



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

(Stock Code 股份代號 : 285)

WE CREATE THE
FUTURE

Interim Report
2019年中期報告



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Revenue	19.32%	to RMB23,280 million
Gross profit	-21.96%	to RMB1,551 million
Profit attributable to owners of the parent	-49.31%	to RMB575 million
Earnings per share	-49.31%	to RMB0.26

HIGHLIGHTS

- Strategic cooperation with clients further enhanced with the glass, plastic and handset assembly businesses continuing to grow
- The competitiveness of products continued to improve, with the Group becoming one of the leading manufacturers in terms of metal, plastic, glass and ceramics components and handset assembly business
- The development of new intelligent product business and automotive intelligent systems boomed and maintained rapid growth
- Under the background of China-US disputes, mobile handset was at the trough before 5G handset shifting tide, metal business revenue was under temporary pressure
- Client base was diversified with the Group's penetration into the core product line of major clients in the Northern America, achieving business breakthrough

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

For the six months ended 30 June 2019 (the “Period”), China-US trade friction was escalated and the impetus for global economic activities remained weak. The International Monetary Fund forecast that the global economic growth in 2019 will slow down to 3.2%. Chinese economy remained generally stable and prosperous with the GDP increasing by 6.3% in the first half of 2019.

According to the statistical data from IDC (an international research institution), the global smartphone shipments reached 644 million units in the first half of 2019, down by 4.4% year-on-year, and according to the data released by the China Academy of Information and Communications Technology* (中國信息通信研究院), the aggregated handset shipments in China amounted to 186 million units in the first half of 2019, down by 5.1% year-on-year. Smartphone shipments, in particular, dropped by 4.3% year-on-year to 178 million units.

During the Period, the global smartphone market performed weakly, deepening the competition in the industry and putting pressure on the whole industry. At the same time, the trade disputes between China and the US also had negative impact on certain handset brand manufacturers, which has further spread to upstream component manufacturers and assembly services suppliers, with the entire handset industry affected in different degrees. In order to boost consumption willingness against the backdrop of declined industry prosperity, handset manufacturers sped up their innovation and product upgrading, launching new models with multiple cameras and foldable screen and diversifying exterior decoration options including 3D glasses and ceramic casings. Meanwhile, as the industry has gone through years of development, consumers also call for higher handset quality with stronger demand for new materials and exquisite production technology. All of these factors brought about more favorable opportunities and broad development space for those manufacturers with rich experience and comprehensive technology.

BUSINESS REVIEW

BYD Electronic (International) Company Limited (“BYD Electronic” or the “Company”) and its subsidiaries (which are collectively referred to as the “Group”) is a leading global provider of intelligent product solutions, providing customers with one-stop service that comprises development of new materials, product design and development, manufacturing, supply chain management, logistics and after-sales service. In the context that 5G will soon be commercialized, the Group had closely followed the demands of the market and customers as well as industry hotspots and accelerated the transformation and upgrade of its business. Its proactive strategy includes the three major business segments, smartphones and notebook PCs, new intelligent products and automotive intelligent systems. The Group’s international large-scale automated production lines cover the production of molds, and components such as metal and plastic parts, 3D glass and ceramics and manufacture of electronic products. Under the circumstances of complex and ever-changing economic situation domestic and abroad, China-US trade frictions that resulted in some orders from its clients being affected and the overall industry being put under pressure, the Group operates its business stably while actively carrying out various businesses, which had driven the growth in the Company’s revenue. For the Period, the Group recorded turnover of approximately RMB23,280 million, representing a year-on-year increase of 19.32%; profit attributable to shareholders was RMB575 million, down by approximately 49.31% compared to that in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group continued to enhance its strategic cooperation with clients, expand production capacity and increase its market share, with the 3D glass, plastic and handset assembly businesses continuing to grow. As 5G technology application progresses, 3D glass was widely used. The Group has been closely working with six major global Android brands, and become one of the leading manufacturers in the industry. Leveraging on its advantages including leading technology, production capacity and excellent quality of metal components, the Group further improved its market penetration and kept up its leading position in the industry. However, against the backdrop of China-US trade disputes, the industry has been under pressure and the demand from certain clients had been impacted, resulting in temporary impact on revenue of metal component business. For the six months ended 30 June 2019, revenue from handset and notebook PC business amounted to RMB19.921 billion, accounting for 85.57% of overall revenue. Among which, revenue from component business amounted to RMB8.056 billion and revenue from assembly business amounted to RMB11.865 billion.

In terms of the new intelligent product business, the Group continued to increase its investment, adopt proactive market expansion strategies and deepen the cooperation with clients, which impelled the continuous rapid growth of the business. During the Period, the Group's revenue from the new intelligent product business amounted to approximately RMB2.598 billion, accounting for 11.16% of the total revenue.

In terms of the automotive intelligent system business, with the sharp rise in the sales volume of new energy vehicles of the parent company, the shipment volume of automotive intelligent systems has increased significantly year-on-year. The Group has deepened its cooperation with international Tier 1 manufacturers, which drove the continuous and rapid increase of its revenue. During the Period, revenue from the automotive intelligent business of the Group amounted to approximately RMB761 million, accounting for 3.27% of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGY FOR FUTURE DEVELOPMENT

Looking ahead to second half of the year, global political landscape is still clouded by uncertainties with the global economy to be affected by trade conflicts, exchange rate volatility and geopolitical risks. Under the circumstances that the macroeconomy is under pressure, competition in the handset industry further deepened, which facilitated the concentration of high-quality client resources and industry demands to leading manufacturers and brought about new development opportunities for the Group. According to forecast by IDC, global smartphone shipments are expected to decrease by 1.9% to 1,380 million units in 2019 before the shipment's growth accelerates. It is expected that global smartphone shipments in 2023 will reach 1,540 million units, which is likely to usher in new growth for the Group's businesses. At the same time, the Group has successfully penetrated into the core product line of major clients in the Northern America, achieving breakthrough, diversifying its client base and creating tremendous room for the Group's future business growth. As the commercialization of 5G accelerates, the launch of 5G smartphones will usher in a new cycle of handset replacement. According to the forecast of IDC, the global 5G phone shipments in 2019 is 6,700,000 units, and the 5G phone shipments in 2023 is expected to reach 26% of all phone shipments. Compared with 4G phones, the manufacture of 5G phones and the components are more challenging. The requirement of manufacturing precision and product performance of metal, plastic and glass components of 5G phones are higher, which is expected to increase the added-value of handset products. The Group had been well prepared in terms of the innovative materials and the technologies for production, processing and exterior design. The Group will certainly seize the opportunity and drive its business into a new growth cycle. The Group also approached component business of renowned notebook brands, which is expected to drive the growth in revenue from related business.

The IDC China Intelligent Home Equipment Market Quarterly Tracker published by IDC predicts that, the intelligent home equipment market in China will continue growing rapidly over the next five years. The market scale will reach nearly 500 million units, which suggests huge market potential. The global market scale of the intelligent home business will reach 840,000,000 units, and it is expected to grow to 1,460,000,000 units in 2023, with a compound growth rate of 14.9%. The Group will seize the opportunity of rapid development of the market, leverage on the advantage of vertical integration of R&D, supply and manufacturing, actively plan its product layout and increase investment in the market so as to support the sustainable and rapid development of its new intelligent product business.

In terms of the automotive intelligent systems, although it is still in its infancy, its development will usher in a new era of intelligence following electrification of vehicles, including self-driving of vehicles and artificial intelligence experience. The future application scenarios of intelligent automobiles are remarkably extensive. According to the forecast of China Society of Automotive Engineers, the connectivity rate of new vehicle models sold in China in 2025 will reach 80%, and the sales volume of internet-connected vehicles will reach 28,000,000 units. The trend will usher in the rapid development of intelligent vehicles. The Group will continue to increase its R&D investment to expand into various product lines, including intelligent networking system, intelligent car cockpit and self-driving system. On the basis of the rapid business growth with the parent company, the Group also proactively expanded into other foreign and domestic automotive OEMs. As market exploration is further deepened, the Group's automotive intelligent system business will keep up the trend of rapid development.

The Group is confident about the future. It will continue to increase its R&D investment, facilitate the innovation of its products, promote automatic production and lean production, deepen the strategic cooperation with clients in three major business segments and expand its business scope so as to lay a solid groundwork for the Group's long-term development and create substantial return for shareholders and investors.

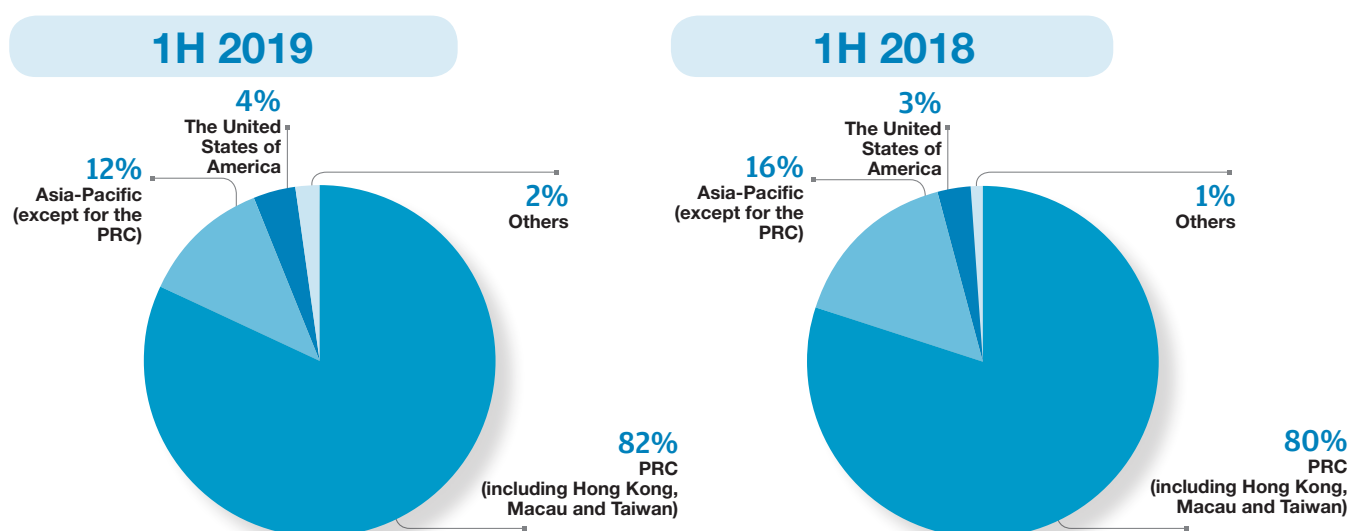
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the period under review, the increase in revenue was mainly due to the growth of 3D glass and plastic component, new intelligent products, automotive intelligent systems and handset assembly businesses. Profit attributable to owners of the parent recorded a decrease as compared with the same period of the previous year, mainly due to the reduction in overall gross profit margin as a result of heavier competition in the industry and changes in product structure, as well as the increase of investments in the research and development of new businesses.

SEGMENTAL INFORMATION

Set out below is a comparison of geographical information by customer locations of the Group for the six months ended 30 June 2019 and 2018:



GROSS PROFIT AND MARGIN

The Group's gross profit for the Period decreased by approximately 21.96% to approximately RMB1,551 million. Gross profit margin decreased from approximately 10.19% in the first half of 2018 to approximately 6.66% for the Period. The decrease in gross profit margin was mainly due to the reduction in overall gross profit margin as a result of heavier competition in the industry and changes in product structure.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group recorded cash outflow in operations of approximately RMB1,036 million, compared to approximately RMB1,560 million of cash inflow recorded in the first half of 2018. The increase in the cash outflow of the Group recorded during the Period was mainly due to the increases in cash paid for goods purchased and services received. The Group's funds were mainly obtained from the net cash derived from the operations.

The Group possessed sufficient liquidity to meet the daily liquidity management and capital expenditure requirements and to control internal operating cash flows. For the six months ended 30 June 2019, the turnover days of trade and bills receivables were approximately 57 days, while the turnover days were approximately 76 days for the six months ended 30 June 2018. The change in turnover days was mainly due to the fact that the remaining amount of receivables did not increase along with the increase in sales volume in the Period. Inventory turnover days decreased from approximately 51 days for the six months ended 30 June 2018 to approximately 45 days for the Period. The change in turnover days was mainly due to the year-on-year increase in average inventory being lower than the increase in cost of sales over the same period.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The duty of the Group's financial division is to oversee the Group's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As of 30 June 2019, the Group did not have any bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Group's current bank deposits and cash balances as well as the Group's credit facilities and net cash generated from operating activities will be sufficient to satisfy the Group's material commitments and the expected requirements for working capital, capital expenditure, business expansion, investments and debt repayment 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 and net of 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 of the Group was zero as at 30 June 2019 and 31 December 2018.

SIGNIFICANT INVESTMENT HELD

Except as disclosed herein, the Group did not have any significant investments during the Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES AND MATERIAL INVESTMENTS OF CAPITAL ASSETS

During the Period, there was no material acquisition and disposal of subsidiaries and associates. Save as disclosed in this interim report, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

EXPOSURE TO FOREIGN EXCHANGE RISK

The majority of the Group's income and expenses are settled in Renminbi and US dollars. During the Period, the Group did not encounter any significant difficulties or come under any impact on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2019, the Group had approximately 87,000 employees. During the Period, total staff cost accounted for approximately 15.82% of the Group's revenue. Employee remuneration is determined on the basis of employees' performances, qualifications and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and rewards may also be awarded to employees based on their annual performance appraisal. Incentives are offered for personal impetus and encouragement.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE CAPITAL

As at 30 June 2019, the share capital of the Company was as follows:

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

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitments of approximately RMB612 million (31 December 2018: approximately RMB391 million).

CONTINGENT LIABILITIES

Please refer to note 13 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 2019, 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 (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Cap. 571 of the Laws of Hong Kong)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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	17,102,000 ¹ (long position)	0.76%
	BYD Company Limited ("BYD")	Beneficial owner	19,049,740 ² (long position)	0.70%
Mr. WANG Bo	The Company	Beneficiary	2,805,000 ³ (long position)	0.12%
Mr. WANG Chuan-fu	BYD	Beneficial owner	518,351,550 ⁴ (long position)	19.00%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Of which 8,500,000 shares are held by Mr. WANG Nianqiang, while 8,602,000 shares are held by Gold Dragonfly Limited (“Gold Dragonfly”), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited (“BF Trustee”) as trustee of BF Trust, of which Mr. WANG Nianqiang is a beneficiary.
2. These are the A shares of BYD held by Mr. WANG Nianqiang. The total share capital of BYD as at 30 June 2019 was RMB2,728,142,855, comprising 1,813,142,855 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nianqiang represented approximately 1.05% of the total issued A shares of BYD as of 30 June 2019.
3. These are held by Gold Dragonfly, which is wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. WANG Bo is a beneficiary.
4. These are the 513,623,850 A shares, 3,727,700 A shares held in Zengchi No.1 Assets Management Plan through E Fund Asset BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.11% of total issued A shares and H shares of BYD as of 30 June 2019, 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 2019.

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 2019 was the Company, its holding company or any of its fellow subsidiaries and subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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 HK")	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 HK, which in turn is the sole shareholder of Golden Link. As such, both BYD HK 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 28 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 2019, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

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

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

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

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

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

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

Since the date of publication of the latest annual report of the Company, 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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

THE BOARD DIVERSITY POLICY

The Company recognises the importance of Board diversity to corporate governance and an effective Board. The Board Diversity Policy aims to set out the approach to achieve Board diversity, so as to ensure that the Board members possess appropriate skills, experience and diverse views necessary for the business of the Company. To realise Board diversity, all appointments of the Board members will be made based on merit, and measurable objectives will be discussed and negotiated on an annual basis. Such measurable objectives shall include, but are not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board. The Board has confirmed the arrangement of skilled and experienced senior management, as they will facilitate a more comprehensive and diversified development. Having considered the business needs of the Company, the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge and independence. Moreover, the skills they are equipped with will prepare them prior to participating in senior management and commencing their roles as directors.

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 21 August 2019 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

The audit committee has reviewed the unaudited results of the Group for the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the Period (six months ended 30 June 2018: nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months 30 June 2019

		For the six months ended	
	Notes	30 June 2019	30 June 2018
		(Unaudited)	(Unaudited)
		RMB' 000	RMB' 000
REVENUE	4	23,280,207	19,511,163
Cost of sales		(21,728,807)	(17,523,249)
Gross profit		1,551,400	1,987,914
Other income and gains		240,491	234,673
Government grants and subsidies		150,704	131,957
Research and development expenses		(853,084)	(623,348)
Selling and distribution expenses		(128,953)	(105,198)
Administrative expenses		(299,176)	(242,664)
Impairment losses on financial and contract assets		(2,207)	(9,965)
Loss on disposal of financial assets measured at amortised cost		(12,184)	(23,902)
Other expenses		(14,573)	(13,547)
Finance costs		(13,625)	–
PROFIT BEFORE TAX	5	618,793	1,335,920
Income tax expense	6	(43,594)	(201,267)
PROFIT FOR THE PERIOD		575,199	1,134,653
ATTRIBUTABLE TO OWNERS OF THE PARENT		575,199	1,134,653
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT			
Basic and diluted for the period	8	RMB0.26	RMB0.50

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	RMB' 000	RMB' 000
PROFIT FOR THE PERIOD	575,199	1,134,653
OTHER COMPREHENSIVE INCOME		
Expected credit profit/(loss) for other debt instruments	46	(98)
Exchange differences on translation of foreign operations	2,149	(11,002)
Net other comprehensive profit/(loss) that may be reclassified to profit or loss in subsequent periods	2,195	(11,100)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	2,195	(11,100)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	577,394	1,123,553
Attributable to owners of the parent	577,394	1,123,553

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
NON-CURRENT ASSETS			
Property, plant and equipment	9	7,386,763	7,633,550
Right-of-use assets		1,006,031	–
Prepaid land lease payments		–	381,243
Prepayments, other receivables and other assets		745,331	398,701
Other intangible assets		12,576	14,231
Loan to the ultimate holding company		398,920	398,920
Deferred tax assets		139,933	128,361
Financial assets at fair value through profit or loss		10,767	6,703
Total non-current assets		9,700,321	8,961,709
CURRENT ASSETS			
Inventories		5,688,875	4,767,794
Trade receivables	10	7,171,845	7,209,225
Debt investments at fair value through other comprehensive income		50,276	38,826
Prepayments, other receivables and other assets		584,996	329,418
Derivative financial instruments		10,097	–
Due from related parties	15	2,451	2,823
Pledged deposits		20,000	–
Cash and cash equivalents		2,447,681	4,741,377
Total current assets		15,976,221	17,089,463
Total assets		25,676,542	26,051,172
CURRENT LIABILITIES			
Trade and bills payables	11	6,460,844	7,891,996
Other payables		2,020,614	2,123,343
Lease liabilities		243,901	–
Derivative financial instruments		10,952	–
Tax payable		82,439	30,209
Dividend payable		439,375	–
Deferred income		–	15,987
Total current liabilities		9,258,125	10,061,535
NET CURRENT ASSETS		6,718,096	7,027,928
TOTAL ASSETS LESS CURRENT LIABILITIES		16,418,417	15,989,637

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	44,648
Lease liabilities		329,152	–
Deferred income		125,914	119,657
Total non-current liabilities		455,066	164,305
Net assets		15,963,351	15,825,332
EQUITY			
Share capital	12	4,052,228	4,052,228
Other reserves		11,911,123	11,773,104
Total equity		15,963,351	15,825,332

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent						
	Share capital (unaudited) RMB' 000 (note 12)	Capital reserve (unaudited) RMB' 000	Contributed surplus 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 31 December 2017	4,052,228	-	(46,323)	861,949	(169,293)	9,492,752	14,191,313
Effect of adoption of HKFRS 9	-	367	-	(1,241)	-	(22,447)	(23,321)
At 1 January 2018, as restated	4,052,228	367	(46,323)	860,708	(169,293)	9,470,305	14,167,992
Profit for the period	-	-	-	-	-	1,134,653	1,134,653
Expected credited loss for other debt instruments	-	(98)	-	-	-	-	(98)
Exchange differences on translation of foreign operations	-	-	-	-	(11,002)	-	(11,002)
Total comprehensive income for the period	-	(98)	-	-	(11,002)	1,134,653	1,123,553
2017 final dividend declared	-	-	-	-	-	(518,237)	(518,237)
At 30 June 2018	4,052,228	269	(46,323)	860,708	(180,295)	10,086,721	14,773,308

	Attributable to owners of the parent						
	Share capital (unaudited) RMB' 000 (note 12)	Capital reserve (unaudited) RMB' 000	Contributed surplus 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 31 December 2018	4,052,228	(61)	(46,323)	919,972	(181,908)	11,081,424	15,825,332
Effect of adoption of HKFRS 16	-	-	-	-	-	-	-
At 1 January 2019	4,052,228	(61)	(46,323)	919,972	(181,908)	11,081,424	15,825,332
Profit for the period	-	-	-	-	-	575,199	575,199
Expected credited profit for other debt instruments	-	46	-	-	-	-	46
Exchange differences on translation of foreign operations	-	-	-	-	2,149	-	2,149
Total comprehensive income for the period	-	46	-	-	2,149	575,199	577,394
2018 Final dividend declared	-	-	-	-	-	(439,375)	(439,375)
At 30 June 2019	4,052,228	(15)*	(46,323)*	919,972*	(179,759)*	11,217,248*	15,963,351

* These reserve accounts comprise the consolidated reserves of RMB11,911,123,000 (30 June 2018: RMB10,721,080,000) in the interim condensed consolidated statement of financial position as at 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	For the six months ended	
		30 June 2019 (Unaudited) RMB' 000	30 June 2018 (Unaudited) RMB' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		618,793	1,335,920
Adjustments for:			
Finance costs		13,625	23,902
Interest income		(31,085)	(22,236)
Government grants and subsidies		(5,370)	(29,854)
Loss on disposal of items of property, plant and equipment	5	7,432	8,927
Depreciation of property, plant and equipment	5	1,004,802	941,321
Depreciation of right-of-use assets	5	103,213	3,192
Amortisation of other intangible assets		4,302	3,937
Impairment of trade receivables	5	5,712	21,489
Impairment losses of trade receivables reversed	5	(3,435)	(11,426)
Expected credit losses of bills receivables reversed	5	-	(98)
Impairment of other receivables reversed		(17)	-
Write-down of inventories to net realisable value	5	39,113	42,544
Fair value (gains)/losses on derivative financial asset instruments		(3,209)	2,109
		1,753,876	2,319,727
Increase in inventories		(960,194)	(265,031)
Decrease in trade receivables		35,103	617,060
(Increase)/Decrease in prepayments, other receivables and other assets		(212,471)	362,048
Decrease in trade and bills payables		(1,622,585)	(1,311,091)
Increase in contract liabilities		-	24,850
Decrease/(Increase) in amounts due from related parties		372	(1,378)
Increase in other payables		43,675	97,762
Decrease in amounts due to related parties		-	(940)
Decrease in deferred income		(4,360)	(73,000)
Cash (used)/generated from operations		(966,584)	1,770,007
Interest received		31,085	22,236
Tax paid		(100,372)	(231,992)
Net cash flows from operating activities		(1,035,871)	1,560,251

continued/...

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended	
	30 June 2019 (Unaudited) RMB' 000	30 June 2018 (Unaudited) RMB' 000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,083,830)	(1,328,380)
Additions in prepaid land lease payments include in right-of-use assets	(78,933)	(55,924)
Additions to other intangible assets	(2,647)	(2,938)
Proceeds from disposal of items of property, plant and equipment	18,953	3,048
Receipt of government grants	–	51,069
(Increase)/Decrease in pledged deposits	(20,000)	71
Net cash flows used in investing activities	(1,166,457)	(1,333,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	–	(23,902)
Principal portion of lease payments	(90,910)	–
Net cash flows used in financing activities	(90,910)	(23,902)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	4,741,377	2,822,267
Effect of foreign exchange rate changes, net	(458)	15,439
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,447,681	3,041,001

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. CORPORATE INFORMATION

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

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

The registered office of the Company is located at Part of Unit 1712, 17th Floor, Tower 2, Grand Central Plaza, No.138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong.

The Group was principally engaged in the business of the manufacture and sales of handset components and modules, the provision of handset design and assembly services, and the provision of parts and assembly services of other electronic products.

In the opinion of the directors, the parent of the Company is Golden Link Worldwide Limited, an enterprise incorporated in the British Virgin Islands, and the ultimate holding company of the Company is BYD Company Limited, a Company established in the People's Republic of China (the "PRC") whose H shares are listed on the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The financial information relating to the year ended 31 December 2018 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) ADOPTION OF HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

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

(a) **ADOPTION OF HKFRS 16** *(Continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) ADOPTION OF HKFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under prepayment on land use right of RMB381,243,000 that were reclassified from prepaid land lease payments.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	436,510
Decrease in prepaid land lease payments	381,243
Increase in total assets	55,267
Liabilities	
Increase in lease liabilities	55,267
Increase in total liabilities	55,267
Changes in retained earnings	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) ADOPTION OF HKFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	75,001
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	13,824
Commitments relating to leases of low-value assets	405
Adjusted operating lease commitments as at 1 January 2019	60,772
Weighted average incremental borrowing rate as at 1 January 2019	4.83%
Lease liabilities as at 1 January 2019	55,267

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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

(a) **ADOPTION OF HKFRS 16** *(Continued)*

Summary of new accounting policies *(Continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) ADOPTION OF HKFRS 16 (Continued)

Summary of new accounting policies (Continued)

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Right-of-use assets				Lease liabilities
	Buildings	Land use		Subtotal	RMB' 000
		RMB' 000	rights		
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
As at 1 January 2019	46,332	381,243	8,935	436,510	55,267
Additions/decrease	600,986	79,228	(5,915)	674,299	595,071
Depreciation charge	(97,970)	(6,659)	(149)	(104,778)	-
Interest expense	-	-	-	-	13,625
Payments	-	-	-	-	(90,910)
As at 30 June 2019	549,348	453,812	2,871	1,006,031	573,053

The Group recognised rental expenses from short-term leases of RMB60,406,000 and leases of low-value assets of RMB157,000 for the six months ended 30 June 2019.

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

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

- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group’s interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

4. REVENUE

DISAGGREGATED REVENUE INFORMATION FOR REVENUE FROM CONTRACTS WITH CUSTOMERS

For the six months ended 30 June 2019	Total
Segments	RMB' 000
	(Unaudited)
Type of goods or services	
Sale of mobile handset components and modules	23,280,207
Geographical markets	
The PRC (including Hong Kong, Macau, and Taiwan)	18,976,060
Asia Pacific (excluding the PRC)	2,864,513
United States of America	929,985
Other countries/regions	509,649
Total revenue from contracts with customers	23,280,207
Timing of revenue recognition	
Goods transferred at a point in time	23,280,207
For the six months ended 30 June 2018	
Total	
RMB' 000	
(Unaudited)	
Type of goods or services	
Sale of mobile handset components and modules	19,511,163
Geographical markets	
The PRC (including Hong Kong, Macau, and Taiwan)	15,556,769
Asia Pacific (excluding the PRC)	3,150,471
United States of America	552,991
Other countries/regions	250,932
Total revenue from contracts with customers	19,511,163
Timing of revenue recognition	
Goods transferred at a point in time	19,511,163

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Cost of inventories sold	21,689,694	17,480,705
Depreciation	1,004,802	941,321
Depreciation of right-of-use assets#####	103,213	3,192
Amortisation of intangible assets#	4,302	3,937
Impairment of trade receivables####	5,712	21,489
Impairment losses of trade receivables reversed####	(3,435)	(11,426)
Write-down of inventories###	39,113	42,544
Loss on disposal of items of property, plant and equipment##	7,432	8,927

Included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

Included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss.

Included in "Impairment losses on financial and contract assets" in the interim condensed consolidated statement of profit or loss.

Upon the adoption of HKFRS 16, recognition of prepaid land lease payments were reclassified from "prepaid land lease payments" to "right-of-use assets".

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

6. INCOME TAX

No Hong Kong profits tax has been provided since no assessable profit arose in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the countries in which the Group operates.

The prevailing corporate income tax rate in Mainland China where the Group primarily operates is 25%. 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. Certain subsidiaries operating in Mainland China were entitled to enjoy a preferential CIT rate of 15% of the estimated assessable profits for the period pursuant to the Western Development Policy of the PRC.

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

	For the six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Current – Mainland China		
Charge for the period	99,814	250,828
Deferred	(56,220)	(49,561)
Total tax charge for the period	43,594	201,267

7. DIVIDENDS

	For the six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Final declared – RMB0.195 (2018: RMB0.230) per ordinary share	439,375	518,237
	439,375	518,237

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

The calculation of the basic earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,253,204,500 (2018: 2,253,204,500) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2019	2018
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	575,199	1,134,653
Number of shares		
	30 June 2019	30 June 2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,253,204,500	2,253,204,500

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB782,229,000 (30 June 2018: RMB1,246,323,000).

Assets with a net book value of RMB26,385,000 were disposed by the Group during the six months ended 30 June 2019 (30 June 2018: RMB11,975,000), resulting in a net loss on disposal of RMB7,432,000 (30 June 2018: loss of RMB8,927,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

10. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Trade and bills receivables	7,276,652	7,311,752
Impairment	(104,807)	(102,527)
	7,171,845	7,209,225

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Within three months	6,757,304	6,788,232
Four to six months	398,059	417,334
Seven months to one year	16,482	3,659
	7,171,845	7,209,225

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

11. TRADE AND BILLS PAYABLES

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Within three months	5,650,988	6,066,226
Three to six months	649,205	771,051
Six months to one year	110,729	91,653
One to two years	45,202	477,059
Over two years	4,720	486,007
	6,460,844	7,891,996

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 180 days.

12. SHARE CAPITAL SHARES

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Issued and fully paid 2,253,204,500 (2018: 2,253,204,500) ordinary shares	4,052,228	4,052,228

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

13. 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 the reporting date, the case remains in the process of legal proceedings. After consulting the Company’s legal counsel representing the Company for the case, the board is of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

14. COMMITMENTS

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

	30 June 2019 RMB’ 000 (Unaudited)	31 December 2018 RMB’ 000 (Audited)
Contracted, but not provided for:		
Plant and machinery	565,645	298,914
Building	46,402	92,170
	612,047	391,084

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

15. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following material transactions with related parties during the period:

Nature of transactions	Notes	Related parties	For the six months ended 30 June	
			2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Sales of plant and machinery to:	(i)	Ultimate holding company	334	–
		Fellow subsidiaries	3,881	–
Purchases of plant and machinery from:	(i)	Ultimate holding company	5,251	–
		Fellow subsidiaries	22,666	–
Purchases of inventories from:	(ii)	Ultimate holding company	113,723	10,342
		Intermediate holding company	59,112	13,504
		Fellow subsidiaries	264,101	338,430
Sales of inventories to:	(ii)	Ultimate holding company	21,525	8,317
		Fellow subsidiaries	446,154	309,455
Leasing and ancillary expenses paid to:	(iii)	Ultimate holding company	43,271	88,441
		Fellow subsidiaries	338,931	353,869
Exclusive processing services received from:	(iv)	Ultimate holding company	124,869	151,913
		Fellow subsidiaries	55,708	21,353
Exclusive processing services provided to:	(iv)	Ultimate holding company	5,550	15,429
		Fellow subsidiaries	10,475	8,223

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

15. RELATED PARTY TRANSACTIONS (Continued)

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following material transactions with related parties during the period: (Continued)

Nature of transactions	Notes	Related parties	For the six months ended 30 June	
			2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Agent fee for procurement service received from:	(v)	Intermediate holding company	25,437	11,024
		Fellow subsidiaries	6,344	6,053
Sales of glass casing products to:	(vi)	Fellow subsidiaries	79,938	–
Purchases automotive core components and special purpose electric vehicles from:	(vii)	Fellow subsidiaries	59,990	–
Electricity fee received from:	(viii)	Ultimate holding company	1,226	–
		Fellow subsidiaries	35,725	–

Notes:

- (i) The sales and purchases of plant and machinery were made at net book values.
- (ii) The sales and purchases of inventories were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iii) The expenses were charged on an actually incurred basis or in accordance with terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iv) The processing service fees and revenue were charged and received for the depreciation of the relevant machinery and equipment during the year ended 30 June 2019.
- (v) The agent fee for the procurement service was charged on a certain percentage of the total amount of procurement provided by the fellow subsidiaries on behalf of the Group.
- (vi) The sales of glass casing products were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (vii) The purchases of automotive core components and special purpose electric vehicles were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (viii) The sales of power supply services were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

BYD Precision, a wholly-owned subsidiary of the Company, provided entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), the ultimate holding company of the Company, through China Construction Bank. The loans were unsecured, bear a fixed interest rate of 4.75% and due in 2020. The provision for impairment of the loans receivables amounted to RMB1,080,000 were measured based on incurred credit losses under HKFRS 9.

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

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Due from the ultimate holding company	155,362	214,433
Due from the intermediate holding company	147,057	146,644
Due from fellow subsidiaries	340,019	565,035
	642,438	926,112

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties: (Continued)

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Due to the ultimate holding company	130,808	138,576
Due to the intermediate holding company	1,089,988	990,292
Due to fellow subsidiaries	2,648,976	2,636,871
	3,869,772	3,765,739

The Group had an outstanding balance due from its related companies of RMB2,451,000 (2018: RMB2,823,000) as at the end of the reporting period.

There was no outstanding balance due to its related company (2018: Nil) as at the end of the reporting period.

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

	For the six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Short-term employee benefits	7,639	7,130
Pension scheme contributions	53	39
	7,692	7,169

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

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Financial assets				
Loan to the ultimate holding company	398,920	398,920	398,920	398,920
	398,920	398,920	398,920	398,920

	Carrying amounts		Fair values	
	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Financial liabilities				
Lease liabilities	573,053	–	573,053	–
	573,053	–	573,053	–

Management has assessed that the fair values of short-term deposits, cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and 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 and liabilities 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 listed equity investments are based on quoted market prices.

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16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB' 000 (Unaudited)	Significant observable inputs (Level 2) RMB' 000 (Unaudited)	Significant unobservable inputs (Level 3) RMB' 000 (Unaudited)	
Debt investments at fair value through other comprehensive income	-	50,276	-	50,276
Financial assets at fair value through profit or loss	10,767	-	-	10,767
Derivative financial instruments	-	10,097	-	10,097
	10,767	60,373	-	71,140

As at 31 December 2018

	Fair value measurement using			Total RMB' 000 (Audited)
	Quoted prices in active markets (Level 1) RMB' 000 (Audited)	Significant observable inputs (Level 2) RMB' 000 (Audited)	Significant unobservable inputs (Level 3) RMB' 000 (Audited)	
Debt investments at fair value through other comprehensive income	-	38,826	-	38,826
Financial assets at fair value through profit or loss	6,703	-	-	6,703
	6,703	38,826	-	45,529

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

FAIR VALUE HIERARCHY *(Continued)*

Liabilities measured at fair value:

As at 30 June 2019

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB' 000 (Unaudited)	Significant observable inputs (Level 2) RMB' 000 (Unaudited)	Significant unobservable inputs (Level 3) RMB' 000 (Unaudited)	
Derivative financial instruments	-	10,952	-	10,952
	-	10,952	-	10,952

The Group did not have any financial liabilities measured at fair value as at 31 December 2018.

Assets for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB' 000 (Unaudited)	Significant observable inputs (Level 2) RMB' 000 (Unaudited)	Significant unobservable inputs (Level 3) RMB' 000 (Unaudited)	
Loan to the ultimate holding company	-	398,920	-	398,920
	-	398,920	-	398,920

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FAIR VALUE HIERARCHY (Continued)

Assets for which fair values are disclosed: (Continued)

As at 31 December 2018

	Fair value measurement using			Total RMB' 000 (Audited)
	Quoted prices in active markets (Level 1) RMB' 000 (Audited)	Significant observable inputs (Level 2) RMB' 000 (Audited)	Significant unobservable inputs (Level 3) RMB' 000 (Audited)	
Loan to the ultimate holding company	–	398,920	–	398,920
	–	398,920	–	398,920

Liabilities for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			Total RMB' 000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB' 000 (Unaudited)	Significant observable inputs (Level 2) RMB' 000 (Unaudited)	Significant unobservable inputs (Level 3) RMB' 000 (Unaudited)	
Lease liabilities	–	573,053	–	573,053
	–	573,053	–	573,053

The Group did not have any financial liabilities for which fair values are disclosed as at 31 December 2018.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

17. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 August 2019.

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