	16,062,179	14,090,909	15,868,300
Gross profit	**1,903,545**	2,105,162	1,679,002	1,190,104	1,730,368
Gross profit margin (%)	**7**	11	10	8	11
Profit attributable to equity holders of the parent	**908,145**	901,697	648,405	378,946	602,806
Net profit margin (%)	**3**	5	4	3	4

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets	**10,547,779**	9,665,212	8,834,141	8,254,418	7,991,533
Total assets	**22,244,401**	16,834,457	13,876,605	11,888,796	12,577,848
Gearing ratio (%) (Note)	**-19**	-18	-27	-26	-26
Current ratio (times)	**1.24**	1.51	1.74	1.98	1.72
Account and bills receivable turnover (days)	**86**	90	70	80	83
Inventory turnover (days)	**44**	47	48	52	49

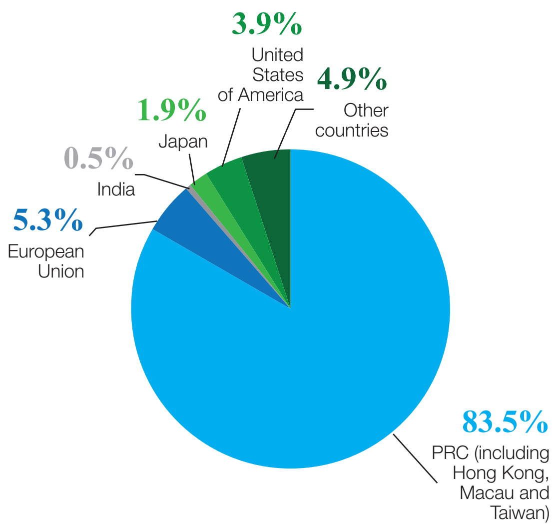
Note: Gearing ratio = Total interest-bearing bank borrowings net of cash and bank balances/equity

TURNOVER BREAKDOWN BY LOCATION OF CUSTOMERS

2015



2014



EXECUTIVE DIRECTORS
Wang Nian-qiang
Sun Yi-zao

NON-EXECUTIVE DIRECTORS
Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS
Chung Kwok Mo John
Antony Francis MAMPILLY
Qian Jing-jie

COMPANY SECRETARIES
Li Qian
Cheung Hon-wan

AUDIT COMMITTEE
Wang Chuan-fu
Wu Jing-sheng
Chung Kwok Mo John (Chairman)
Antony Francis MAMPILLY
Qian Jing-jie

REMUNERATION COMMITTEE
Wang Nian-qiang
Wang Chuan-fu
Chung Kwok Mo John
Antony Francis MAMPILLY
Qian Jing-jie (Chairman)

NOMINATION COMMITTEE
Sun Yi-zao
Wang Chuan-fu (Chairman)
Chung Kwok Mo John
Antony Francis MAMPILLY
Qian Jing-jie

AUTHORIZED REPRESENTATIVES
Wang Nian-qiang
Wu Jing-sheng

REGISTERED OFFICE
Part of Unit 1712, 17th Floor, Tower 2
Grand Central Plaza
No. 138 Shatin Rural Committee Road
New Territories
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 3001, Bao He Road
Baolong, Longgang
Shenzhen, 518116
The PRC

SHARE REGISTER AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT
iPR Ogilvy Ltd.
Tel: (852) 2136 6185
Fax: (852) 3170 6606

WEBSITE
www.byd-electronic.com

STOCK CODE
0285

DELIVERING A BRIGHT PROSPERITY

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (which are collectively referred to as the "Group"), I hereby present the annual report of the Company for the year ended 31 December 2015 (the "Year").

In 2015, the world's consumer electronic industry maintained stable growth amid dim economic outlook arising from the in-depth adjustment of major world economies. In particular, the smartphone market witnessed a substantial slowdown in growth with global shipments having increased by 9.8% year-on-year to 1.43 billion units. In China, handset shipments grew by 14.6% to 518 million units in 2015, among which 457 million units were smartphones, representing a year-on-year increase of 17.7% and accounting for 88.3% of the total domestic handset shipments.

During the year under review, the Group's turnover increased by 47.67% to approximately RMB29,286 million. Profit attributable to equity owners of the parent company rose by 0.72% year-on-year to RMB908 million. The Board of Directors does not recommend payment of dividend.

In the face of growth slowdown in the global smartphone market and increasing market competition, smartphone manufacturers attached more importance to the appearance and design of handsets. As a result, the adoption of metal cases, well-received among customers due to its outstanding texture and performance, was extended from high-end smartphones to mid-and low-end ones, driving the rapid growth of demand for metal components. During the Year, the Group seized the opportunities arising from the surging growth of the market to expand its production scale, thus recording satisfactory growth in income and profit and consolidating its leading position in the industry.

As for customer relationships, the Group, attributable to its overall competitiveness and advanced production technology, maintained close relationships with well-known global smartphone manufacturers to secure a number of new contracts to produce high-end flagship smartphones. For domestic customers, leading domestic handset manufacturers launched several highly competitive smartphones to increase their brand awareness in the global market and sustain rapid sales growth. During the Year, the Group acquired a number of new clients among leading domestic handset brands and formed partnership with various renowned manufacturers to provide them with handset components such as metal cases and assembly services, gaining momentum for business growth.

As a leading manufacturer in the handset component and assembly industry, the Group has accumulated extensive experience, and has developed advanced technology and vertical integration capabilities over the years. The Group expanded its product line based on its existing business, boosted the full development of smartphones, tablets and other smart mobile devices, and continued to provide one-stop service covering handset design, components manufacturing and complete handset assembly. During the Year, the Group successfully secured a position within the supply chain of a well-known laptop manufacturer, creating a new source of profit for the Group.

Looking into 2016, the increasing market penetration rate of smartphones and continuous slowdown of market growth will intensify the market competition, resulting in more breakthroughs and innovations achieved by major handset manufacturers to satisfy the higher product requirements of consumers. Metal casing, thanks to its outstanding texture and performance, will become more and more popular among customers and is therefore expected to be increasingly adopted into newer models launched by domestic and international handset manufacturers, driving the rapid growth of demand for metal components. To seize the market opportunities, BYD Electronic will bring its capability of highly vertical

integration, economies of scale and first mover advantages into play in order to enhance its cooperative relationships with customers and secure more contracts. By capitalizing on the launch of new products by domestic and overseas branded smartphone manufacturers, the Group will build up a diversified and solid customer base for the expansion of market share amid the industry's consolidation, driving continuous growth in the revenue and profit.

Finally, on behalf of BYD Electronic, I would like to thank our loyal customers, business partners, investors and shareholders for their support and trust in the Group. I would also like to thank all the staff members for their concerted efforts during the past year. BYD Electronic will continue to push forward in the development of all its business segments. We are confident that the Group will become an internationally authoritative supplier of handsets and other electronic product components and assembly services with the capability for highly vertical integration. We will continue to go forth with a goal of maximizing returns for our shareholders.

Wang Chuan-fu
Chairman

Hong Kong, 28 March 2016

INDUSTRY REVIEW

For the year ended 31 December 2015 (the "Year"), the global economy underwent deep adjustment as a result of the gradual improvement of the US economy, the slow recovery of the economy in the Eurozone, the considerable volatility in the Japanese economy, the slowdown in emerging economies and the lack of growth momentum. China's economic development continued the slowdown trend in 2015 as in recent years, with an annual economic growth rate of 6.9%. As the economy was subject to downside pressure, the Chinese government continued to deepen reform and boost restructuring by launching the "Made in China 2025" and the "One Belt, One Road" national strategies to push economic growth into a "new normal" pattern.

During the Year, the global consumer electronics market was growing steadily but market competition became increasingly intense with the growing popularity of smartphones. According to the statistics from IDC, a globally recognized market research institution, the global smartphone shipments in 2015 increased by 9.8% year-on-year to 1.43 billion units, suggesting that the increase continued to decelerate sharply. The growing popularity of the 4G mobile phone standard around the globe led to a new round of boom to switch to newer mobile phones, prompting a double demand for 4G smartphones.

In the Chinese market, manufacturers of leading domestic handset brands continued to make innovation in terms of product performance and appearance during the Year by rolling out a variety of competitive, new smartphone products which enabled them to gain expanding brand influence in the international market, increase their market shares rapidly and maintain rapid sales growth in the international market. Among the world's top 12 smartphone manufacturers, handset manufacturers from China accounted for nearly a quarter of the market share. The data from the Ministry of Industry and Information Technology of the People's Republic of China indicated that handset shipment volume in China was 518 million units in 2015, a year-on-year increase of 14.6%, of which smartphone shipments were 457 million units, representing a year-on-year increase of 17.7% and accounting for 88.3% of the domestic handset shipment volume for the same period. In particular, domestic 4G handset shipments surged 157.0% year-on-year to 440 million units, accounting for 85.0% of the domestic handset shipment volume.

As to the use of materials, since consumers were asking for more in terms of mobile phone appearance and overall user experience, the various advantages of metal casings and structural components in terms of texture, performance, appearance and other aspects were well-received by consumers and handset manufacturers, thus gradually developing into a mainstream in the use of these materials in smartphones. Handset manufacturers were switching to metal casings and structural components in mobile phones more popularly. In particular, there was a growing trend in such use in the high-end smartphone market, which gradually penetrated into the low- and middle-end handset markets.

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 highly vertical integration capabilities, and provides handset manufacturers of different brands with various services such as the manufacture of handset components (e.g. casings and structural parts) and handset modules as well as handset design and assembly. It also provides such services as design, parts manufacturing and assembly for manufacturers of other electronic products. During the Year, the Group's turnover rose by approximately 47.67% year-on-year to approximately RMB29,286 million. Profit attributable to shareholders increased by approximately 0.72% to approximately RMB908 million as compared to the same period last year. The Board does not recommend the payment of dividend for the year ended 31 December 2015.

During the Year, having seen that consumers around the global generally called for higher standards such as smartphone appearance, overall experience and operational performance, manufacturers of international handset brands tried to attract customers by means of continuous optimization of product technology and design. As metal casings were widely used in different grades of smartphone, the metal products business continued to grow rapidly with the Group's unique and mature processing technique, leading edge technology and cost competitiveness. During the Year the Group was expanding production capacity aggressively to ensure production capacity was sufficient to meet market and customer needs. With respect to the plastic components business, the Group was facing greater pressure as a result of the process of transition from the use of plastic casings to the use of metal casings in smartphones, tablet computers and other mobile intelligent terminals. With respect to the assembly business, the Group's success in securing smart phone EMS orders from leading domestic brands contributed to a rapid growth in the Group's revenue during the Year.

In terms of customers, the Group continued to maintain close business relations with well-known domestic and overseas leading manufacturers of handsets. It successively received orders from a plurality of manufacturers of leading brands to continue providing them with metal casings and other handset components for their middle- and high-end flagship models. During the Year, shipments of some manufacturers of the international handset brands were lower than expected, which hit the Group's relevant businesses to a certain extent. In 2015, the Group was also aggressively expanding a number of new manufacturer customers of domestic leading handset brands in order to improve the customer composition, diversify the customer base for capturing a larger market share.

During the Year, the Group further expanded the product line based on the existing products to boost the full development of various products such as smartphones, tablet computers and other mobile intelligent terminals by continuing providing one-stop services ranging from complete-device design, parts production to complete-device assembly. The Group also successfully entered the supply chain of well-known notebook computer manufacturers to increase its profit sources.

FUTURE STRATEGY

Looking to 2016, the global economic growth is anticipated to continue decelerating whereas the Chinese economic development will enter a phase of deep structuring and economic transition. In 2016, handset manufacturers of Chinese domestic brands expect to continue increasing their market shares in the international market through innovation and technology upgrade. Based on the forecast in the IDC report, the global smartphone market will maintain moderate growth while the increase in smartphone shipments is expected to decline year by year over the next five years to an annual compound growth rate of approximately 7.4% to 2019. With the decreased market growth rate and increased market penetration, there will be increasingly intense market competition.

Faced with such intense competition in the market, major handset manufacturers will continue to make a breakthrough in innovation to meet customers' higher demands for products. We believe metal casings will continue to be well-received by mainstream consumers. More manufacturers of domestic and foreign handset brands are expected to use metal casings in the new models they are going to launch and in even lower-priced products. Amid this market opportunity, BYD Electronic will aim to consolidate its market advantages and leading position as well as expand the scope of product applications so as to enhance the Group's competitiveness.

In terms of customers, the Group will continue to collaborate with well-known international brand manufacturers in 2016 and secure more new orders with its various strengths such as technology, capacity and industry experience. Moreover, it will continue to develop relations with more new customers and build a more diverse and wider customer network. In addition, it will continue to expand the EMS business by trying to enter more supply chains of leading manufacturers for expanding its scope of business and increasing its revenue and profit sources.

Looking to the future, BYD Electronic will remain committed to its core value positioning and deliver more quality products to customers with its improving technology R&D standards for consolidating and developing the strategic partnership with its domestic and foreign partners. The Group will continue to reduce production costs, optimize customer composition and enhance its market influence in various areas to lay a solid foundation for its long-term development and to create solid returns for its shareholders.

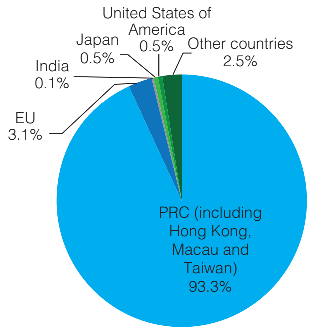
FINANCIAL REVIEW

Turnover recorded an increase of 47.67% as compared to the previous year. Profit attributable to equity owners of the parent increased by 0.72% as compared to the previous year, mainly attributable to the successful bidding of smart phone EMS orders of a leading brand in China, which in turn boosted the income of the Group.

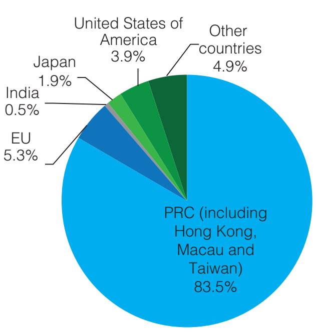
SEGMENTAL INFORMATION

Set out below is the comparison of geographical information by customer location for the year ended 31 December 2014 and 2015:

2015



2014



GROSS PROFIT AND MARGIN

The Group's gross profit for the Year decreased by approximately 9.58% to approximately RMB1,904 million. Gross profit margin dropped from approximately 10.61% in 2014 to 6.50%. The decrease in gross profit margin was mainly due to change in products portfolio and the significant decline in gross profit margin of the assembly business.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group recorded cash inflow from operations of approximately RMB3,359 million, compared with approximately RMB1,296 million recorded in 2014. During the Year, funds were obtained from the net cash derived from the Company's operations. As at 31 December 2015 and 31 December 2014, the Group did not have bank borrowings.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. Turnover days of accounts and bills receivables were approximately 86 days for the year ended 31 December 2015, compared with approximately 90 days for the year ended 31 December 2014. Inventory turnover for the year ended 31 December 2015 was approximately 44 days, compared with approximately 47 days for the year ended 31 December 2014.

CAPITAL STRUCTURE

The duty of the Company's financial division is to manage the Company's financial risk, and to operate in accordance with the policies approved and implemented by the senior management. As at 31 December 2015, the Company had no bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Company's current bank deposits and cash balances and fixed deposits as well as the Company's credit facilities and net cash derived from operating activities will be sufficient to satisfy the Company's material commitments and the requirements for working capital, capital expenditure, business expansion, investments and expected debt repayment needs for at least the next year.

EXPOSURE TO FOREIGN EXCHANGE RISK

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2015, the Company had employed over 67,000 employees. During the Year, total staff cost accounted for approximately 14.32% of the Company's turnover. The Company determines the remuneration of its employees based on their performance, experience and prevailing industry practices, and compensation policies are reviewed on a regular basis. Bonuses and rewards may also be given to employees based on their annual performance evaluation. Incentives may be offered to encourage individual development.

SHARE CAPITAL

As at 31 December 2015, the share capital of the Company was as follows:

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

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2015 to 31 December 2015, the Company or its subsidiaries did not redeem any of its shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

CAPITAL COMMITMENTS

As at 31 December 2015, the Company had capital commitment of approximately RMB293 million (31 December 2014: approximately RMB1,601 million).

CONTINGENT LIABILITIES

Please refer to Note 25 of the financial statements included in this Annual Report for details of contingent liabilities.

ENVIRONMENTAL PROTECTION

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

EXECUTIVE DIRECTORS

WANG, NIAN-QIANG

Mr. Wang, born in 1964, Chinese national with no right of abode overseas, master's degree holder, engineer. Mr. Wang graduated from Central South University of Technology (now the Central South University) in the People's Republic of China in 1987 with a bachelor's degree majoring in industrial analysis. In 2011, he obtained a master's degree in MBA from China Europe International Business School. Mr. Wang worked at Anhui Tongling Institute of Non-ferrous Metals as an engineer. He joined Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) ("BYD Industries", renamed as BYD Company Limited on 11 June 2002) in February 1995 as a chief engineer. He joined the Group in April 2015 and is chief executive officer and executive director of the Company and a director of BYD Charity Foundation.

SUN, YI-ZAO

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

NON-EXECUTIVE DIRECTORS

WANG, CHUAN-FU

Mr. Wang Chuan-fu, born in 1966, Chinese national with no right of abode overseas, master's degree holder, senior engineer. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently known as Central South University) in 1987 with a bachelor's degree majoring in metallurgy physical chemistry, and then graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) in the PRC in 1990 with a master's degree majoring in metallurgy physical chemistry. Mr. Wang held positions as vice supervisor in Beijing Non-Ferrous Research Institute, general manager in Shenzhen Bi Ge Battery Co. Limited (深圳市比格電池有限公司). In February 1995, he founded Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) with Lv Xiang-yang and took the position of general manager. He has been a non-executive Director and Chairman of the Company since December 2007 and now serves as the Chairman, an executive director and the President of BYD Group, a director of Shenzhen BYD Daimler New Technology Co. Ltd., the vice chairman of Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd. (深圳市鵬程電動汽車出租有限公司), a director of BYD Auto (Tianjin) Co., Limited (天津比亞迪汽車有限公司), the chairman of Shengshi Xindi Electronic Vehicles Services Co., Ltd (盛世新迪電動汽車服務有限公司), an independent director of Renren Inc., a director of South University of Science and Technology of China (南方科技大學) and a director of BYD Charity Foundation.

Mr. Wang, being a technology expert, enjoyed special allowances from the State Council. In June 2003, he was awarded Star of Asia by BusinessWeek. He was awarded with "Mayor award of Shenzhen in 2004" (二零零四年深圳市市長獎), "The 2008 CCTV Man of the Year China Economy Innovation Award", Southern Guangdong Meritorious Service Award (南粵功勳獎) in 2011, Zayed Future Energy Prize Lifetime Achievement Award (札耶德未來能源獎個人終身成就獎) in 2014 and "China Best Leaders Award" (中國最佳商業領袖) in 2015, etc.

WU, JING-SHENG

Mr. Wu Jing-sheng, born in 1963, Chinese national with no right of abode overseas, master's degree holder. Mr. Wu graduated from Anhui Normal University (安徽省師範大學) in 1988 majoring in Chinese language. He took part in National Examination for Lawyers (全國律師統考) and obtained qualification as a lawyer granted by the Department of Justice of Anhui Province (安徽省司法廳) in 1992. Mr. Wu also passed the National Examination for Certified Public Accountants (註冊會計師全國統考) and obtained qualification as a PRC Certified Public Accountant in 1995. In July 2006, he graduated from Guanghua School of Management of the Peking University (北京大學光華管理學院) with an MBA. Mr. Wu worked at Guangzhou Youngy Investment & Management Group Company Limited (廣州融捷投資管理集團有限公司) and was responsible for finance and related duties. He joined BYD Industries in September 1995 as its financial manager. He has been appointed as a non-executive Director of the Company since March 2007, a vice president and chief financial officer of BYD Group, a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd., a supervisor of Qianhai Insurance Trading Center (Shenzhen) Co., Limited (前海保險交易中心(深圳)股份有限公司), the chairman of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), the chairman of Shenzhen BYD Electric Vehicles Investment Co., Ltd. (深圳市比亞迪電動汽車投資有限公司), a vice chairman of Guangzhou GAC BYD New Energy Passenger Vehicle Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), the chairman of Shenzhen Dicheng New Energy Co., Ltd. (深圳迪程新能源有限公司), a director of Shenzhen Shendianneng Electricity Co., Ltd. (深圳市深電能售電有限公司), the chairman of Shenzhen Didi New Energy Automobiles Renting Co., Ltd. (深圳市迪滴新能源汽車租賃有限公司), the chairman of BYD Auto Finance Company Limited (比亞迪汽車金融有限公司), the chairman of Energy Storage Power Station (Hubei) Co., Ltd. (儲能電站(湖北)有限公司), a director of Shenzhen Saidi New Energy Logistics Co., Ltd. (深圳賽迪新能源物流有限公司), the chairman of BYD Charity Foundation and the director of Shenzhen Easy Charging Technology Co., Ltd (深圳充電易科技有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHUNG, KWOK MO JOHN

Mr. Chung Kwok Mo John, born in 1969, Chinese national, permanent resident of the Hong Kong Special Administrative Region. Mr Chung obtained a Bachelor of Economics degree from Macquarie University, Australia in 1992 and is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia, with over 20 years of experience in auditing, financial management and corporate finance. Mr. Chung was an auditor in an international accounting firm from 1992 to 1999. From 2000, Mr. Chung had held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong.

Mr. Chung joined the Group in June 2013 and is now an independent non-executive Director of the Company. In addition, he is an independent non-executive director of Zhengye International Holdings Company Limited, a listed company on the Stock Exchange (Stock Code: 3363).

ANTONY FRANCIS MAMPILLY

Mr. Mampilly, born in 1950, United States national, master's degree holder. Mr. Mampilly obtained a bachelor's degree and a master's degree in physics from Kerala University, India in 1970. Mr. Mampilly worked at Motorola, Inc. where he held positions as general manager of the Energy Systems Group, general manager of the auto electronics business, corporate vice president and chief procurement officer. He joined the Group in November 2007 and is an independent non-executive Director of the Company.

QIAN, JING-JIE

Mr. Qian Jing-jie, born in 1982, Chinese national without right of abode overseas, bachelor's degree holder. Mr. Qian graduated from Monash University in Australia and completed his undergraduate studies in finance in 2006. Since 2006, he has been working at Shenzhen Kind Care Group Co., Ltd. (深圳一德集團有限公司) and is a director and an assistant to the president thereof. Mr. Qian has extensive experience in business management. He has been an independent non-executive Director of the Company since 27 April 2015.

SENIOR MANAGEMENT

DONG, GE-NING

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

WANG, BO

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

WANG, JIANG

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

ZHU, AI-YUN

Ms. Zhu Ai-yun, born in 1965, Chinese national with no right of abode overseas, master's degree holder. Ms. Zhu graduated from Changsha Communications University (長沙交通學院) with a bachelor's degree in engineering financial accounting in 1988 and obtained an executive MBA degree from Peking University (北京大學) in 2008. Ms. Zhu worked as an accountant for Yantai, Marine Salvage Bureau (煙台海上救撈局) under the Ministry of Communications and joined BYD Group in 1997 where she served as an accountant, manager and senior manager of the financial department, etc. Ms. Zhu joined the Group in April 2007 and is the Chief Financial Officer of the Company responsible for supervising financial and accounting, human resources and general administrative matters.

LI, QIAN

Mr. Li Qian, born in 1973, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學) with a bachelor's degree in economics in 1997. He is currently studying an EMBA course at Guanghua School of Management of Peking University. Mr. Li worked as an auditor and business consultant at PwC China and Arthur Andersen and served as a representative of securities affairs at ZTE Corporation (中興通訊股份有限公司). Mr. Li joined BYD Group in August 2005 and has been nominated as a joint company secretary of the Company since November 2007 and now also serves as a secretary to the board of directors and a company secretary of BYD Company Limited (Stock Code: 01211) and a supervisor of Tibet Shigatse Zhabuye Lithium High- Tech Co., Ltd.

CHEUNG, HON-WAN

Mr. Cheung Hon-wan, born in 1956, Chinese national, permanent resident of the Hong Kong Special Administrative Region, master's degree holder. Mr. Cheung obtained a master degree in accounting and finance from the University of Lancaster in the United Kingdom in 1983. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung worked at various Hong Kong listed companies and served as a qualified accountant of the Company. He joined the Group in June 2007 and is a joint company secretary of the Company.

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

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

The Company has not deviated from the Code during the year ended 31 December 2015. However, as mentioned in the Company's announcement 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 has a chairman and three members after the resignation of Mr. Liang, of which only two are 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 has four members after the resignation of Mr. Liang, of which only two are 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 mentioned in the Company's annual report 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, as the total number of independent non-executive Directors fell below the minimum requirement under Rule 3.10(1) of the Listing Rules after the resignation of Mr. Liang, the Company has taken appropriate steps to identify a suitable candidate to fill the vacancy. Following the appointment of Mr. Qian Jing-jie as an independent non-executive Director of the Company (effective 27 April, 2015), the Company is in compliance with all the requirements under Rule 3.10(1), Rule 3.21 and Rule 3.25 of the Listing Rules.

BOARD OF DIRECTORS

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

THE DIRECTORS

As of the date of this report, the Board comprises seven Directors. There are two executive Directors, three non-executive Directors and two independent non-executive Directors. Brief biographical details outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on pages 12 to 13 of this annual report.

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

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

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

The Directors decide on corporate strategies, approve overall business plans and supervise the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management included the preparation of annual and interim accounts for the Board's approval before public reporting; the implementation of various strategies approved by the Board; the monitoring of operating budgets; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations. The Directors acknowledge their responsibility for preparing all information and representations of the financial statements of the Company for the year ended 31 December 2015.

The non-executive Directors and independent non-executive Directors of the Company entered into a service contract with the Company for a term of three years respectively and in each case, either the Company or the relevant Director can give three months' prior notice at any time to terminate the appointment without payment of compensation, and the appointments are subject to the provisions of retirement and rotation of Directors under the Articles of the Company.

In accordance with Article 106 of the Company's Articles of Association (the "Articles") at each annual general meeting, one-third of the Directors, or if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least every three (3) years. A retiring director shall be eligible for re-election. Accordingly, Mr. Chung Kwok Mo John, Mr. Antony Francis Mampilly and Mr. Wang Chuan-fu, shall retire by rotation, and it is proposed that Mr. Chung Kwok Mo John, Mr. Antony Francis Mampilly and Mr. Wang Chuan-fu, shall be eligible for re-election at the forthcoming annual general meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Newly appointed Directors of the Company will be provided with relevant induction materials to assist them to fully understand their duties as a director under the requirements of the relevant laws and regulations, such as the Listing Rules of the Hong Kong Stock Exchange. This will also help the Directors to gain insights in the Company's business and operation. In order to ensure adequate performance of duties by the independent non-executive Directors, the Company will also arrange on-site visits and sufficient communication with the management for the independent non-executive Directors. Pursuant to the corporate governance requirements, the Directors should participate in continuous professional development programme to develop and update their knowledge and skills. The particulars of the trainings of each Director are as follow:

Name of Director	Training/ seminars participated	Reading materials
Executive Director		
WANG Nian-qiang	√	√
SUN Yi-zao	√	√
Non-executive Director		
WANG Chuan-fu	√	√
WU Jing-sheng	√	√
Independent Non-executive Director		
CHUNG Kwok Mo John	√	√
Antony Francis MAMPILLY	√	√
QIAN Jing-jie	√	√

THE BOARD'S DIVERSITY POLICY

During the year, the Board has adopted the Diversity Policy, which sets out the approach to diversity of Board members. In determining the Board composition, the Company considers a range of diversity elements, 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of chairman and chief executive are held separately by Mr. Wang Chuan-fu and Mr. Wang Nian-qiang respectively. This segregation ensures a clear distinction between the chairman's responsibility to manage the board and the chief executive's responsibility to manage the Company's business.

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting. The meeting agenda is set in consultation with members of the Board. The Board held five meetings in 2015. The attendance of individual Directors at the Board meetings is set out below:

Member of the Board	No. of Board meetings attended	Attendance rate
LI Ke	1	100%
WANG Nian-qiang	4	100%
WANG Chuan-fu	5	100%
WU Jing-sheng	5	100%
CHUNG Kwok Mo John	5	100%
Antony Francis MAMPILLY	5	100%
QIAN Jing-jie	4	100%

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

- the Audit Committee;
- the Remuneration Committee; and
- the Nomination Committee

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

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee will be to review and supervise our financial reporting process and internal control system and to provide advice and comments to the Board of Directors. As of the date of this report, the Audit Committee consists of five members, namely Mr. WANG Chuan-fu, Mr. WU Jing-sheng, Mr. CHUNG Kwok Mo John (Chairman), Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, of whom Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie are independent non-executive Directors of the Company and among them, Mr. CHUNG Kwok Mo John has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

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

The Company established the Audit Committee on 29 November 2007 and has held two meetings during the year to review the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the unaudited consolidated financial statements for the six months ended 30 June 2015 and the effectiveness of the financial reporting process and internal control system of the Company. The individual attendance of its members of the meetings is set out as follows:

Member of the Audit Committee	No. of Committee meetings attended	Attendance rate
WANG Chuan-fu	2	100%
WU Jing-sheng	2	100%
CHUNG Kwok Mo John	2	100%
Antony Francis MAMPILLY	2	100%
QIAN Jing-jie	1	100%

REMUNERATION COMMITTEE

The Company has also set up a remuneration committee on 29 November 2007 which currently consists of five directors of the Company, namely Mr. WANG Nian-qiang, Mr. WANG Chuan-fu, Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie (Chairman), of which Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie are independent non-executive Directors of the Company, as of the date of this report. The Remuneration Committee considers and makes recommendation regarding the remuneration and other benefits paid by the Company to the Directors, Senior Management and Staff (after authorization by the shareholders' meeting) for the Board's approval, assesses the performance of executive Directors, and approves the terms of the executive Directors' service contracts. The remuneration of all Directors, Senior Management and Staff is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. The Company held one meeting during the year and the individual attendance of its members of the meetings is set out as follows:

Member of the Remuneration Committee	No. of Committee meetings attended	Attendance rate
LI Ke	1	100%
WANG Chuan-fu	1	100%
CHUNG Kwok Mo John	1	100%
Antony Francis MAMPILLY	1	100%

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

REMUNERATION POLICY FOR DIRECTORS

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

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

Directors do not participate in decisions on their own remuneration.

REMUNERATION OF SENIOR MANAGEMENT

Remuneration by bands	Number of senior management
RMB0 to RMB1 million	2
RMB1 million to RMB2 million	4

The emoluments paid to each Director and the senior management of the Company for the year ended 31 December 2015 are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

The Company established our Nomination Committee on 29 November 2007. The primary duties of our Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Nomination Committee also reviews the structure, size and composition of the Board annually, assesses the independence of independent non-executive Directors, and determines the policy for the nomination of Directors, amongst other things. As of the date of this report, the Nomination Committee comprises five members, namely Mr. SUN Yi-zao, Mr. WANG Chuan-fu (Chairman), Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, of which Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie are independent non-executive Directors of the Company as of the date of this report. The Company held one meeting during the year and the individual attendance of its members of the meetings is set out as follows:

Member of the Nomination Committee	No. of Committee meetings attended	Attendance rate
SUN Yi-zao	1	100%
WANG Chuan-fu	1	100%
CHUNG Kwok Mo John	1	100%
Antony Francis MAMPILLY	1	100%

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

INDEPENDENT INTERNATIONAL AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2015, the total remuneration paid and payable by the Company to the independent international auditors, Ernst & Young, were RMB1,340,000 for audit services. The audit fee was approved by the Board. During the reporting period, the total remuneration in respect of the non-audit services was RMB249,000.

Item	2015	2014
Review of interims results	RMB249,000	RMB250,000
Other non-audit services		RMB169,000

During the year ended 31 December 2015, the Company appointed Ernst & Young as independent international auditors of the Company. The re-appointment of Ernst & Young as the Company's independent international auditors for the Year 2016 has been recommended and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

INTERNAL CONTROL

INTERNAL CONTROL SYSTEM

The Board is fully responsible for the Company's internal control system and review of its effectiveness through the Audit Committee. The Company's internal control system plays a key role in the management of risks that are significant to the fulfilment of its business objectives. Various measures have been designed for safeguarding assets against unauthorized use or disposal; maintaining proper accounting records and the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. The Board of Directors has conducted an annual review of the Group's internal control system through the Audit Committee and considers the relevant system to be effective and adequate.

INTERNAL AUDIT

The Group has an Internal Audit Department which plays an important role in the Group's internal control framework. The tasks of the Department include regular review and audit of the practices, procedures and internal control systems on those areas of the Group's activities with the greatest perceived risks. Apart from conducting special audits of areas of concern identified by management or the Audit Committee, the Department also conducts routine examinations and reviews on the soundness and effectiveness of general business management, thus achieving effective control and driving improvement in the overall business activities of the Company to the greatest extent possible.

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

With the development of the Company, the Internal Audit Department has established various internal audit standard documents such as "Internal Audit System", "Internal Control Standard" and "Internal Control Assessment and Management Requirements" to conduct inspection at company level and business level through project audit and internal control test, so as to identify risks and enhance its management.

The annual and quarterly work plan of Internal Audit Department is reviewed by the Audit Committee and reported to the Audit Committee regularly. Major audit findings will be reported to the Audit Committee on a timely basis. During the reporting year, the Internal Audit Department reviewed the key operations of the Group, identified areas of concern and established constructive communication with the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified individuals who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2015.

SHAREHOLDERS' RIGHTS

Under the Company's Articles of Association and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Directors shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than 5% of the total voting rights of all members having the right to vote at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company.

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

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

INVESTOR RELATIONS

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

The board of directors (the "Board") of BYD Electronic (International) Company Limited would like to present its annual report and audited consolidated financial statements for the year ended 31 December 2015.

CORPORATE REORGANISATION

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are manufacture of handset components and modules. It also provides design and assembly services for handsets to its customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on pages 35 to 91 in this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2015.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity and note 24 and 34 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL/PAID-IN CAPITAL

Details of the movements during the year in the share capital are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

During the year, details of the Company's reserves and movements in reserves are set out in note 34 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

EXECUTIVE DIRECTORS

Li Ke (resigned on 27 April, 2015)
Wang Nian-qiang (appointed on 27 April, 2015)
Sun Yi-zao

NON-EXECUTIVE DIRECTORS

Wang Chuan-fu
Wu Jing-sheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Antony Francis Mampilly
Liang Ping (resigned on 3 February 2015)
Chung Kwok Mo John
Qian Jing-jie (appointed on 27 April 2015)

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

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

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

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

BUSINESS REVIEW

The business review of the Group are set out in the following sections of this annual report: Chairman's Statement, Management Discussion and Analysis and Note 31 to the Financial Statements. The applicable discussion and analysis as referenced shall form an integral part of this Directors' Report.

The Group recognises the importance of compliance with relevant laws and regulations and the impact of non-compliance with such relevant laws and regulations on the business. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communication. During the year ended 31 December 2015, the Group has complied with, to the best of our knowledge, all relevant rules and regulations that have a significant impact on the Company.

The Company recognises that our employees, customers and suppliers are key to our corporate sustainability. We strive to engage our employees, provide quality services to our customers and collaborate with our suppliers.

The Company places significant emphasis on human capital by promoting a diverse, non-discriminatory and fair environment to our staff, as well as providing a range of opportunities for career advancement based on employees' merits and performance. We also provide continuing training and development opportunities on the latest developments in the market and industry, including courses organized by external organizations and internally.

We value the feedback from customers and have established a mechanism handling customer service, support and complaints. We also proactively collaborate with our suppliers to deliver quality sustainable products and services. We have developed certain requirements in our standard tender documents. These requirements include regulatory compliance, labour practices, anticorruption and other business ethics.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 12 to 14.

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

As at 31 December 2015, the relevant interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance (Cap 571) ("SFO")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of Company	Capacity	Number of issued shares held	Approximate percentage of total issued shares of that company
Mr. WANG Nian-qiang	the Company	Beneficial owner and beneficiary	10,602,000[1] (long position)	0.47%
	BYD	Beneficial owner	19,049,740[2] (long position)	0.77%
Mr. SUN Yi-zao	the Company	Beneficiary	5,797,000[3] (long position)	0.26%
	BYD	Beneficial owner	8,164,680[2] (long position)	0.33%
Mr. WU Jing-sheng	the Company	Beneficiary	8,602,000[3] (long position)	0.38%
	BYD	Beneficial owner	4,457,580[2] (long position)	0.18%
Mr. WANG Chuan-fu	BYD	Beneficial owner	517,351,520[4] (long position)	20.89%

Notes

1. Of which 20,000,000 shares are held by Mr. Wang Nian-qiang and 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 the trustee of BF Trust, the beneficiaries of which include Mr. Wang Nian-qiang.

2. These are the A shares of BYD held by Mr. WANG Nian-qiang, Mr. SUN Yi-zao and Mr. WU Jing-sheng. The total issued share capital of BYD as at 31 December 2015 was RMB2,476,000,000, comprising 1,561,000,000 A shares and 915,000,000 H shares, all of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang, Mr. SUN Yi-zao and Mr. WU Jing-sheng represented approximately 1.22%, 0.52% and 0.29% of the total issued A shares of BYD as of 31 December 2015.

3. These shares are held by Gold Dragonfly, a company wholly owned by BF Trustee as the trustee of BF Trust, the beneficiaries of which include Mr. SUN Yi-zao and Mr. WU Jing-sheng.

4. These are the 512,623,820 A shares, 3,727,700 A shares held in No.1 Assets Management Plan through E Fund BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 33.08% and approximately 0.11% of total issued A shares and H shares of BYD as of 31 December 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 and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2014.

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares" above, at no time during the year ended 31 December 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 the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of 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 Hong Kong")	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 Gold Dragon Fly (PTC) Limited ("BF Trustee")	Trustee[2]	137,081,650 (long position)	6.08%

Notes

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

2. The shares 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 31 December 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 recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

Report for the corporate governance adopted by the Company is set out on page 15 to 21 of this annual report.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2015, the total remuneration of the Directors and the five highest paid employees are set out in note 9 and 10 to the financial statements.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The top five largest customer groups and the largest customer group of the Group represent approximately 82.8% and 31.7% of the Group's total sales of the year respectively. The top five largest suppliers and the largest suppliers of the Group represent approximately 54.1% and 26.3% of the Group's total purchase of the year respectively.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2015.

NON-COMPETE UNDERTAKING

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

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

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 28 to the financial statements. The Independent Non-executive Directors are of the view that the related party transactions were carried out in the ordinary and usual course of business and on normal commercial terms.

CONNECTED TRANSACTIONS

Details of the connected transactions are as follows:

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

(i) Sale of assets by the Company to BYD

On 9 July 2015, the Company entered into another assets sale agreement with BYD for the transfer of infrared trigger probe (紅外觸發測頭), painting line (噴塗線), CNC indexing plate (數控分度盤) and other related equipment to BYD Group by the Group at a consideration of RMB64,550,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2015, subject to a downward adjustment on the day of assets delivery due to the accumulated depreciation before the delivery.

On 7 December 2015, the Company entered into another assets sale agreement with BYD for the transfer of drilling process center (鑽削加工中心), injection molding machines (注塑機), emission treatment facilities (廢氣處理設備) and other related equipment to BYD Group by the Group at a consideration of RMB39,324,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 31 October 2015, subject to a downward adjustment on the day of assets delivery due to the accumulated depreciation before the delivery.

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

As BYD is the controlling shareholder of the Company, it is a connected person of the Company and therefore the sale of assets constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The sales conducted in June and December 2015 were aggregated for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios were all more than 0.1% but less than 5%, the sales were subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement pursuant to Rule 14A.32 of the Listing Rules.

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

(ii) Purchase of assets by the Company from BYD

On 9 July 2015, the Company entered into another assets purchase agreement with BYD for the purchase of the CNC Machining Centre (數控加工中心), automatic image measurement instrument (自動影像測量儀) and other related equipment by the Group from BYD Group with a consideration of RMB52,420,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2015 and subject to a downward adjustment on the day of assets delivery due to the accumulated depreciation before the delivery.

On 7 December 2015, the Company entered into another assets purchase agreement with BYD for the purchase of the CNC Machining Centre (數控加工中心), spark machines (火花機), cutting machine (切割機) and other related equipment by the Group from BYD Group with a consideration of RMB138,708,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 31 October 2015 and subject to a downward adjustment on the day of assets delivery due to the accumulated depreciation before the delivery.

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

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The purchases conducted in June and December 2015 were aggregated for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the purchases were subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.32 of the Listing Rules.

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

(iii) Extension of entrusted loan provided by BYD Precision Manufacture Co., Ltd. to BYD Company Limited

Pursuant to the entrusted loan agreement dated 29 November 2011, BYD Precision Manufacture Company Ltd. ("BYD Precision") entrusted among others, the bank to lend the original entrusted loan of a total principal amount of RMB400 million from BYD Precision as lender to BYD as borrower. As the original entrusted loan was due to expire on 28 November 2014, BYD, BYD Precision and the bank entered into an agreement on 21 November 2014 to extend the maturity date of the original entrusted loan in an amount of RMB400 million for a further term of 36 months from the original maturity date until 28 November 2017 ("Entrusted Loan Extension Agreement").

The interest rate during the extension period under the Entrusted Loan Extension Agreement is at a fixed interest rate equivalent to the RMB benchmark interest rate for 3-year term loans effective on 29 November 2014 as announced by the People's Bank of China, and is to be settled on a monthly basis. The loan is to be repaid by a one-off repayment of the principal by BYD on its maturity, subject to early repayment as demanded by BYD Precision or opted by BYD. BYD Precision was also responsible for paying a one-off handling charge to the bank calculated at 0.02% of the total principal amount of the entrusted loan for arranging the extension of the entrusted loan.

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued shares of the Company, it is a connected person of the Company. As such, the Entrusted Loan Extension Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the extension of the Entrusted Loan under the Entrusted Loan Extension Agreement exceed 0.1% but less than 5%, the Entrusted Loan Extension Agreement is subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

The Entrusted Loans were intended to enable the Group to enhance the return on its surplus cash resources also the Entrusted Loan Extension Agreement is on normal commercial terms which are fair and are reasonable and in the interests of the Company and its shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

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

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

Pursuant to the lease agreement dated 31 December 2012 between BYD Precision Manufacture Company Ltd. ("BYD Precision") and BYD, BYD has agreed to lease to BYD Precision certain factory and office premises situated at Baolong Industrial Park, Longgang, Shenzhen, the PRC during the period from 1 January 2013 to 31 December 2015. Pursuant to the lease agreement dated 31 December 2012 between Huizhou Electronic and BYD Huizhou, BYD Huizhou has agreed to lease to Huizhou Electronic certain factory buildings situated at Xiangshuihe, Daya Bay Economic and Technology Development Zone, Huizhou ("Daya Bay Site") during the period from 1 January 2013 to 31 December 2015. Pursuant to the lease agreement dated 31 December 2012 between BYD Precision and Beijing BYD Mould Company Limited ("BYD Beijing"), BYD Beijing has agreed to lease to BYD Precision certain premises at No. 1, Kechuang East Fifth Street, Tongzhou District, Beijing during the period from 1 January 2013 to 31 December 2015. Pursuant to the Lease Agreement dated 18 December 2014 between BYD Automobile Company Limited (比亞迪汽車有限公司) ("BYD Auto") and Xi'an BYD Electronic Company Limited (西安比亞迪電子有限公司) ("BYD Xi'an"), BYD Auto has agreed to lease certain factories and premises situated at 2 Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi'an City (西安市高新區新型工業園亞迪路二號) to BYD Xi'an during the period from 1 December 2014 to 30 November 2015. Pursuant to the New Baolong Lease Agreement dated 6 November 2015 between BYD Precision Manufacture Company Ltd. ("BYD Precision") and BYD, BYD has agreed to lease to BYD Precision certain factory and office premises situated at Baolong Industrial Park, Longgang District, Shenzhen, the PRC during the period from 1 January 2016 to 31 December 2018. Pursuant to the New Huizhou Lease Agreement dated 6 November 2015 between Huizhou Electronic and BYD Huizhou, BYD Huizhou has agreed to lease to Huizhou Electronic certain factory buildings situated at Xiangshuihe, Daya Bay Economic and Technology Development Zone, Huizhou during the period from 1 January 2016 to 31 December 2018. Pursuant to the New Beijing Lease Agreement dated 6 November 2015 between BYD Precision and Beijing BYD Mould Company Limited ("BYD Beijing"), BYD Beijing has agreed to lease to BYD Precision certain premises at the Floor 2nd, 3rd and 4th of certain factory buildings at No. 1, Kechuang East Fifth Street, Tongzhou District, Beijing during the period from 1 January 2016 to 31 December 2018. Pursuant to the New Xi'an Lease Agreement dated 6 November 2015 between BYD Automobile Company Limited ("BYD Auto") and Xi'an BYD Electronic Company Limited ("Xi'an BYD"), BYD Auto has agreed to lease Xi'an BYD certain factory and premises situated at No. 2, Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi'an during the period from 1 December 2015 to 30 November 2018. Pursuant to the New Xi'an Land Lease Agreement dated 6 November 2015 between BYD Automobile Company Limited ("BYD Auto") and Xi'an BYD Electronic Company Limited ("Xi'an BYD"), BYD Auto has agreed to lease Xi'an BYD certain lands situated at No. 2, Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi'an during the period from 1 January 2016 to 30 December 2018.

As BYD is the controlling shareholder of the Company, BYD and its subsidiaries (other than the Group) are connected persons of the Company. For the year ended 31 December 2015, the annual cap of total amount of the rental transactions of the Company amounted to RMB68,164,000, the actual aggregate amount was approximately RMB40,776,000.

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

Pursuant to a Comprehensive Services Master Agreement dated 31 December 2012 between the Company and BYD, BYD Group has agreed to provide to the Group community services (including recreational facilities, security control and cleaning services), telecommunication and computer network services and enterprise resources planning and office automation services (the "Ancillary Services") during the period from 1 January 2013 to 31 December 2015. The Company and BYD Group entered into a New Comprehensive Services Master Agreement on 6 November 2015, pursuant to which BYD Group has agreed to provide to the Group ancillary services required for its operations during the period from 1 January 2016 to 30 December 2018.

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

The annual cap of total expenditure for acquiring the ancillary services for the year ended 31 December 2015 is RMB9,940,000, and the actual aggregate amount was approximately RMB7,563,000.

(iii) Leasing of electric forklift by BYD Group (other than the Group)

Pursuant to the Leasing Agreement of Electric Forklift dated 31 December 2012 between the Company and BYD, BYD Group has agreed to lease the electric forklift to the Group for transporting mobile phones and electronic products and raw materials of the Group between factories and premises during the period from 1 January 2013 to 31 December 2015.

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

The annual cap of expenditure for leasing the electric forklift from BYD Group is RMB4,914,000 for the year ended 31 December 2015, and the actual aggregate amount was approximately RMB221,000.

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

Pursuant to the BE Processing Services Agreement dated 18 December 2014 and the new BE Processing Services Agreement dated 6 November 2015 between the Company and BYD, the Company has agreed to provide to BYD Group automation equipment design services, processing services and research and development support for certain products of BYD Group, and sewage treatment equipment during the period from 1 January 2016 to 31 December 2018.

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

The annual cap of total amount of the processing services provided to BYD Group is RMB75,562,000 for the year ended 31 December 2015, and the actual aggregate amount was approximately RMB75,258,000.

(v) Provision of purchasing service by BYD Group

Pursuant to the Supply Chain Management Service Agreement with BYD (H.K.) dated 31 July 2014 between the Company and BYD (H.K.), BYD (H.K.) has agreed to provide certain purchasing service to the Group from the date of the Supply Chain Management Service Agreement to 31 December 2015. The New Supply Chain Management Service Agreement was entered into on 6 November 2015 between the Company and BYD Group, BYD Group has agreed to provide certain purchasing services to the Group during the period from 1 January 2016 to 30 December 2018.

As BYD is the controlling shareholder of the Company, BYD and its subsidiary, are connected persons of the Company.

The annual cap of purchasing service fee payable to BYD Group by the Company for the year ended 31 December 2014 is RMB40,000,000, and the actual aggregate amount was approximately RMB24,729,000.

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

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

Pursuant to the Supply Agreement dated 31 December 2012, the Supplemental Supply Agreement dated 3 June 2014, the Supplemental Supply Agreement dated 18 December 2014 and the New Supplies Agreement dated 6 November 2015 between the Company and BYD, the Company has agreed that the Group will supply to BYD Group products it required for producing its products such as plastic components, metal parts, chargers, and certain other products at prevailing market prices during the period from 1 January 2016 to 31 December 2018.

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

The annual cap of total amount of supply of products to BYD Group is RMB585,574,000 for the year ended 31 December 2015, the actual aggregate amount was approximately RMB583,424,000.

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

Pursuant to the Purchase Agreement dated 31 December 2012, the Supplemental Purchase Agreement dated 3 June 2014 and the new purchase agreement dated 6 November 2015 between the Company and BYD, BYD has agreed that BYD Group will supply the Group with certain products such as (i) painting products and moulds; (ii) materials used for the Group's production of handset cases and chargers; and (iii) certain other related products at prevailing market prices during the period from 1 January 2016 to 31 December 2018.

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

The annual cap set for the total purchases of products from BYD Group for the year ended 31 December 2015 is RMB2,586,919,000. The actual aggregate amount was approximately RMB1,153,142,000.

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

Pursuant to the Utility Services Master Agreement dated 31 December 2012, the Supplemental Utility Services Master Agreement dated 18 December 2014 and the New Utility Services Master Agreement dated 6 November 2015 between the Company and BYD, BYD Group has agreed to provide to the Group certain utility connection and/or utility (as the case may be), including water and electricity, during the period from 1 January 2016 to 31 December 2018.

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

The annual cap of total expenditure for acquiring utility connection and/or utility from BYD for the year ended 31 December 2015 is RMB514,945,000, and the actual aggregate amount was approximately RMB397,103,000.

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

Pursuant to the Processing Services Agreement dated 30 December 2012, the Supplemental Processing Services Agreement dated 3 June 2014, the Supplemental Processing Services Agreement dated 18 December 2014 and the New Supplemental Processing Services Agreement dated 6 November 2015 between the Company and BYD, BYD Group has agreed to provide certain processing services for certain products (including handset metal parts and components) and facilities (including sewage treatment) of the Group whereby some steps in the production process of such facilities are further processed by BYD Group during the period from 1 January 2016 to 31 December 2018.

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

The annual cap of expenditure for acquiring processing services from BYD Group is RMB689,276,000 for the year ended 31 December 2015, and the actual aggregate amount was approximately RMB448,500,000.

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

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

(2) on normal commercial terms; and

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2015 to 31 December 2015, the Company did not redeem any shares. During the year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

DIRECTORS' INTEREST IN CONTRACTS

No Directors and entities connected to the Directors have direct or indirect material interests in any contracts of significance entered into by the Company or any of its subsidiaries at any time during the year.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float during the year ended 31 December 2015.

CONFIRMATION OF INDEPENDENCE

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

INDEPENDENT INTERNATIONAL AUDITORS

Since the incorporation of the Company, all its financial statements have been audited by Ernst & Young. A resolution will be proposed regarding the re-appointment of Ernst & Young as the Company's independent international auditor for 2016 at the forthcoming annual general meeting.

By the order of the Board

WANG NIAN-QIANG
Director

28 March 2016

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +85202846 9888
Fax 傳真: +852 2868 4432
www.ey.com

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

We have audited the consolidated financial statements of BYD Electronic (International) Company Limited (the "Company") and its subsidiaries set out on pages 35 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong

28 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**29,285,830**	19,832,127
Cost of sales		**(27,382,285)**	(17,726,965)
Gross profit		**1,903,545**	2,105,162
Other income and gains	5	**451,442**	291,908
Government grants and subsidies	6	**47,852**	–
Research and development expenses		**(722,270)**	(709,087)
Selling and distribution expenses		**(152,044)**	(162,091)
Administrative expenses		**(453,609)**	(386,929)
Other expenses		**(35,390)**	(121,229)
Finance costs	7	**(3,089)**	(5,530)
PROFIT BEFORE TAX	8	**1,036,437**	1,012,204
Income tax expense	11	**(128,292)**	(110,507)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		**908,145**	901,697
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted			
– For profit for the year	12	**RMB0.40**	RMB0.40

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR	**908,145**	901,697
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(25,578)**	(5,734)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(25,578)**	(5,734)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(25,578)**	(5,734)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**882,567**	895,963
Attributable to owners of the parent	**882,567**	895,963

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,656,894**	4,697,261
Prepaid land lease payments	14	**219,049**	224,160
Prepayments for items of property, plant and equipment	15	**292,952**	464,036
Other intangible assets	16	**17,680**	20,596
Loan to the ultimate holding company	30	**400,000**	400,000
Deferred tax assets	22	**210,502**	180,457
Total non-current assets		**7,797,077**	5,986,510
CURRENT ASSETS			
Inventories	17	**3,948,269**	2,438,583
Trade and bills receivables	18	**7,906,438**	5,994,863
Prepayments, deposits and other receivables	15	**359,174**	433,359
Due from related parties		**4,786**	–
Pledged deposits	19	**1,155**	101,909
Short-term deposits	19	**268,600**	139,051
Cash and cash equivalents	19	**1,958,902**	1,740,182
Total current assets		**14,447,324**	10,847,947
CURRENT LIABILITIES			
Trade and bills payables	20	**9,265,345**	6,319,576
Other payables	21	**2,234,186**	772,482
Due to related parties		**29,055**	–
Tax payable		**168,036**	77,187
Total current liabilities		**11,696,622**	7,169,245
NET CURRENT ASSETS		**2,750,702**	3,678,702
Net assets		**10,547,779**	9,665,212
EQUITY			
Share capital	23	**4,052,228**	4,052,228
Other reserves	24	**6,495,551**	5,612,984
Total equity		**10,547,779**	9,665,212

Wang Chuanfu
Director

Wang Nianqiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital RMB'000 (note 23)	Capital redemption reserve RMB'000	Share premium account RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000 (note (a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000 (Restated)	Total RMB'000
At 1 January 2014	216,999	1,670	3,833,559	(46,323)*	593,003*	(269,592)*	4,504,825*	8,834,141
Profit for the year	–	–	–	–	–	–	901,697	901,697
Exchange differences on translation of foreign operations	–	–	–	–	–	(5,734)	–	(5,734)
Total comprehensive income for the year	–	–	–	–	–	(5,734)	901,697	895,963
Transition to no-par value regime	3,835,229	(1,670)	(3,833,559)	–	–	–	–	–
Final 2013 dividend declared	–	–	–	–	–	–	(64,892)	(64,892)
Transfer to statutory surplus	–	–	–	–	101,323	–	(101,323)	–
At 31 December 2014 and at 1 January 2015	4,052,228	–	–	(46,323)*	694,326*	(275,326)*	5,240,307*	9,665,212
Profit for the year	–	–	–	–	–	–	908,145	908,145
Exchange differences on translation of foreign operations	–	–	–	–	–	(25,578)	–	(25,578)
Total comprehensive income for the year	–	–	–	–	–	(25,578)	908,145	882,567
Transfer to statutory surplus	–	–	–	–	37,105	–	(37,105)	–
At 31 December 2015	4,052,228	–	–	(46,323)*	731,431*	(300,904)*	6,111,347*	10,547,779

Notes:

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

* These reserve accounts comprise the consolidated other reserves of RMB6,495,551,000 (2014: RMB5,612,984,000) in the consolidated statement of financial position as at 31 December 2015.

	Notes	**2015 RMB'000**	2014 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,036,437**	1,012,204
Adjustments for:			
Finance costs	7	**3,089**	5,530
Interest income	5	**(57,366)**	(105,368)
Loss on disposal of items of property, plant and equipment	8	**2,142**	17,607
Depreciation	8	**1,291,756**	903,397
Amortisation of intangible assets	8	**3,114**	3,292
Recognition of prepaid land lease payments	8	**4,929**	4,931
Impairment of trade receivables	8	**6,932**	23,296
Impairment of trade receivables reversed	8	**(2,005)**	(5,109)
Impairment of inventories	8	**23,540**	49,087
Impairment of items of property, plant and equipment	8	**–**	78,315
		2,312,568	1,987,182
Increase in inventories		**(1,533,082)**	(625,390)
Increase in trade and bills receivables		**(1,916,495)**	(2,196,574)
Decrease in prepayments, deposits and other receivables		**74,176**	15,811
Increase in trade and bills payables		**2,945,769**	1,995,158
Increase in an amount due from the related party		**(4,786)**	–
Increase in other payables		**1,461,705**	125,720
Increase in an amount due to the related party		**29,055**	–
Cash generated from operations		**3,368,910**	1,301,907
Interest received		**57,366**	105,368
Tax paid		**(67,487)**	(111,183)
Net cash flows from operating activities		**3,358,789**	1,296,092

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,120,303)**	(1,960,138)
Increase in prepaid land lease payments	14	**–**	(33)
Additions to other intangible assets	16	**(198)**	(15,037)
Proceeds from disposal of items of property, plant and equipment		**31,530**	65,095
Decrease/(increase) in pledged deposits		**100,754**	(15,058)
Withdrawal of short-term deposits		**505,799**	410,063
Investments in short-term deposits		**(635,348)**	(349,114)
Net cash flows used in investing activities		**(3,117,766)**	(1,864,222)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(3,089)**	(5,530)
Dividend paid		**–**	(64,892)
Net cash flows used in financing activities		**(3,089)**	(70,422)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**237,934**	(638,552)
Cash and cash equivalents at beginning of year		**1,740,182**	2,375,234
Effect of foreign exchange rate changes, net		**(19,214)**	3,500
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,958,902**	1,740,182

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

INFORMATION ABOUT SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or registration and operations	Registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BYD Electronics India Private Limited (“BYD India “)	India	INR2,407,186,600	–	100	Manufacture and sale of mobile handset components and modules
BYD Electronic Hungary Kft	Hungary	HUF500,000	–	100	Manufacture and sale of mobile handset components
Xi’an BYD Electronic Co., Limited (“Xi’an Electronic”) (西安比亞迪電子有限公司)	PRC/Mainland China	RMB100,000,000	–	100	Manufacture and sale of mobile handset components
Wuhan BYD Electronic Co., Limited (“BYD Wuhan”) (武漢比亞迪電子有限公司)	PRC/Mainland China	RMB100,000,000	–	100	Manufacture and sale of mobile handset components

* BYD Precision and BYD Tianjin are registered as a wholly-foreign-owned enterprise’s under PRC law.

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

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

2.1 BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets:* Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(b) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows: *(Continued)*

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BUSINESS COMBINATIONS AND GOODWILL *(Continued)*

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

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

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

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FAIR VALUE MEASUREMENT *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

Computer software

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

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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

OPERATING LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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

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

INVESTMENT AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

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

INVESTMENT AND OTHER FINANCIAL ASSETS *(Continued)*

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

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

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

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

IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

FINANCIAL LIABILITIES *(Continued)*

Financial liabilities at fair value through profit or loss (Continued)

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

Term deposits with an initial term of over three months but less than one year were classified as short term deposits on the consolidated statement of financial position.

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

PROVISIONS

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

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

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

INCOME TAX

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

INCOME TAX *(Continued)*

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

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

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

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

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

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

EMPLOYEE BENEFITS

Medical benefits

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

Pension schemes – Mainland China

The employees of the Group's subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Pension schemes – Non-China

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Housing fund – Mainland China

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

BORROWING COSTS

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

DIVIDENDS

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

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

FOREIGN CURRENCIES *(Continued)*

The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considers that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 22 to the financial statements.

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

ESTIMATION UNCERTAINTY

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

Impairment of non-financial assets (other than goodwill)

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

Depreciation and amortisation

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was RMB51,192,000 (2014: nil). Further details are included in note 22 to the financial statements.

Allowance for doubtful receivables

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

Write-down of inventories based on the lower of cost and net realisable value

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

4. OPERATING SEGMENT INFORMATION

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

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2015 **RMB'000**	2014 RMB'000
PRC	**27,309,032**	16,560,946
European Union	**913,460**	1,054,068
United States of America	**133,834**	778,974
Japan	**149,940**	380,619
India	**22,302**	92,290
Other countries	**757,262**	965,230
	29,285,830	19,832,127

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

(b) Non-current assets

	2015 **RMB'000**	2014 RMB'000
PRC	**7,409,826**	5,626,071
India	**147,315**	145,995
Others	**29,434**	33,987
	7,586,575	5,806,053

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2015 RMB'000
Customer A[1]	**9,274,230**
Customer B[1]	**7,743,406**
Customer C[1]	**4,354,466**
	21,372,102

	2014 RMB'000
Customer A[1]	4,893,328
Customer B[1]	3,147,144
	8,040,472

[1] Revenue from major customers come from providing assembly services and sale of mobile handset components and modules.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of assembly services rendered during the year.

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

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of mobile handset components and modules	**11,588,638**	9,055,745
Assembly services income	**17,697,192**	10,776,382
	29,285,830	19,832,127

	2015 RMB'000	2014 RMB'000
Other income and gains		
Bank interest income	**33,446**	76,038
Other interest income	**23,920**	29,330
Sale of scrap and materials	**195,918**	131,298
Compensation from suppliers and customers	**50,693**	25,156
Foreign exchange gain, net	**121,603**	–
Others	**25,862**	30,086
	451,442	291,908

6. GOVERNMENT GRANTS AND SUBSIDIES

	2015 RMB'000	2014 RMB'000
Related to income		
Subsidies on operating expense (notes (a))	**46,650**	–
Others	**1,202**	–
	47,852	–

Note:

(a) In 2015, Xi'an BYD Electronic Co., Ltd. ("Xi'an Electronic"), a subsidiary of the Company, received government grants with an aggregate amount of RMB46,650,000 from the Xi'an High-tech Zone (西安高新技術產業開發區) as subsidies on operating expense. Since related expenditure has been occurred, RMB46,650,000 has been fully recognised as government grant income this year.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on factored trade receivables and bank loans	**3,089**	5,530

8. PROFIT BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**9,933,978**	7,482,592
Cost of services provided		**17,424,767**	10,195,286
Depreciation	13	**1,291,756**	903,397
Research and development costs:			
Current year expenditure		**722,270**	709,087
Minimum lease payments under operating leases:		**123,417**	70,561
Auditors' remuneration		**1,589**	1,759
Recognition of prepaid land lease payments#	14	**4,929**	4,931
Amortisation of intangible assets#	16	**3,114**	3,292
Employee benefit expense (including directors' remuneration (note 9)			
Wages and salaries		**3,838,412**	2,910,339
Retirement benefit scheme contributions		**168,901**	101,417
		4,007,313	3,011,756
Impairment of trade receivables##	18	**6,932**	23,296
Impairment losses of trade receivables reversed##	18	**(2,005)**	(5,109)
Impairment of items of property, plant and equipment##	13	**–**	78,315
Impairment of inventories###		**23,540**	49,087
Loss on disposal of items of property, plant and equipment##		**2,142**	17,607
Foreign exchange (gain)/loss, net##		**(121,603)**	3,992

8. PROFIT BEFORE TAX *(Continued)*

\# Included in "Administrative expenses" in the consolidated statement of profit or loss.

\## Included in "Other income and gains" or "Other expenses" in the consolidated statement of profit or loss.

\### Included in "Cost of sales" in the consolidated statement of profit or loss.

9. DIRECTORS' AND EXECUTIVE'S REMUNERATION

Directors' and executive's remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**536**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**6,477**	7,236
Pension scheme contributions	**52**	49
	6,529	7,285
	7,065	7,685

(a) Independent non-executive directors

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

	2015 RMB'000	2014 RMB'000
Mr. Mampilly, Antony Francis	**200**	200
Mr. Zhong Guo-wu	**200**	200
Mr. Qian Jing-jie	**136**	–
	536	400

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

9. DIRECTORS' AND EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
31 December 2015				
Executive directors:				
Ms. Li Ke*	**–**	**1,244**	**8**	**1,252**
Mr. Wang Nian-qiang**	**–**	**3,240**	**18**	**3,258**
Mr. Sun Yi-zao	**–**	**1,993**	**26**	**2,019**
	–	**6,477**	**52**	**6,529**
Non-executive directors:				
Mr. Wang Chuan-fu	**–**	**–**	**–**	**–**
Mr. Wu Jing-sheng	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
31 December 2014				
Executive directors:				
Ms. Li Ke*	–	3,363	24	3,387
Mr. Sun Yi-zao	–	3,873	25	3,898
	–	7,236	49	7,285
Non-executive directors:				
Mr. Wang Chuan-fu	–	–	–	–
Mr. Wu Jing-sheng	–	–	–	–
	–	–	–	–

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

* Ms. Li Ke has resigned as the Executive director on 27th April, 2015, her remuneration of 2015 covered the period from January to April.

** Mr. Wang Nian-qiang has been appointed as the Executive director on 27th April, 2015, his remuneration of 2015 covered the period from May to December.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2014: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries, allowances and benefits in kind	**4,535**	4,463
Pension scheme contributions	**75**	49
	4,610	4,512

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

	Number of employees	
	2015	2014
RMB1,500,001 to RMB2,000,000	**2**	1
RMB1,000,001 to RMB1,500,000	**1**	2
	3	3

11. INCOME TAX

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

BYD Precision Manufacture Company Ltd. is approved to be a high and new technology enterprise in November 2015, and is entitled to enjoy a reduced enterprise income tax rate of 15% from 2015 to 2017.

Huizhou BYD Electronic Co., Limited, a wholly-owned subsidiary of the Company, is re-applied to be a high and new technology enterprise in July 2015, the application has been approved and currently is under disclosure, it is entitled to enjoy a reduced enterprise income tax rate of 15% from 2015 to 2017.

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

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

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

11. INCOME TAX *(Continued)*

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

	2015 **RMB'000**	2014 RMB'000
Current – PRC	**158,337**	117,085
Deferred (note 22)	**(30,045)**	(6,578)
Total tax charge for the year	**128,292**	110,507

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

	2015		2014	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,036,437**		1,012,204	
Tax at the applicable tax rate	**259,109**	**25.0**	253,051	25.0
Expenses not deductible for tax	**17,544**	**1.7**	3,270	0.3
Lower tax rate for specific provinces or enacted by local authority	**(110,996)**	**(10.7)**	(107,360)	(10.6)
Super-deduction of research and development costs	**(37,735)**	**(3.6)**	(58,863)	(5.8)
Tax losses utilised from previous periods	**(4,342)**	**(0.4)**	(32,292)	(3.2)
Tax losses and deductible differences not recognised	**4,712**	**0.4**	52,701	5.2
Tax charge at the Group's effective rate	**128,292**	**12.4**	110,507	10.9

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

The calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,253,204,500 (2014: 2,253,204,500) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**908,145**	901,697

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,253,204,500**	2,253,204,500

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 31 December 2014 and at 1 January 2015:							
Cost	1,048,064	30,496	6,158,442	1,205,242	13,254	240,579	8,696,077
Accumulated depreciation and impairment	(148,990)	(21,112)	(3,103,772)	(716,170)	(8,772)	–	(3,998,816)
Net carrying amount	899,074	9,384	3,054,670	489,072	4,482	240,579	4,697,261
At 1 January 2015, net of accumulated depreciation and impairment	899,074	9,384	3,054,670	489,072	4,482	240,579	4,697,261
Additions	–	57,439	2,846,126	77,867	13,379	296,576	3,291,387
Disposals	(1,372)	–	(10,944)	(24,539)	(49)	–	(36,904)
Impairment provided during the year	–	–	–	–	–	–	–
Write-off impairment	–	–	3,232	–	–	–	3,232
Depreciation provided during the year	(22,782)	(7,467)	(1,090,474)	(166,552)	(4,481)	–	(1,291,756)
Exchange realignment	(4,368)	–	(1,937)	(14)	(7)	–	(6,326)
Transfers	50,531	–	121,631	92,239	–	(264,401)	–
At 31 December 2015, net of accumulated depreciation and impairment	921,083	59,356	4,922,304	468,073	13,324	272,754	6,656,894
At 31 December 2015:							
Cost	1,092,187	87,935	8,881,147	1,310,321	25,662	272,754	11,670,006
Accumulated depreciation and impairment	(171,104)	(28,579)	(3,958,843)	(842,248)	(12,338)	–	(5,013,112)
Net carrying amount	921,083	59,356	4,922,304	468,073	13,324	272,754	6,656,894

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB6,356,000 (2014: equivalent to RMB6,725,000), is freehold and not depreciated.

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

	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and at 1 January 2014:							
Cost	813,063	26,792	5,225,397	1,069,672	10,286	357,011	7,502,221
Accumulated depreciation and impairment	(79,772)	(15,721)	(2,643,216)	(547,101)	(6,557)	–	(3,292,367)
Net carrying amount	733,291	11,071	2,582,181	522,571	3,729	357,011	4,209,854
At 1 January 2014, net of accumulated depreciation and impairment	733,291	11,071	2,582,181	522,571	3,729	357,011	4,209,854
Additions	3,111	3,704	1,166,707	127,617	4,433	255,605	1,561,177
Disposals	–	–	(72,071)	(693)	(138)	(10,552)	(83,454)
Impairment provided during the year**	(42,353)	–	(35,962)	–	–	–	(78,315)
Write-off impairment	–	–	752	–	–	–	752
Depreciation provided during the year	(27,828)	(5,391)	(681,874)	(184,788)	(3,516)	–	(903,397)
Exchange realignment	(9,119)	–	(280)	9	(26)	60	(9,356)
Transfers	241,972	–	95,217	24,356	–	(361,545)	–
At 31 December 2014, net of accumulated depreciation and impairment	899,074	9,384	3,054,670	489,072	4,482	240,579	4,697,261
At 31 December 2014:							
Cost	1,048,064	30,496	6,158,442	1,205,242	13,254	240,579	8,696,077
Accumulated depreciation and impairment	(148,990)	(21,112)	(3,103,772)	(716,170)	(8,772)	–	(3,998,816)
Net carrying amount	899,074	9,384	3,054,670	489,072	4,482	240,579	4,697,261

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB6,725,000 (2013: equivalent to RMB7,944,000), is freehold and not depreciated.

** An impairment provision of RMB35,962,000 and RMB42,353,000 were respectively made to certain equipment and buildings located in India related to the reporting segment of mobile handset components and assembly service in the year ended 31 December 2014 due to decreasing of production order. The recoverable amount of the equipment based on replacement cost is determined to be nil because all the equipment is specially designed and not able to be converted to alternative use without significant additional cost. The buildings were revalued individually at the end of the reporting period by Dr. C. Sivaprakasam & Associates, independent professional qualified valuers, at an aggregate open market value of RMB131,498,000 based on their existing use. The difference between the fair value and book value of the buildings amounted to RMB42,353,000 has been charged to the statement of profit or loss. The fair value of the buildings is categorised within Level 3 of the fair value hierarchy and has been calculated by Dr. C. Sivaprakasam & Associates.

14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**229,116**	233,894
Additions	**–**	33
Recognised	**(4,929)**	(4,931)
Exchange realignment	**(191)**	120
Carrying amount at 31 December	**223,996**	229,116
Current portion included in prepayments, deposits and other receivables	**(4,947)**	(4,956)
Non-current portion	**219,049**	224,160

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Non-current portion:		
Prepayments for items of property, plant and equipment	**292,952**	464,036
Current portion:		
Prepayments	**31,165**	35,113
Deposits and other receivables	**328,009**	398,246
	359,174	433,359

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

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	**20,596**
Additions	**198**
Amortisation provided during the year	**(3,114)**
At 31 December 2015	**17,680**
At 31 December 2015:	
Cost	**58,574**
Accumulated amortisation	**(40,894)**
Net carrying amount	**17,680**

	Computer software RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	8,851
Additions	15,037
Amortisation provided during the year	(3,292)
At 31 December 2014	20,596
At 31 December 2014:	
Cost	58,375
Accumulated amortisation	(37,779)
Net carrying amount	20,596

17. INVENTORIES

	Group	
	2015	2014
	RMB'000	RMB'000
Raw materials	**1,865,977**	1,105,864
Work in progress	**32,155**	12,377
Finished goods	**2,042,423**	1,305,361
Moulds held for production	**7,714**	14,981
	3,948,269	2,438,583

18. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	RMB'000
		(Restated)
Trade and bills receivables	**7,953,752**	6,038,979
Impairment	**(47,314)**	(44,116)
	7,906,438	5,994,863

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 credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 50% (2014: 19%) and 82% (2014: 57%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

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

	2015	2014
	RMB'000	RMB'000
		(Restated)
Within 90 days	**7,658,330**	5,640,312
91 to 180 days	**220,644**	281,710
181 to 360 days	**27,464**	72,841
	7,906,438	5,994,863

18. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2015 **RMB'000**	2014 RMB'000
At 1 January	**44,116**	46,110
Impairment losses recognised (note 8)	**6,932**	23,296
Impairment losses reversed (note 8)	**(2,005)**	(5,109)
Amount written off as uncollectible	**(1,722)**	(20,179)
Exchange realignments	**(7)**	(2)
At 31 December	**47,314**	44,116

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB47,314,000 (2014: RMB44,116,000) with a carrying amount of RMB55,295,000 (2014: RMB56,997,000).

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

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

	2015 **RMB'000**	2014 RMB'000 (Restated)
Neither past due nor impaired	**7,347,370**	4,989,378
Less than one year past due	**551,087**	992,603
	7,898,457	5,981,981

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

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

19. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

		2015	2014
		RMB'000	RMB'000
Cash and bank balances		**1,949,207**	1,640,271
Time deposits		**279,450**	340,871
		2,228,657	1,981,142
Less: Restricted bank deposits:			
Short term deposits	(iii)	**(268,600)**	(139,051)
Pledged deposit	(i)	**(1,155)**	(101,909)
Cash and cash equivalents	(ii)	**1,958,902**	1,740,182

(i) At 31 December 2015, RMB1,155,000 (2014: RMB101,909,000) of the pledged bank deposit was pledged for bills payable of RMB1,155,000 (2014: RMB101,909,000). No bank deposit (2014: Nil) was pledged to the customs department for the operating in a bonded zone.

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB1,428,859,000 (2014: RMB1,418,367,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(iii) The weighted average effective interest rate for the short term deposits of the Group with an initial term of three to six months for the year ended 31 December 2015 was 1.61% (2014: 2.84%). The carrying value of the short term deposits with an initial term of three to six months approximated to their fair value as at 31 December 2015. Short term deposits with an initial term of three to six months were denominated in RMB and were neither past due nor impaired.

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

20. TRADE AND BILLS PAYABLES

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

	2015 RMB'000	2014 RMB'000 (Restated)
Within 90 days	**8,131,166**	5,397,075
91 to 180 days	**1,103,449**	887,953
181 to 360 days	**13,291**	18,044
1 to 2 years	**15,870**	14,036
Over 2 years	**1,569**	2,468
	9,265,345	6,319,576

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

21. OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Other payables	**1,803,695**	378,685
Accrued payroll	**430,491**	393,797
	2,234,186	772,482

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

22. DEFERRED TAX

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

DEFERRED TAX ASSETS

	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Salary payable RMB'000	Tax losses RMB'000	Accruals RMB'000	Undeducted payable RMB'000	Total RMB'000
At 1 January 2015	**121,007**	**22,974**	**28,567**	**–**	**7,630**	**279**	**180,457**
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	**8,307**	**(1,038)**	**(28,567)**	**51,192**	**(18)**	**169**	**30,045**
At 31 December 2015	**129,314**	**21,936**	**–**	**51,192**	**7,612**	**448**	**210,502**
At 1 January 2014	122,730	19,311	22,197	2,967	6,225	449	173,879
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	(1,723)	3,663	6,370	(2,967)	1,405	(170)	6,578
At 31 December 2014	121,007	22,974	28,567	–	7,630	279	180,457

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

	2015 RMB'000	2014 RMB'000
Tax losses	**24**	3,922
Deductible temporary differences	**322,029**	318,083
	322,053	322,005

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

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

22. DEFERRED TAX *(Continued)*

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB6,098,093,000 at 31 December 2015 (2014: RMB5,271,680,000).

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

23. SHARE CAPITAL

SHARES

	2015 RMB'000	2014 RMB'000
Issued and fully paid		
2,253,204,500 (2014: 2,253,204,500) ordinary shares	**4,052,228**	4,052,228

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital RMB'000**	**Share premium RMB'000**	**Capital redemption reserve RMB'000**	**Total RMB'000**
At 1 January 2014	2,253,204,500	216,999	3,833,559	1,670	4,052,228
Transition to non-par value regime on 3 March 2014 (note (a))	–	3,835,229	(3,833,559)	(1,670)	–
At 31 December 2014 and 1 January 2015	2,253,204,500	4,052,228	–	–	4,052,228
At 31 December 2015	**2,253,204,500**	**4,052,228**	**–**	**–**	**4,052,228**

Notes:

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the financial statements.

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

25. CONTINGENT LIABILITIES

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.

With assistance from the Company's legal counsel representing the Company for the case, the directors are 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.

26. OPERATING LEASE ARRANGEMENTS

AS LESSEE

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

There are no contingent rentals, renewal or purchase options, escalation clauses or any restrictions imposed on dividends, additional debt and further leasing within the lease arrangements.

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

	2015 RMB'000	2014 RMB'000
Within one year	**77,147**	38,214
In the second year	**39,479**	10
In the third to fifth years, inclusive	**38,737**	5
	155,363	38,229

27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	**252,787**	1,473,376
Building	**39,782**	127,508
	292,569	1,600,884

At the end of the reporting period, neither the Group nor the Company had any significant commitments.

28. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Notes	Related parties	Year ended 31 December 2015 RMB'000	2014 RMB'000
Sales of plant and machinery	(i)	Ultimate holding company	**40,232**	111,287
		Fellow subsidiaries	**60,157**	105,418
Purchases of plant and machinery	(i)	Ultimate holding company	**2,705**	4,078
		Fellow subsidiaries	**182,751**	181,815
Purchases of inventories	(ii)	Ultimate holding company	**47,302**	1,210,454
		Fellow subsidiaries	**1,105,840**	976,382
Sales of inventories	(ii)	Ultimate holding company	**27,226**	151,485
		Fellow subsidiaries	**556,198**	222,154
Leasing and ancillary expenses paid	(iii)	Ultimate holding company	**103,346**	130,962
		Fellow subsidiaries	**342,317**	170,557
Exclusive processing services received	(iv)	Ultimate holding company	**215,961**	1,848
		Fellow subsidiaries	**232,539**	51,491
Exclusive processing services provided	(iv)	Ultimate holding company	**2,107**	463
		Fellow subsidiaries	**73,151**	635
Agent fee for procurement service	(v)	Fellow subsidiaries	**24,729**	508

28. 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 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 and revenue were charged are received for the depreciation of the relevant machinery and equipment during the year ended 31 December 2015.

(v) The agent fee for the procurement service was charged on a certain percentage of the total amount of procurement provided by the fellow subsidiaries on behalf of the Group. For the year ended 31 December 2015, the total amount of procurement provided was RMB7,724,925,000.

(b) Outstanding balances with related parties:

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

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

	2015 RMB'000	2014 RMB'000
Short term employee benefits	**13,013**	14,535
Pension scheme contributions	**153**	150
	13,166	14,685

Further details of directors' emoluments are included in note 9 to the financial statements.

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.

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Loans and receivables RMB'000
Loan to the ultimate holding company	400,000
Trade and bills receivables	7,906,438
Financial assets included in prepayments, deposits and other receivables (note 15)	56,828
Pledged deposits	1,155
Short-term deposits	268,600
Cash and bank balances	1,958,902
	10,591,923

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	9,265,345
Financial liabilities included in other payables (note 21)	660,843
	9,926,188

29. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014

Financial assets

	Loans and receivables RMB'000 (Restated)
Loan to the ultimate holding company	400,000
Trade and bills receivables	5,994,863
Financial assets included in prepayments, deposits and other receivables (note 15)	46,912
Pledged deposits	101,909
Short-term deposits	139,051
Cash and bank balances	1,740,182
	8,422,917

Financial liabilities

	Financial liabilities at amortised cost RMB'000 (Restated)
Trade and bills payables	6,319,576
Financial liabilities included in other payables (note 21)	318,535
	6,638,111

30. FAIR VALUE AND FAIR VALUE HIERARCHY 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:

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 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

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Loan to the ultimate holding company	**–**	**400,000**	**–**	**400,000**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Loan to the ultimate holding company	–	400,000	–	400,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

FOREIGN CURRENCY RISK

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

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

	Increase/ (decrease) in United States dollar exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ decrease) in equity* RMB'000
2015			
If RMB weakens against United States dollar	**5**	**60,198**	**–**
If RMB strengthens against United States dollar	**(5)**	**(60,198)**	**–**
2014			
If RMB weakens against United States dollar	5	81,301	–
If RMB strengthens against United States dollar	(5)	(81,301)	–

* Excluding retained profits and exchange fluctuation reserve

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

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 50% (2014: 19%) and 82% (2014: 57%) of the Group's trade receivables were due from the Group's largest customers and the five largest customers, respectively. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 18 to the financial statements.

LIQUIDITY RISK

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

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

Financial liabilities

	2015			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000
Trade and bills payables (note 20)	**1,986,952**	**6,161,653**	**1,116,740**	**9,265,345**
Other payables	**41,937**	**403,695**	**215,211**	**660,843**
	2,028,889	**6,565,348**	**1,331,951**	**9,926,188**

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

LIQUIDITY RISK *(Continued)*

Financial liabilities (Continued)

	2014			
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Total RMB'000 (Restated)
Trade and bills payables (note 20)	1,166,286	4,247,293	905,997	6,319,576
Other payables	46,234	249,190	23,111	318,535
	1,212,520	4,496,483	929,108	6,638,111

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Equity represents equity attributable to owners of the parent. As the Group did not have any interest-bearing bank borrowings, the gearing ratio was zero as at 31 December 2015 and 31 December 2014.

32. TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 31 December 2015, the Group endorsed certain bills receivable accepted by certain banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB10,765,000. The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

33. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 **RMB'000**	2014 RMB'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,926,000**	1,926,000
CURRENT ASSETS		
Prepayments, deposits and other receivables	**13**	13
Trade receivable	**3,713,277**	3,684,670
Dividend receivable	**142,111**	218,048
Cash and bank balances	**4,586**	2,020
Total current assets	**3,859,987**	3,904,751
CURRENT LIABILITIES		
Trade payable	**1,340**	40,642
Total current liabilities	**1,340**	40,642
NET CURRENT ASSETS	**3,858,647**	3,864,109
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,784,647**	5,790,109
Net assets	**5,784,647**	5,790,109
EQUITY		
Share capital	**5,795,522**	5,795,522
Other reserves	**(10,875)**	(5,413)
Total equity	**5,784,647**	5,790,109

Wang Chuanfu
Director

Wang Nianqiang
Director

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	5,578,523	(11,043)	5,567,480
Total comprehensive income for the year	–	70,522	70,522
Transition to no-par value regime	(5,578,523)	–	(5,578,523)
Final 2013 dividend declared	–	(64,892)	(64,892)
At 31 December 2014	**–**	**(5,413)**	**(5,413)**
Total comprehensive income for the year	**–**	**(5,462)**	**(5,462)**
At 31 December 2015	**–**	**(10,875)**	**(10,875)**

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2016.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**29,285,830**	19,832,127	16,062,179	14,090,909	15,868,300
Cost of sales	**(27,382,285)**	(17,726,965)	(14,383,177)	(12,900,805)	(14,137,932)
Gross profit	**1,903,545**	2,105,162	1,679,002	1,190,104	1,730,368
Other income and gains	**451,442**	291,908	261,870	250,006	259,253
Government subsidies	**47,852**	–	–	–	–
Research and development costs	**(722,270)**	(709,087)	(559,772)	(529,626)	(614,448)
Selling and distribution costs	**(152,044)**	(162,091)	(132,526)	(126,149)	(130,841)
Administrative expenses	**(453,609)**	(386,929)	(343,369)	(299,203)	(444,780)
Other expenses	**(35,390)**	(121,229)	(146,392)	(52,304)	(124,926)
Finance costs	**(3,089)**	(5,530)	(7,248)	(2,520)	(213)
PROFIT BEFORE TAX	**1,036,437**	1,012,204	751,565	430,308	674,373
Tax	**(128,292)**	(110,507)	(103,160)	(51,362)	(71,567)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**908,145**	901,697	648,405	378,946	602,806
ASSETS AND LIABILITIES					
TOTAL ASSETS	**22,244,401**	16,834,457	13,876,605	11,888,796	12,577,848
TOTAL LIABILITIES	**11,696,622**	7,169,245	5,042,464	3,634,378	4,586,315
Total equity	**10,547,779**	9,665,212	8,834,141	8,254,418	7,991,533

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