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

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

Website: <http://www.byd-electronic.com>

2016 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of the Company (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months period ended 30 June 2016. This announcement, containing the full text of the 2016 Interim Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. Printed version of the Company’s 2016 Interim Report will be delivered to the Company’s shareholders and is also available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and of the Company at <http://www.byd-electronic.com>.

By Order of the Board of
BYD Electronic (International) Company Limited
WANG Nian-qiang
Executive Director

Hong Kong, 26 August 2016

As at the date of this announcement, the executive Directors of the Company are Mr. WANG Nian-qiang and Mr. SUN Yi-zao; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Turnover	61.97%	to RMB15,484 million
Gross profit	28.09%	to RMB1,237 million
Profit attributable to owners of the parent	32.42%	to RMB604 million
Earnings per share	32.42%	to RMB0.27

HIGHLIGHTS

- Metal component and assembly business developed quickly, driving a significant increase in income of the Group
- The Company successfully secured more contracts from smartphone manufacturers of leading brands, leading to a substantial increase in the Group's earning
- The Board recommended the payment of an interim dividend of RMB0.067 per share

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY REVIEW

For the six months ended 30 June 2016 (the “Period”), the global economy remained volatile and sluggish in its growth momentum, which was marked by several developments: the United States just entered a rate-hike cycle which has casted uncertainty over the country’s economic growth; Brexit changed the European Union’s economic landscape; and emerging economies were slowing down. For the first half of 2016, China’s economy grew by 6.7%, which was the country’s slowest gross domestic product growth in seven years. To cope with the complicated economic environment at home and abroad, the Central Government stepped up the supply-side reform and moderately stimulated the overall demand. Meanwhile, two pivotal national strategies, “Made in China 2025” and the “One Belt, One Road” initiative, have presented new business opportunities to the manufacturing industry and added impetus to the development of all the aspects throughout the entire value chain of the industry.

During the Period, the global handset market continued to slow down. According to statistics from IDC, a globally recognized market research institution, the global smartphone shipments increased slightly by 0.2% year on year to 678 million units in the first half of 2016, which was the lowest year on year growth rate ever recorded. In China, new models of smartphones launched by domestic handset manufacturers gained increasing popularity among consumers at home and abroad due to their outstanding performance and appearance. Sales of such new models grew rapidly and resulted in their significantly increased share of the global market. Of the top 10 global mobile phone brands, seven are Chinese, which jointly took up nearly 42% of the global market share. According to the information released by China Academy of Information and Communication Technology, the country’s smartphone shipments increased by 13.0% year on year to 235 million units in the first half of 2016, indicating that China remained the largest smartphone market in the world.

Regarding the use of materials, metal casings have gained widespread popularity among consumers because of their sound mechanic performance and outstanding appearance. The range of applications of metal components in smartphones were widening and the market penetration of metal components continued to rise. This has led to a growing market for such metal components, bringing both a structural change to and new opportunities for the smartphone industry, which has been slowing down. Suppliers who have comprehensive technologies and a base of diverse customers have huge potential for growth.

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 strong vertical integration capabilities, and provides handset manufacturers of different brands with various services including the manufacture of handset components (such as casings and structural parts) and handset modules as well as handset design and assembly. It also provides such services as product design, parts manufacturing and assembly for manufacturers of other electronic products. During the Period, the Group’s sales revenue increased by approximately 61.97% year on year to approximately RMB15,484 million, and profit attributable to the shareholders of the Company increased by 32.42% year on year to approximately RMB604 million.

Consumers have had ever higher requirements for the texture and appearance of smartphones’ casings in recent years so that handset manufacturers have been using more metal components and making their products thinner and lighter. There is a growing trend towards the use of metal casings in handsets with original design. Metal casings outperform plastic casings in terms of adaptability to thinner casings, heat dissipation and durability and as such, they are being used in large numbers by smartphone manufacturers of both local and foreign brands. Leveraging on its extensive

experience in producing metal components over the years, leading technological strength, well-developed techniques for processing and cost competitiveness, the Group endeavored to ramp up its production capacity and expand its customer base so as to capitalize on the rapid growth of the metal component industry and effectively boost its revenue from the metal components business. In respect of its assembly business, the Group secured orders for smartphone assembly in the form of electronics manufacturing services (“EMS”) from leading smartphone brands. This resulted in satisfactory growth in its assembly business, and enhanced customer relationships while stimulating customers’ demand for the Group’s other components.

As to the customers, the Group continued to enhance its business relationships with renowned domestic and overseas handset manufacturers while actively seeking business from new customers at home and abroad with the aim of improving its customer mix and diversifying its customer base. During the Period, the Group secured orders from a number of Korean and domestic well-known handset brands to manufacture their mid-range and high-end flagship models. This contributed to significant growth in sales revenue from the Group’s metal components business.

As a leading manufacturer in handset component and assembly sectors, the Group continued to further develop the original design manufacturing (ODM) business for smartphones, tablets and other mobile smart terminals and provide one-stop services that encompass complete product design, components manufacturing and full product assembly services. During the Period, the Group stepped up the development of its automotive electronics business in a bid to add new impetus to its sustainable development.

FUTURE STRATEGY

In the second half of the year, the prospect of the global economy is grim and complicated. Specifically, China will continue with its economic restructuring. In the light of a sluggish global economy, IDC revised downwards its forecast on growth rate in global smartphone shipments in 2016 by nearly a half to 3.1%. According to forecast of IDC report, the global smartphone market will maintain a moderate growth and the growth in smartphone shipments will continue to decelerate in the next five years. Despite a slowdown in the market and increasingly fierce competition, China’s local handset brands are expected to continue to improve their market shares at home and abroad through innovation and technological upgrading.

In face of intense market competition, major handset brands are proactively seeking to enhance their brands and expanding their market shares and influence. It is expected that more handset models will be released in the second half of the year. The Group will continue to consolidate its sound business relationships with major smartphone manufacturers to seize the opportunities arising from their releases of new models. It will try to secure more new orders for mid-range and high-end smartphones and related high-end consumer electronics. Meanwhile, the Group will continue to develop business with new customers and expand revenue sources while optimizing its customer mix and increasing its market share. In addition, with its advantages in technologies, business scale and industry experience, the Group will continue to expand its EMS business by making efforts to join the supply chain of more leading manufacturers, thereby increasing its revenue and profit sources.

To cope with fierce market competition, handset manufacturers will tend to launch more new models with metal casings to make the products more appealing and to satisfy customers’ higher requirements. As leading international handset manufacturers become more involved in the mass production of mid-range and high-end flagship handset models, it is expected that the Group’s metal component business will maintain rapid growth in the future. In the second half of the year, the Group will continue to focus on its metal component business and widen the range of applications of metal casings and metal structural products. It will also improve production quality through technological innovation so as to enhance its competitiveness and meet the market’s increasing demand.

MANAGEMENT DISCUSSION AND ANALYSIS

In the future, BYD Electronic will adhere to its core values and positioning, keep an eye on the market's movements, improve its research and development capability and raise the standards of its technology so as to deliver more cost-competitive products with assured quality to customers. It will consolidate and develop strategic partnerships with its domestic and foreign partners while actively developing its businesses in the relevant markets to capture emerging opportunities and expand its market share. Meanwhile, the Group will proactively boost its overall comprehensive competitiveness and enhance its market influence in various areas to lay a solid foundation for its long-term development with an aim of generating good returns to shareholders.

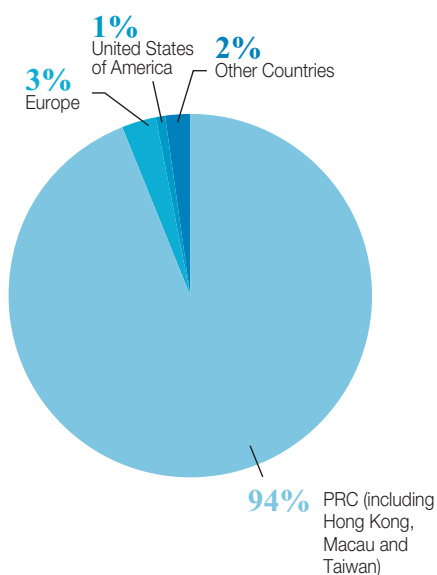
FINANCIAL REVIEW

During the Period, turnover and profit attributable to owners of the parent recorded a sharp increase as compared with the same period of the previous year, mainly due to the rapid growth in metal component and assembly business.

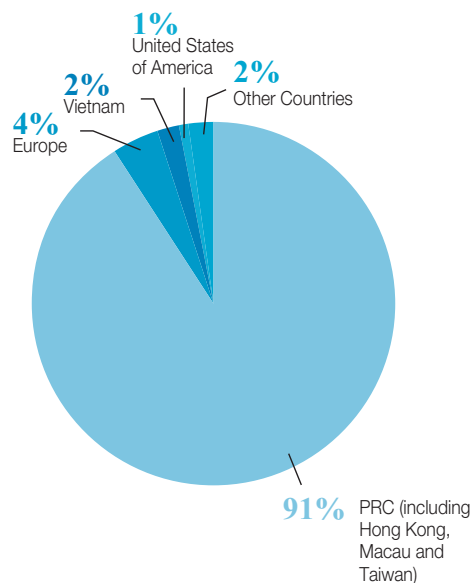
SEGMENTAL INFORMATION

Set out below is a comparison of geographical information by customer locations of the Group for the six months ended 30 June 2015 and 2016:

1H 2016



1H 2015



GROSS PROFIT AND MARGIN

The Group's gross profit for the Period increased by approximately 28.09% to approximately RMB1,237 million. Gross profit margin decreased from approximately 10.10% in the first half of 2015 to approximately 7.99% during the Period. The decrease in gross profit margin was mainly due to the significant increase in proportion to revenue from assembly business.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group recorded cash inflow in operations of approximately RMB1,233 million, compared to RMB2,130 million of cash inflow recorded in the first half of 2015. During the Period, funds were obtained from the net cash derived 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 2016, the turnover days of trade and bills receivables were approximately 80 days, while the turnover days were approximately 91 days for the six months ended 30 June 2015. The change in turnover days of trade and bills receivables was primarily due to the significant increase in and punctual collection of turnover during the Period. Inventory turnover days decreased from approximately 61 days for the six months ended 30 June 2015 to approximately 52 days for the Period. The change in inventory turnover days was primarily due to the significant increase in income from assembly business.

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 2016, the Group did not have any bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Group's current bank deposits and cash balances and fixed deposits as well as the Group's credit facilities and net cash generated from operating activities will be sufficient to satisfy the Group's material commitments and the requirements for working capital, capital expenditure, business expansion, investments and expected debt repayment needs for at least the next twelve months.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Equity represents equity attributable to owners of the parent. As the Group did not have any interest-bearing bank borrowings, the gearing ratio was zero as at 30 June 2016 and 31 December 2015.

EXPOSURE TO FOREIGN EXCHANGE RISK

The majority of the Group's income and expenses are settled in Renminbi and US dollars. During the Period, the Group recorded an increase in foreign exchange gain as compared to the same period of the previous year, which was mainly attributed to change in exchange rate of Renminbi against US dollars. During the Period, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2016, the Group had over 70,000 employees. During the Period, total staff cost accounted for approximately 14.56% of the Group's turnover. Employee remuneration is determined on the basis of the employees' performance, qualification and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on their annual performance appraisal. In addition, incentives may be offered for personal drive and encouragement.

SHARE CAPITAL

As at 30 June 2016, the share capital of the Company was as follows:

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

CAPITAL COMMITMENTS

As at 30 June 2016, the Company had capital commitments of approximately RMB282 million (31 December 2015: approximately RMB293 million).

CONTINGENT LIABILITIES

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

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

As at 30 June 2016, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of company	Capacity	Number of issued shares held	Approximate percentage of total issued shares of the Company
Mr. WANG Nianqiang	The Company	Beneficial owner and beneficiary	10,602,000 ¹ (long position)	0.47%
	BYD Company Limited ("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:

- Of which 2,000,000 shares are held by Mr. WANG Nianqiang, while 8,602,000 shares are held by Gold Dragonfly Limited ("Gold Dragonfly"), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited ("BF Trustee") as trustee of BF Trust, of which Mr. WANG Nianqiang is a beneficiary.
- These are the A shares of BYD held by Mr. WANG Nianqiang, Mr. SUN Yi-zao and Mr. WU Jing-sheng. The total share capital of BYD as at 30 June 2016 was RMB2,476,000,000, comprising 1,561,000,000 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nianqiang, Mr. SUN Yi-zao and Mr. WU Jing-sheng represented approximately 1.22%, 0.52% and 0.29% of the total issued A shares of BYD as of 30 June 2016.
- These are held by Gold Dragonfly, which is wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.
- These are the 512,623,820 A shares, 3,727,700 A shares held through E Fund Asset BYD Zengchi No.1 Assets Management Plan and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 33.08% and approximately 0.11% of total issued A shares and H shares of BYD as of 30 June 2016, respectively.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2016.

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 2016 was the Company, its holding company or any of its fellow subsidiaries and subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the equity holder has or is deemed to have interests or short positions	Approximate percentage of total issued shares
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest ¹	1,481,700,000 (long position)	65.76%
BYD (H.K.) Co., Limited ("BYD H.K.")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
BYD Company Limited ("BYD")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
Gold Dragonfly	Beneficial interest ²	137,081,650 (long position)	6.08%
BF Trustee	Trustee ²	137,081,650 (long position)	6.08%

Notes:

1. BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.
2. These are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, the beneficiaries of which are 32 employees of BYD, its subsidiaries and the Group. As such, BF Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

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

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

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

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

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

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

During the period from the date of publication of the latest annual report of the Company to 30 June 2016, 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 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

THE BOARD'S DIVERSITY POLICY

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

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

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors and two non-executive directors. A meeting was convened by the Company's audit committee on 26 August 2016 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

The audit committee has reviewed the results of the Group for the six months ended 30 June 2016.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared the payment of interim dividend for the six months ended 30 June 2016 of RMB0.067 per share (equivalent to HK\$0.07813 per share, converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days prior to 26 August 2016, being the date when the dividend is declared) (six months ended 30 June 2015: Nil). The dividends shall be paid in Hong Kong dollars and amount to approximately RMB150,965,000 in aggregate based on the total number of issued shares of the Company as at 30 June 2016 of 2,253,204,500. The interim dividend will be distributed on Wednesday, 26 October 2016 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 14 September 2016.

RELEVANT DATES FOR THE 2016 INTERIM DIVIDEND PAYMENT

Ex-dividend date	8 September 2016
Closure of register of members	12 to 14 September 2016 (both dates inclusive)
Record date	14 September 2016
Payment date	26 October 2016

To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 9 September 2016.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the Six Months Ended 30 June 2016

	Notes	For the six months ended	
		30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
REVENUE	5	15,484,424	9,559,840
Cost of sales		(14,247,719)	(8,594,356)
Gross profit		1,236,705	965,484
Other income and gains	5	182,703	174,788
Government grants and subsidies		8	–
Research and development costs		(381,474)	(305,895)
Selling and distribution costs		(89,547)	(91,159)
Administrative expenses		(227,591)	(207,983)
Other expenses		(14,019)	(15,470)
Finance costs	6	(8,691)	(1,592)
PROFIT BEFORE TAX	7	698,094	518,173
Income tax expense	8	(94,288)	(62,210)
PROFIT FOR THE PERIOD			
Attributable to the owners of the parent		603,806	455,963
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted for the period	9	RMB0.27	RMB0.20

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2016



	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	603,806	455,963
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	40,011	(3,258)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	40,011	(3,258)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	643,817	452,705
Attributable to owners of the parent	643,817	452,705

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	6,344,100	6,656,894
Prepaid land lease payments		216,723	219,049
Prepayment for property, plant and equipment		328,389	292,952
Other intangible assets		28,873	17,680
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		207,992	210,502
Total non-current assets		7,526,077	7,797,077
CURRENT ASSETS			
Inventories	11	4,083,728	3,948,269
Trade and bills receivables	12	5,768,533	7,906,438
Prepayments, deposits and other receivables		267,102	359,174
Due from related parties		1,117	4,786
Pledged deposits		–	1,155
Short-term deposits		240,700	268,600
Cash and cash equivalents		2,278,961	1,958,902
Total current assets		12,640,141	14,447,324
CURRENT LIABILITIES			
Trade and bills payables	13	6,977,164	9,265,345
Other payables		1,861,243	2,234,186
Due to related parties		4,233	29,055
Tax payable		131,982	168,036
Total current liabilities		8,974,622	11,696,622
NET CURRENT ASSETS		3,665,519	2,750,702
TOTAL ASSETS LESS CURRENT LIABILITIES		11,191,596	10,547,779
Net assets		11,191,596	10,547,779
EQUITY			
Share capital and other statutory capital reserves		4,052,228	4,052,228
Other reserves		7,139,368	6,495,551
Total equity		11,191,596	10,547,779

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 30 June 2016

Attributable to owners of the parent	Share capital (Unaudited) RMB'000	Share premium account [#] (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2015	4,052,228	-	(46,323)*	694,326*	(275,326)*	5,240,307*	9,665,212
Profit for the period	-	-	-	-	-	455,963	455,963
Exchange differences on translation of foreign operations	-	-	-	-	(3,258)	-	(3,258)
Total comprehensive income for the period	-	-	-	-	(3,258)	455,963	452,705
At 30 June 2015	4,052,228	-	(46,323)*	694,326*	(278,584)*	5,696,270*	10,117,917
At 1 January 2016	4,052,228	-	(46,323)*	731,431*	(300,904)*	6,111,347*	10,547,779
Profit for the period	-	-	-	-	-	603,806	603,806
Exchange differences on translation of foreign operations	-	-	-	-	40,011	-	40,011
Total comprehensive income for the period	-	-	-	-	40,011	603,806	643,817
At 30 June 2016	4,052,228	-	(46,323)*	731,431*	(260,893)*	6,715,153*	11,191,596

* These reserve accounts comprise the consolidated reserves of RMB7,139,368,000 (31 December 2015: RMB6,495,551,000) in the interim condensed consolidated statement of financial position as at 30 June 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		698,094	518,173
Adjustments for:			
Finance costs	6	8,691	1,592
Interest income	5	(58,989)	(41,166)
Government grants and subsidies		(8)	–
Loss on disposal of items of property, plant and equipment	7	2,292	1,813
Depreciation	7	847,281	560,914
Amortisation of intangible assets	7	5,338	2,594
Recognition of prepaid land lease payments		2,465	2,464
Impairment of trade receivables	7	5,998	10,969
Impairment losses of trade receivables reversed	7	(310)	(1,818)
Impairment of inventories	7	20,429	32,431
		1,531,281	1,087,966
Increase in inventories		(155,888)	(697,126)
Decrease in trade and bills receivables		2,132,217	1,111,949
Decrease in prepayments, deposits and other receivables		92,072	129,968
Decrease in trade and bills payables		(2,059,111)	(598,524)
Decrease in an amount due from the related party		3,669	–
(Decrease)/increase in other payables		(227,469)	1,111,435
Decrease in an amount due to the related party		(24,822)	–
Cash generated/(used in) from operations		1,291,949	2,145,668
Interest received	5	58,989	41,166
Tax paid		(118,378)	(57,246)
Net cash flows from/(used in) operating activities		1,232,560	2,129,588

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Six Months Ended 30 June 2016



	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,001,969)	(2,005,536)
Additions to prepaid land lease payments		–	–
Additions to other intangible assets		(16,533)	(643)
Proceeds from disposal of items of property, plant and equipment		50,009	1,989
Investment in short-term time deposits		(124,305)	(223,160)
Withdrawal of short-term time deposits		152,205	–
Decrease in pledged deposits		1,155	56,895
Net cash flows used in investing activities		(939,438)	(2,170,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8,691)	(1,592)
Net cash flows used in financing activities		(8,691)	(1,592)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,958,902	1,740,182
Effect of foreign exchange rate changes, net		35,628	6,813
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,278,961	1,704,536

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

1. CORPORATION INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No.34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015.

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 2015, except for the adoption of the new standards and interpretations as noted below.

Amendments to HKAS1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortizations</i>
<i>Annual Improvements to 2012-2014 Cycle</i>	Amendments to a number of HKFRS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016



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 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Revenue		
Sales of mobile handset components and modules	6,787,375	5,855,427
Assembly services income	8,697,049	3,704,413
	15,484,424	9,559,840

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Other income and gains		
Bank interest income	58,989	41,166
Gain on disposal of scrap and materials	86,600	97,089
Others	37,114	36,533
	182,703	174,788

6. FINANCE COSTS

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Interest on factored trade receivables	8,691	1,592

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Cost of inventories sold	5,596,127	5,022,325
Cost of services provided	8,631,163	3,569,138
Depreciation	847,281	560,914
Amortisation of other intangible assets	5,338	2,594
Impairment of trade receivables	5,998	10,969
Impairment losses of trade receivables reversed	(310)	(1,818)
Impairment of inventories	20,429	32,431
Loss on disposal of items of property, plant and equipment	2,292	1,813

8. INCOME TAX

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Current-Mainland China	91,778	75,235
Deferred	2,510	(13,025)
Total tax charge for the period	94,288	62,210

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016



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 2016	30 June 2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000

Earnings

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

	603,806	455,963
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	For the six months ended	
	30 June 2016	30 June 2015

Shares

Number of ordinary shares in issue during the period

	2,253,204,500	2,253,204,500
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No diluted earnings per share amount has been presented for the period as no diluting events existed during these period.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired assets with a cost of RMB582,546,000 (six months ended 30 June 2015: RMB2,171,660,000) on additions to property, plant and equipment.

Assets with a net book value of RMB52,301,000 were disposed of by the group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB7,021,000) resulting in a net loss on disposal of RMB2,292,000 (six months ended 30 June 2015: loss of RMB1,813,000).

11. INVENTORIES

	30 June	31 December
	2016	2015
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	2,076,797	1,865,977
Work-in-progress	50,156	32,155
Finished goods	1,946,980	2,042,423
Mould held for production	9,795	7,714
	4,083,728	3,948,269

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	5,503,241	7,658,330
91 to 180 days	237,326	220,644
181 to 360 days	27,966	27,464
	5,768,533	7,906,438

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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 90 days	6,204,570	8,131,166
91 to 180 days	553,596	1,103,449
181 to 360 days	205,105	13,291
1 to 2 years	11,877	15,870
Over 2 years	2,016	1,569
	6,977,164	9,265,345

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

ACTION AGAINST FOXCONN

On 11 June 2007, a Hong Kong High Court action (the “June 2007 Action”) was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the “Plaintiffs”) against the Company and certain subsidiaries of the Group (the “Defendants”) for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the “October 2007 Action”). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same grounds in the June 2007 Action. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The total damages sought by the Plaintiffs in the October 2007 Action have not been quantified.

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

As at reporting date, the case remains in legal proceedings. 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.

15. COMMITMENTS

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

	30 June 2016 (Unaudited) RMB’000	31 December 2015 (Audited) RMB’000
Contracted, but not provided for:		
Plant and machinery	198,027	252,787
Building	84,123	39,782
	282,150	292,569

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

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 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Purchases of plant and machinery	(i)	Ultimate holding company	198	1,607
		Fellow subsidiaries	64,324	52,420
Sales of plant and machinery	(i)	Ultimate holding company	22,187	25,078
		Fellow subsidiaries	26,763	64,550
Purchases of inventories	(ii)	Ultimate holding company	17,991	119,757
		Fellow subsidiaries	535,828	625,698
Sales of inventories	(ii)	Ultimate holding company	13,619	22,903
		Fellow subsidiaries	241,526	132,129
Leasing and ancillary expenses paid	(iii)	Ultimate holding company	47,428	49,465
		Fellow subsidiaries	147,417	138,348
Exclusive Processing Service received	(iv)	Ultimate holding company	50	898
		Fellow subsidiaries	140,834	3,739
Exclusive Processing Service provided	(iv)	Ultimate holding company	6,240	1,970
		Fellow subsidiaries	4,192	43,334
Agent fee for procurement service	(v)	Intermediate holding company	6,380	2,065
		Fellow subsidiaries	2,960	4,949
Interest received	(vi)	Ultimate holding company	11,389	12,074

Notes:

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

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

Notes: (continued)

- (iv) The processing service fees and revenue were charged/received for the depreciation of the relevant machinery and equipment during the reporting period.
- (v) The agent fee for procurement service is charged on certain percentage of the total amount of procurement provided by the intermediate holding company and fellow subsidiaries on behalf of the Group. For the period ended 30 June 2016, the total amount of procurement conducted is RMB4,666,195,000 (for the six months ended 30 June 2015: RMB2,191,681,000).
- (vi) On 28 November 2014, BYD Precision, a wholly-owned subsidiary of the Company extended entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), through China Construction Bank, in order to satisfy the need for further working capital of BYD. The loans were unsecured, bear interest at 10% above the prime rate of three-year loans, with a three-year term from 28 November 2014 to 27 November 2017. For the six months ended 30 June 2016, the interest received from the ultimate holding company relating to the entrusted loans was RMB11,389,000.

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

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Short term employee benefits	7,626	8,248
Pension scheme contributions	64	90
	7,690	8,338

The related party transactions in respect of items set out in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Financial assets				
Loan to the ultimate holding company	400,000	400,000	400,000	400,000



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2016

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

The fair values of the loan to the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the loan to the ultimate holding company as at 30 June 2016 was assessed to be insignificant

18. EVENTS AFTER THE REPORTS PERIOD

With the approval of the Board of Directors on 26 August 2016, the Company declared the payment of interim dividend for the six months ended 30 June 2016 of RMB0.067 per share (equivalent to HK\$0.07813 per share, converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days prior to 26 August 2016, being the date when the dividend is declared) (six months ended 30 June 2015: Nil). The dividends shall be paid in Hong Kong dollars and amount to approximately RMB150,965,000 in aggregate based on the total number of issued shares of the Company as at 30 June 2016 of 2,253,204,500. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2016.