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

(Stock Code 股份代號: 285)

INTERIM REPORT
2013 中期報告

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Turnover	8.25%	to RMB7,600 million
Gross profit	31.53%	to RMB827 million
Profit attributable to equity holders of the parent	21.21%	to RMB317 million
Earnings per share	21.21%	to RMB0.14

HIGHLIGHTS

- Benefited from the successful expansion of customer base to mobile intelligent terminals business, the Group recorded sales of approximately RMB7,600 million

- Metal component business experienced rapid growth and the Group's business structure continued to improve, thus resulting in an enhancement in profitability of the Group

- The success in securing tablet orders enabled the Group to broaden sources of income

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2013 (the "Period"), the global economy saw a slow recovery despite the fact that various short-term risks, such as the Eurozone debt crisis, the US fiscal cliff and the slowdown in emerging economies, eased. However, there still existed downside risks and uncertainties. As the world's second largest economy, China's growth momentum lost steam, as weak overseas demand hurt the nation's exports and growth in domestic investment slowed down. Nevertheless, the government's expansionary fiscal policy and increasing resident income continued to drive China's economic growth at a steady pace.

During the Period, the worldwide handset market continued to expand at a steady pace. According to market research firm Gartner, global handset shipments rose 2.7% during the first half of 2013 from the same period a year ago, reaching approximately 860 million. As smartphones increasingly became mature products, both hardware and software costs declined. And while smartphones gradually became the mainstream, demand for smartphones rapidly rose among emerging markets after their success in mature markets. During the Period, the smartphone market maintained a strong growth momentum and became a major engine driving the growth of the global handset market. Global smartphone shipments for the first half of 2013 increased approximately 46.0% year on year, amounting to approximately 440 million, statistics from Gartner showed, surpassing that of regular handsets for the first time. As at end-June 2013, the proportion of smartphone shipments to total handset shipment volume climbed to approximately 50.5% on a year-over-year basis. In addition, tablets were increasingly being recognised and sought after by consumers because of their outstanding portability and user friendliness. As a result, market demand for tablets showed strong growth momentum in the first half of 2013. According to data from IDC, global tablet shipments during the Period soared 101.4% to a total of 88 million units.

In the China market, on the back of a further improved 3G network capacity, aggressive subsidies offered by operators and a strong replacement demand, smartphone shipments continued to grow significantly. According to data from the Academy of Telecommunications Research under the Ministry of Industry and Information Technology (MIIT), China's smartphone sales soared 96.4% year on year during the first half of 2013, accounting for 91% of all handsets sold.

The rapid growth of the smartphone and tablet markets has created more business development opportunities for handset manufacturers with vertically integrated manufacturing and post-sale services capabilities on a global scale.

BUSINESS REVIEW

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (collectively, the "Group") is one of the most cost-competitive handset component and assembly service suppliers and adopts an operating strategy of providing one-stop services with high vertical integration capabilities and provides handset manufacturers with such services as the manufacture of handset components, including handset casings and structural parts, and handset modules equipped with various mechanical components such as handset casings, microphones, connectors and other components, as well as the provision of complete handset design and assembly services and the provision of design, parts manufacturing and assembly services of other electronic products.

In the first half of 2013, benefiting from the strong growth of market demand and the continued upgrade of the consumption structure as well as the Group's successful development of new high-end smartphone projects of leading global handset manufacturers, the Group's revenue recovered rapidly and profit increased substantially during the Period. During the Period, the Group recorded sales of approximately RMB7,600 million, representing an increase of approximately 8.25% year on year. Profit attributable to shareholders increased by approximately 21.21% year-on-year to approximately RMB317 million.

Leveraging the Group's highly vertical integration capabilities, strong product competitiveness and advantages with high value for money, the Group also successfully explored clientele and established and maintained good partnership with new customers. The Group continued to secure high-end flagship model orders from various internationally renowned mobile intelligent terminal manufacturers during the Period, including parts and components, such as metal and plastic casings, structural parts and keys. Besides, the Group successfully won tablet ODM orders from notebook manufacturers of leading global brands, which fully demonstrated the recognition of the Group's capability by leading global manufacturers and further enhanced the Group's global influence. Meanwhile, the Group's largest customer continued to deepen its business strategy transformation, actively developed the smartphone market and successively launched new smartphone handset products and achieved good market responses, with a stabilising market share.

The acquisition of core technologies is a key for the Group to reinforce its competiveness and strategic position. During the Period, smartphone sales grew rapidly and market competition became more intense. Smartphone manufacturers used more and more metal casings which is much higher end and demand for product appearance, signals and texture also became more stringent. In response to the stringent demand for high quality metal casings, the Group successfully developed the technology of plastic and metal hybrid (PMH) to realise the nano scale fusion of metal and plastic, significantly improving the mechanical performance of metal casings in terms of aesthetical appeal, texture and signal reception. The Group has made use of this core technology and secured orders from a number of smartphone manufacturers during the Period, which contributed to the growth in sales and profitability of the Group. The Group believes that the strong demand of smartphones for metal casings will drive the continued growth of the Group's metal components and that metal component business will also become one of the major driving forces for the future development of the Group.

During the Period, the Group also made a significant breakthrough in the ODM business of tablets. The tablet market entered a fast development period and tablets were gradually replacing traditional computers to become major electronic devices for access to the Internet. The Group was actively capturing the opportunity of the flourishing development of tablets. Leveraging its long-term technical expertise in the handset components and assembly sector and the integration capability of vertical integration, the Group successfully won tablet ODM orders from notebook manufacturers of leading global brands. It provided one-stop services ranging from complete tablet design, component production to complete tablet assembly for customers and successfully expanded its business area and market share, which created new growth opportunities for the Group.

FUTURE STRATEGY

Looking ahead to the second half of 2013, the trend of the recovery of the global economy is gradually stabilising. However, the economic environment is still complex and risks and challenges remain. The weakness of the developed economies of Europe and the United States is the root of the slowdown in the recovery of the global economy. The impact of their economic problems has gradually spread to developing countries through measures such as curbing import requirements and capital flow. The Chinese government insists on promoting economic restructuring through reforms to reduce reliance on exports. It is anticipated that China's economy will continue to maintain steady growth in the second half of 2013.

With the gradual improvement of the mobile Internet, the smartphone and tablet markets are in the ascendant. IDC forecasts that smartphone shipments for the full year of 2013 will rise 32.7% from approximately 720 million units last year to approximately 960 million units, representing 52.2% of total global handset shipment volume. It is also forecast that total tablet shipment volume for the full year of 2013 will increase 58.7% from approximately 140 million units last year to approximately 230 million units.

MANAGEMENT DISCUSSION AND ANALYSIS

In China, the information industry, being a strategic industry amidst the state's economic transformation, will usher in the new opportunity of leap forward development. In July 2013, the State Council executive meeting studied the deployment of promoting information consumption to drive effective domestic demand and achieve the upgrade of economic transformation. The meeting called for the implementation of the "Broadband China" strategy to expedite the construction and upgrade of networks and communication infrastructure, increase 3G network coverage and service quality, drive the issuance of the 4G license within the year and carry forward the integration of three networks in an all-round manner. As of the first half of 2013, the penetration rate of 3G user was approximately 27%, with the market potential remaining huge.

Facing the emergence of mobile intelligent terminals such as smartphones and tablets, BYD will actively adjust its development strategy and focus on developing and researching high-end mobile intelligent terminal component and module operations as well as ODM operations so as to be prepare itself for the tremendous opportunities brought by the adjustment and upgrade of the industry chain. This facilitates the Group to shift to the high added-value segments of the industry chain, which will effectively enhance the business structure and help the Group strategically and gradually shift to the high-end market. In the long run, this also facilitates the Group to increase its market share in the high-end market and the profitability of the overall business.

As for the handset business, the Group will continue to deepen its partnership with the biggest customer and support the launch of smartphone series using the Microsoft platform by it. It is anticipated that its high-end handset model orders will continue to increase in the second half of the year. In the meantime, the Group will also actively develop and deepen its relationship with other customers to strive for orders from other manufacturers of internationally renowned brands so as to establish a strong and stable customer base, expand the Group's share in the smartphone market and increase the Group's income and profit levels. As for the tablet business, the Group will continuously expand its tablet customer base and optimise the product mix by relying on its long-term technical expertise in product design, components manufacturing and complete tablet assembly so as to bring new growth momentum for the Group to further broaden the sources of income and profit.

Looking forward, BYD Electronic will firmly grasp the enormous development space brought by rapid growth of smartphones and tablets to continuously develop the smartphone and tablet operations and reduce production costs and improve production quality through technological innovation, thereby enhancing the Group's comprehensive competitiveness. The development strategies and objectives of BYD Electronic remain unchanged – a commitment to continuously enhance its R&D capabilities and technological standards, maintain and improve its product quality and cost advantage and a determination to develop an integrated global manufacturing and service platform in order to enhance its market position and create great returns to the Group's shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

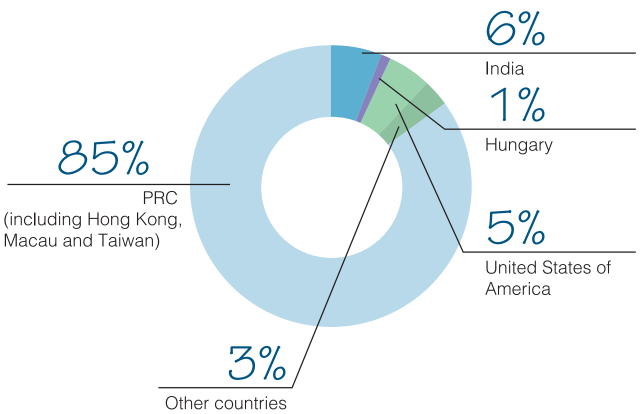
FINANCIAL REVIEW

During the period under review, turnover and profit attributable to equity owners of the parent company recorded an increase compared with the same period of the previous year, mainly due to the increase in sales of new customers of the Group.

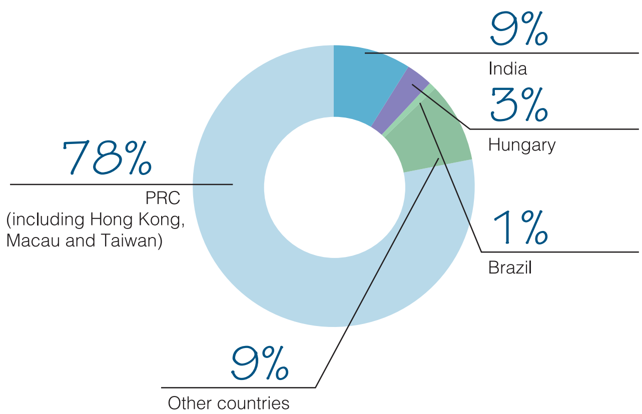
Segmental Information

Set out below is a comparison of geographical information by customer locations for the six months ended 30 June 2012 and 2013:

1H 2013



1H 2012



Gross Profit and Margin

The Group's gross profit for the Period increased by approximately 31.53% to approximately RMB827 million. Gross profit margin increased from approximately 8.95% in the first half of 2012 to approximately 10.88% during the Period. The increase in gross margin was mainly due to the expansion of new client base and the significant increase in sales of metal component products with higher gross profit margin.

Liquidity and Financial Resources

During the Period, the Group recorded cash inflow from operations of approximately RMB391 million, compared to RMB907 million recorded in the first half of 2012. During the Period, funds were obtained from the net cash generated from the Company's operations.

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. For the six months ended 30 June 2013, the turnover days of accounts and bills receivables were approximately 79 days, while the turnover days were approximately 81 days for the six months ended 30 June 2012. During the Period, the turnover days of accounts and bills receivables remained stable. Inventory turnover increased from approximately 51 days for the six months ended 30 June 2012 to approximately 55 days for the Period. The change in inventory turnover was primarily due to the higher year-on-year increase in average inventory than the year-on-year increase in cost of sales.

Capital Structure

The duty of the Company's financial division is to oversee the Company's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As at 30 June 2013, the Company did not have any 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 bank facilities and net cash generated 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 six months.

Exposure to Foreign Exchange Risk

A majority of the Company's income and expenses are settled in Renminbi and US dollars. During the Period, the Group recorded an increase in foreign exchange loss, which was mainly attributed to change in exchange rate of RMB, India Rupees and the Hungarian Forint against the U.S. dollar. During the Period, the Company did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Company will have sufficient foreign exchange to meet its foreign exchange requirements.

Employment, Training and Development

As at 30 June 2013, the Company had over 61 thousand employees. During the Period, total staff cost accounted for approximately 17.44% of the Company's turnover. Employee remuneration is determined on the basis of the Company employees' performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission may also be awarded to employees based on their annual performance evaluation. In addition, incentives may be offered for personal drive and encouragement.

Share Capital

As at 30 June 2013, the share capital of the Company was as follows:

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

Purchase, Sale or Redemption of Shares

In the six months ended 30 June 2013, the Company did not redeem any of its shares. During the Period, neither the Company nor any of its subsidiaries purchased or sold any shares in the Company.

Capital Commitments

As at 30 June 2013, the Company had capital commitments of approximately RMB461 million (31 December 2012: approximately RMB353 million).

Contingent Liabilities

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

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

As at 30 June 2013, the relevant interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and the Hong Kong Stock Exchange Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO)) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of corporation	Capacity	Number of issued shares held	Approximate percentage of total issued share capital of the corporation
Ms. LI Ke	The Company	Beneficial Interest	8,602,000[1] (long position)	0.38%
	BYD Company Limited "BYD"	Personal Interest	11,884,500[2] (long position)	0.50%
Mr. SUN Yi-zao	The Company	Beneficial Interest	5,797,000[1] (long position)	0.26%
	BYD	Personal Interest	10,164,680[2] (long position)	0.43%
Mr. WU Jing-sheng	The Company	Beneficial Interest	8,602,000[1] (long position)	0.38%
	BYD	Personal Interest	6,110,880[2] (long position)	0.26%
Mr. WANG Chuan-fu	BYD	Personal Interest	570,642,580[3] (long position)	24.24%

Notes:

1. The shares are held by Gold Dragonfly Limited, a company incorporated in the British Virgin Islands and wholly owned by HSBC Trustee (Hong Kong) Limited as trustee of BF Trust, of which Ms. LI Ke, Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.

2. These are the A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jing-sheng. The total issued share capital of BYD as at 30 June 2013 was RMB2,354,100,000, comprising 1,561,000,000 A shares and 793,100,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jine-sheng represented approximately 0.76%, 0.65% and 0.39% of the total issued A shares of BYD as of 30 June 2013.

3. These are the A shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 36.56% of total issued A shares of BYD as of 30 June 2013.

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 and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2013.

SUPPLEMENTARY INFORMATION

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares", at no time during the year ended 30 June 2013 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 30 June 2013, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of shareholding in total issued share capital
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest	1,481,700,000 (long position)	65.76%
BYD (H.K.) Company, Limited ("BYD H.K.")	Interest of controlled corporation[1]	1,481,700,000 (long position)	65.76%
BYD	Interest of controlled corporation[1]	1,481,700,000 (long position)	65.76%
Gold Dragonfly Limited ("Gold Dragonfly")	Beneficial interest	168,300,000 (long position)	7.47%
HSBC Trustee (Hong Kong) Limited ("HSBC Trustee")	Trustee[2]	168,300,000 (long position)	7.47%

Notes:

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

2. The 168,300,000 shares of the Company are held by Gold Dragonfly, a company incorporated in the British Virgin Islands and wholly owned by HSBC Trustee as trustee of BF Trust, the beneficiaries of which are BYD, its subsidiaries and 35 employees of the Group. As such, HSBC Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

Save as disclosed above, as at 30 June 2013, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practice

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES BY DIRECTORS OF LISTED ISSUERS

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

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

Since the publication of the latest annual report of the Company, newly appointed director Mr. Chung Kwok Mo, John was appointed as Executive Vice-president of Xiwang Special Steel Company Limited (Stock Code: 1266) and Xiwang Sugar Holdings Company Limited (Stock Code: 2088) on 15 July 2013, whose shares of the companies are listed on the Hong Kong Stock Exchange. Mr. Chan Yuk-tong retired as an independent non-executive director of the Company on 7 June 2013.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SUPPLEMENTARY INFORMATION

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors and two non-executive directors. A meeting was convened by the Company's audit committee on 23 August 2013 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2012: Nil).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	For the six months ended **30 June 2013** *(Unaudited)* *RMB'000*	**30 June 2012** *(Unaudited)* *RMB'000*
REVENUE	5	7,600,368	7,020,914
Cost of sales		(6,773,564)	(6,392,311)
Gross profit		826,804	628,603
Other income and gains	5	113,199	141,910
Selling and distribution expenses		(65,384)	(63,404)
Research and development expenses		(280,470)	(274,298)
Administrative expenses		(166,994)	(122,081)
Other expenses		(67,844)	(30,179)
Finance costs	6	(2,514)	—
PROFIT BEFORE TAX	7	356,797	280,551
Income tax expense	8	(40,086)	(19,252)
PROFIT FOR THE PERIOD			
Attributable to the owners of the parent		316,711	261,299
Earnings per share attributable to ordinary equity holders of the parent			
– Basic and diluted for the period	9	RMB0.14	RMB0.12

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	316,711	261,299
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(52,331)	(30,414)
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	(52,331)	(30,414)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	264,380	230,885
Attributable to:		
Owners of the parent	264,380	230,885

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Reclassified) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,950,110	3,913,812
Prepaid land lease payments		130,234	134,305
Prepayment for property, plant and equipment		89,808	75,965
Other intangible assets		8,848	8,360
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		190,660	176,432
Total non-current assets		4,769,660	4,708,874
CURRENT ASSETS			
Inventories	11	2,127,584	1,738,539
Trade and bills receivables	12	3,838,637	2,751,198
Prepayments, deposits and other receivables		313,561	228,241
Due from fellow subsidiaries		39,683	79,256
Due from the intermediate holding company		109,806	109,148
Due from the ultimate holding company		68,991	145,643
Pledged deposits		117,189	16,532
Cash and cash equivalents		1,961,124	2,111,365
Total current assets		8,576,575	7,179,922
CURRENT LIABILITIES			
Trade and bills payables	13	3,687,441	2,749,953
Other payables and accruals		789,523	632,028
Tax payable		63,584	64,655
Due to fellow subsidiaries		286,218	145,162
Due to the intermediate holding company		658	—
Due to the ultimate holding company		13	42,580
Total current liabilities		4,827,437	3,634,378
NET CURRENT ASSETS		3,749,138	3,545,544
TOTAL ASSETS LESS CURRENT LIABILITIES		8,518,798	8,254,418
EQUITY			
Issued capital		216,999	216,999
Reserves		8,301,799	8,037,419
TOTAL EQUITY		8,518,798	8,254,418

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Issued capital (Unaudited) RMB'000	Capital redemption reserve (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2012	216,999	1,670	3,833,559	(46,323)	469,704	(205,410)	120,561	3,600,773	7,991,533
Profit for the year	—	—	—	—	—	—	—	261,299	261,299
Exchange differences on translation of foreign operations	—	—	—	—	—	(30,414)	—	—	(30,414)
Total comprehensive income for the year	—	—	—	—	—	(30,414)	—	261,299	230,885
2011 dividend declared	—	—	—	—	—	—	(120,561)	—	(120,561)
At 30 June 2012	216,999	1,670	3,833,559	(46,323)	469,704	(235,824)	—	3,862,072	8,101,857
At 1 January 2013	216,999	1,670	3,833,559	(46,323)	518,541	(200,910)	—	3,930,882	8,254,418
Profit for the year	—	—	—	—	—	—	—	316,711	316,711
Exchange differences on translation of foreign operations	—	—	—	—	—	(52,331)	—	—	(52,331)
Total comprehensive income for the year	—	—	—	—	—	(52,331)	—	316,711	264,380
At 30 June 2013	216,999	1,670*	3,833,559*	(46,323)*	518,541*	(253,241)*	—	4,247,593*	8,518,798

* These reserve accounts comprise the consolidated reserves of RMB8,301,799,000 in the interim condensed consolidated statement of financial position as at 30 June 2013.

INTERIM CONDENSED CONSOLODATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	For the six months ended 30 June	
	2013	**2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	390,942	907,419
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(527,140)	(374,244)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(2,514)	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(138,712)	533,175
Cash and cash equivalents at beginning of period	2,111,365	2,106,993
Effect of foreign exchange rate changes, net	(11,529)	(4,259)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,961,124	2,635,909
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,467,505	2,635,909
Non-pledged time deposits	610,808	—
Pledged time deposits for banking facilities	(117,189)	—
	1,961,124	2,635,909

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of the new standards and interpretations as noted below.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements	Amendments to a number of HKFRSs issued in June 2012 2009-2011 Cycle

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

HKAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under HKAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

The adoption of the above new standards and interpretations has had no material effect on the interim condensed consolidated financial statements.

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

4. SEGMENT INFORMATION

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

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Revenue		
Sales of mobile handset components and modules	4,072,949	3,771,916
Assembly services income	3,527,419	3,248,998
	7,600,368	7,020,914

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	33,593	31,254
Gain on disposal of scrap	65,388	70,717
Others	14,218	39,939
	113,199	141,910

6. FINANCE COSTS

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	2,514	—

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Cost of inventories sold	3,370,043	3,213,771
Cost of services provided	3,380,144	3,131,862
Depreciation	334,411	398,982
Amortisation of other intangible assets	1,669	2,171
Impairment of trade receivables	347	20,918
Impairment losses of trade receivables reversed	(3,374)	(501)
Impairment of inventories	23,377	46,678
Loss on disposal of items of property, plant and equipment	1,249	7,223

8. INCOME TAX

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current-Mainland China	54,314	50,110
Deferred	(14,228)	(30,858)
Total tax charge for the period	40,086	19,252

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

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

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

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

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

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, as in the basic earnings per share calculation	316,711	261,299

	For the six months ended	
	30 June 2013	**30 June 2012**
Shares		
Number of ordinary shares in issue during the period	2,253,204,500	2,253,204,500

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired assets with a cost of RMB438,764,000 (six months ended 30 June 2012: RMB792,629,000) on additions to property, plant and equipment.

Assets with a net book value of RMB29,530,000 were disposed of by the group during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB24,150,000) resulting in a net loss on disposal of RMB1,249,000 (six months ended 30 June 2012: loss of RMB7,223,000).

11. INVENTORIES

	30 June 2013	**31 December 2012**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Raw materials	775,824	705,419
Work-in-progress	24,756	14,282
Finished goods	1,277,728	967,422
Mould held for production	49,276	51,416
	2,127,584	1,738,539

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2013	**31 December 2012**
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 3 months	3,541,161	2,596,368
3 to 6 months	295,841	154,035
6 months to 1 year	1,635	795
	3,838,637	2,751,198

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

13. TRADE AND BILLS PAYABLES

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

	30 June 2013	**31 December 2012**
	(Unaudited)	*(Reclassified)*
	RMB'000	*RMB'000*
Within 90 days	3,365,917	2,487,353
91 to 180 days	304,123	246,762
181 to 360 days	12,884	9,727
1 to 2 years	2,665	4,862
Over 2 years	1,852	1,249
	3,687,441	2,749,953

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

14. CONTINGENT LIABILITIES

(a) On 11 June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the holding company of the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising from the June 2007 Action. In essence, the Plaintiffs alleged that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages.

The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000 and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the ultimate holding company has given an indemnity in favour of the Company and other Defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the ultimate holding company to the indemnified parties will not cover loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents. The service of writs on all of the Defendants has been duly acknowledged.

On 2 November 2007, the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group, the defendants, which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the ultimate holding company, the intermediate holding company, the immediate holding company and subsidiaries of the Group. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff.

14. CONTINGENT LIABILITIES *(continued)*

(a) *(continued)*

On 2 October 2009 the Defendants instituted a counter-action against Hon Hai Precision Industry Co. Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industrial Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. for their intervention, by means of illegal measures, in the operations, collusions, written and verbal defamation, and the economic loss as a result of the said activities, and made requests in respect of the action as followed: The Defendants requested the Court to issue an injunction banning Hon Hai Precision Industry Co. Ltd and Foxconn International Holdings Limited from spreading, releasing and procuring the release of statements against the Defendants or any similar wordings to discredit the Defendants. Requests were also made to order Hon Hai Precision Industry Co. Ltd to compensate for the damage (including aggravated damages and punitive damages) arising from its written and oral defamation, to order Foxconn International Holdings Limited to compensate for the damage (including aggravated damages and punitive damages) arising from its written defamation, and to order Hon Hai Precision Industry Co. Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industrial Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. to compensate for the losses due to unlawful interference with the operations and the loss, interest, costs and other relief caused by their collusion.

On 21 January 2010, the plaintiff based on no reasonable cause of action and other reasons, to apply to the court rejected the defendant counterclaim in the book section paragraph content. In August 2010, the court made a judgement dismissing the elimination of application. On 28 September 2010, the plaintiff appeal. In response to the appeal, the court heard again in 24 May 2012. On 20 June 2012, the court announced the verdict, dismissed the appeal on appeal from the Foxconn side request.

On 30 January 2012, the Plaintiffs filed an application to the High Court requesting it to send a letter of request to the Shenzhen Intermediate People's Court for copying information in the mobile hard drive maintained in the Shenzhen Intermediate People's Court. On 13 April 2012, the Defendants made a reply to the application, requesting that apart from the Shenzhen Intermediate People's Court, the letter of request should also be sent to the Supreme People's Court of the PRC, the Shenzhen Bao'an District People's Court and the Shenzhen Longgang District People's Court through which the letter of request should be passed to the Baoan Branch of the Shenzhen Public Security Bureau and the Beijing JZSC Intellectual Property Rights Forensic Center, requesting the aforesaid authorities or units to assist in the transfer or disclosure of evidence materials such as computers, copies of mobile hard disks and case files of parties closely related to this case. On 11 October 2012, the Hong Kong High Court decided to postpone the hearing for the above application originally scheduled to be held on 18 October 2012 to a time to be further decided.

On 6 June 2013, Hong Hai Precision Industry Co., Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industrial Co., Ltd and Hongfujin Precision Industry (Shenzhen) Co., Ltd (defendants of the counterclaim) replied to the counterclaim from the Defendants and argued that the alleged intervention in the operations of the Defendants and the collusions were not actionable pursuant to the PRC laws, and the alleged charges of written and verbal defamation were legal disclosures under Taiwanese laws, therefore, the counterclaim made by the Defendants against them was groundless. On 27 June 2013, the Defendants made an application to the High Court for raising a defence against the reply from the defendants of the counterclaim. On 4 July 2013, the Court postponed the hearing on such application originally scheduled on 5 July 2013 to 15 October 2013, and requested the Defendants to submit their draft statement of defence to the defendants of the counterclaim within 42 days (excluding court holidays).

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

15. COMMITMENTS

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

	30 June 2013 *(Unaudited)* *RMB'000*	**31 December 2012** *(Audited)* *RMB'000*
Contracted, but not provided for:		
Plant and machinery	362,372	271,720
Building	98,430	81,194
	460,802	352,914

16. RELATED PARTY TRANSACTIONS

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

Nature of Transaction	*Note*	**Related parties**	**For the six months ended 30 June 2013** *(Unaudited)* *RMB'000*	**30 June 2012** *(Unaudited)* *RMB'000*
Purchases of plant and machinery	(i)	Ultimate holding company	581	9
		Fellow subsidiaries	15,934	86,485
Sales of plant and machinery	(i)	Ultimate holding company	889	683
		Fellow subsidiaries	23,833	10,189
Purchases of inventories	(ii)	Ultimate holding company	74,311	108
		Fellow subsidiaries	291,298	300,980
Sales of inventories	(ii)	Ultimate holding company	87,317	40,254
		Fellow subsidiaries	22,624	59,245
Ancillary expenses paid to	(iii)	Ultimate holding company	79,400	78,900
		Fellow subsidiaries	57,948	32,780
Exclusive Processing Service received by	(iv)	Ultimate holding company	1,917	6,387
		Fellow subsidiaries	19,139	15,600
Interest received from	(v)	Ultimate holding company	14,793	14,874

Notes:

(i) The sales and purchases of plant and machinery were made at net book values.

(ii) The sales and purchases of inventories were conducted at the then prevailing market prices in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.

(iii) 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 were charged for the use of the relevant machinery and equipment at the depreciation basis as mutually agreed between related parties.

16. RELATED PARTY TRANSACTIONS *(continued)*

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

(v) On 29 November 2011, BYD Precision, a wholly-owned subsidiary of the Company provided entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), through China Construction Bank, in order to satisfy the need for further working capital of BYD. The loans were unsecured, bear interest at 10% above the prime rate of three-year loans, with a three-year term from 29 November 2011 to 28 November 2014. For the six months ended 30 June 2013, the interest received from the ultimate holding company relating to the entrusted loans was RMB14,793,000.

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

	For the six months ended	
	30 June 2013	**30 June 2012**
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Short term employee benefits	6,819	6,309
Pension scheme contributions	79	55
	6,898	6,364

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. The reclassification provides better information of the financial data. The amount of RMB59,097,000 in other payables and accruals has been reclassified to trade and bills payables in comparative figures.

18. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2013.