Electronics

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

(Stock Code 股份代號 : 285)

2019 年年報
Annual Report

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company"; together with its subsidiaries known as the "Group"; stock code: 0285) was spun off from BYD Company Limited ("BYD", stock code: 1211) and listed on the Main Board of the Hong Kong Stock Exchange on 20 December 2007. It is one of the world's most competitive providers of design, components manufacturing and system products assembly services for electronic products. The Company provides vertically integrated one-stop services to global leading brand manufacturers for mobile intelligent terminals. Its highly vertically integrated capability enhances its ability to provide customers with a full range of services, and quickly and efficiently respond to changing demands.

比亞迪電子（國際）有限公司（「比亞迪電子」或「本公司」，連同其附屬公司統稱「本集團」；股份代號：0285）於二零零七年十二月二十日由比亞迪股份有限公司（「比亞迪」；股份代號：1211）分拆於香港聯合交易所主板獨立上市。比亞迪電子是全球最具競爭力的電子產品設計、部件製造和系統產品組裝服務供應商之一。公司為全球知名移動智能終端品牌廠商提供垂直整合的一站式服務。公司的高度垂直整合能力使得公司可以為客戶提供全面的服務，更快和更有效率地響應市場不斷變化的需求。

CONTENTS

FINANCIAL HIGHLIGHTS

FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

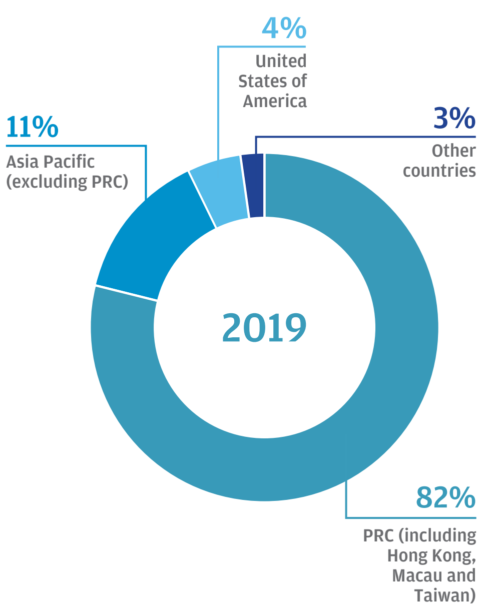
	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**53,028,376**	41,047,139	38,774,422	36,734,264	29,285,830
Gross profit	**3,957,328**	4,171,983	4,263,938	2,800,129	1,903,545
Gross profit margin (%)	**7**	10	11	8	7
Profit attributable to equity holders of the parent	**1,597,645**	2,188,620	2,584,868	1,233,491	908,145
Net profit margin (%)	**3**	5	7	3	3

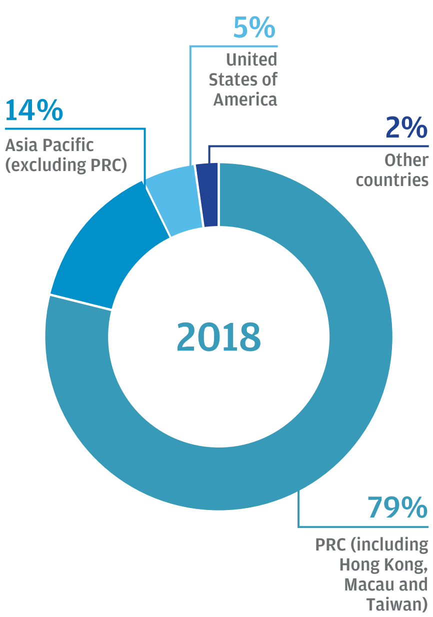
	For the year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Net assets	**16,989,473**	15,825,332	14,191,313	11,754,222	10,547,779
Total assets	**28,026,974**	26,051,172	25,386,326	23,994,987	22,244,401
Gearing ratio (%) (Note)	**-5**	-30	-20	-25	-19
Current ratio (times)	**1.64**	1.70	1.50	1.34	1.24
Receivables turnover (days) (Note)	**58**	70	84	85	86
Inventory turnover (days)	**39**	48	44	41	44

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

Receivables include trade receivables and trade receivable financing

REVENUE BREAKDOWN BY LOCATION OF CUSTOMERS





EXECUTIVE DIRECTORS
Wang Nian-qiang
Jiang Xiang-rong

NON-EXECUTIVE DIRECTORS
Wang Chuan-fu
Wang Bo

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

COMPANY SECRETARIES
Li Qian
Cheung Hon-wan

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

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

NOMINATION COMMITTEE
Jiang Xiang-rong
Wang Chuan-fu (Chairman)
Chung Kwok Mo John
Antony Francis MAMPILLY
Qian Jing-jie

AUTHORIZED REPRESENTATIVES
Wang Nian-qiang
Li Qian

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

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

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

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

WEBSITE
www.byd-electronics.com

STOCK CODE
0285


X: 0.007637229
Y: 0.065389202


120
N
BYD

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (which are collectively referred to as the "Group"), I hereby present the annual report of the Company for the year ended 31 December 2019 (the "Year") to all shareholders.

Looking back at 2019, the slowdown of global economic growth continued, with increasing trade barriers and geopolitical uncertainties. The complex global environment and the ongoing Sino-US trade frictions exposed Chinese economy to greater downward pressure. The national gross domestic product (GDP) rose merely 6.1% over 2019, the lowest since 1991.

During the Year, the consumer electronics market remained sluggish overall, and smartphone sales slackened. According to data from research agency IDC, the global smartphone shipments in 2019 went down by 2.3% year on year to 1.37 billion units. Information released by the China Academy of Information and Communications Technology shows, the smartphone shipments in the Chinese market amounted to 372 million units in 2019, down 4.7% year on year, and the shipments of 5G mobile phones came in at 13.769 million units.

In order to boost consumption willingness of consumers against the backdrop of a sluggish global economy and slackened mobile phone industry, smartphone makers continued to speed up their technological innovation and upgrade of product designs, and have released new models with foldable screen and multiple high-megapixel cameras, attracting extensive attention from consumers. With the advance of 5G commercialization, the mobile terminal market ushered in a new round of reform whereby 5G would become the major impetus for device upgrade.

During the Year, the Group recorded turnover of approximately RMB53,028 million, representing a year-on-year increase of 29.19%, and the profit attributable to the owners of the parent of RMB1,598 million, representing a decrease of 27.00% as compared with that of 2018. The Board of Directors recommended a final dividend for the year ended 31 December 2019 of RMB0.071 per Share (2018: RMB0.195 per Share).

As a leading global provider in intelligent product solutions, BYD Electronic can provide customers with one-stop services integrating new material development, product design and development, manufacturing, supply chain management, logistics and after-sales service. With outstanding strengths in such aspects as core technologies, process quality, delivery capability and customer relationship, BYD Electronic maintains a leading position in the industry and has won extensive recognition and trust from the market. During the Year, the Group witnessed steady growth in respect of smartphone and PC business. In particular, significant year-on-year growth was achieved in 3D glass, ceramics and assembly businesses and the market share of metal business was expanded continuously, enabling the Group to maintain the dominant force in the industry. Apart from strategic cooperation with leading Android phone brands in a number of product lines and regions, the Group also made headway in doing business with major customer from North America, which is expected to drive the rapid business growth in the future.

During the Year, the new intelligent product business had undergone rapid development, the Group continued to cement partnerships with existing customers, and the market share was increasing steadily. The Group invested more capital and adopted an active marketing strategy to continuously introduce new clients in new fields, in an effort to diversify the business structure.

On the automotive intelligent system front, the Group's shipments of automobile multimedia system and automobile communications interconnect products were further increased, attesting to rapid growth in business scale. Seizing the market opportunities brought by automobile intelligence, the Group secured partnership deals with other domestic and foreign automobile brands in addition to the intelligent system supporting car models of the parent company, which is expected to contribute more revenue to the Group in the future and empower the Company's long-run and diversified development.

Looking ahead to 2020, the global political landscape is still clouded by many uncertainties. Meanwhile, the outbreak of COVID-19 in the beginning of 2020 has jeopardized the growth of global economy. The mobile terminal industry is facing a new transformation and 5G is one of the deterministic directions for global technology development. As the era of interconnection of all is approaching, new business models will appear. At the forefront of industry change, BYD Electronic will actively seize the opportunities of the era, continue to exercise its strengths accumulated over years in core resource platforms, and continuously expand and deepen strategic cooperation with customers, so as to realise sound development of three major business segments and drive its business into a new growth cycle.

Finally, on behalf of BYD Electronic, I would like to thank our customers, business partners, investors and shareholders for their consistent support, as well as all members of our staff for their contribution and efforts during the past year.

Wang Chuan-fu
Chairman

Hong Kong, 21 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Looking back at 2019, the slowdown of global economic growth has continued as a result of factors such as the ongoing China-US trade frictions and geopolitical tensions, exposing China's economy to greater risks, challenges and downward pressure. The national gross domestic product (GDP) rose merely 6.1% year on year in 2019, the lowest since 1991. During the Year, the consumer electronics market remained sluggish overall, and smartphone sales slackened. According to data from market research agency IDC, global smartphone shipments in 2019 went down by 2.3% year on year to 1.37 billion units. Information released by the China Academy of Information and Communications Technology shows, the aggregated handset shipments in China market amounted to 389 million units in 2019, down 6.2% year on year. Smartphone shipments, in particular, dropped by 4.7% year on year to 372 million units, and shipments of 5G mobile phones came in at 13.769 million units.

After years of development, the smart phone industry has reached the mature stage of development. In order to boost consumption willingness of consumers against the backdrop of weakening business climate, smartphone makers continued to speed up their technological innovation and upgrade of product designs, and have released new models with multiple cameras and foldable screen during the Year. 5G commercialization has also brought about new growth drivers for the industry, with leading brands scrambling to roll out their own 5G models. Compared with 4G smartphones, their 5G counterparts are technically more sophisticated, with demanding requirements on product processing accuracy and overall performance, benefiting manufacturers with comprehensive product lines and advanced technologies. During the Year, metal middle frame with 3D glass casings remained the mainstream design, and are widely adopted among mid-to high-end and flagship models. Some flagship models continued to feature ceramic casings, while plastic casings and plastic middle frame with glass casings mainly adopted for mid- to low-end phones.

BUSINESS REVIEW

The Group is a global leader in intelligent product solutions, providing customers with one-stop services integrating new material development, product design and development, manufacturing, supply chain management, logistics and after-sales service. The Company offers a wide variety of businesses ranging from consumer electronics, the Internet of Things (IoT), industrial and commerce businesses and artificial intelligence (AI) to automotive intelligent system. Seizing the new opportunities brought by 5G commercialization, we pushed forward business transformation and upgrade on a comprehensive scale, and established a visionary business structure encompassing three major business segments – smartphones and PCs, new intelligent products and EMS intelligent systems. The Group's worldwide large-scale automated production lines are capable of manufacturing molds, metal, plastic parts, 3D glass, ceramics as well as EMS. Despite the increasingly complicated global environment and the ongoing China-US trade frictions, the Group managed to operate its businesses stably, realising further growth in sales scale. In 2019, the Group recorded turnover of approximately RMB53,028 million, representing a year-on-year increase of 29.19%. Profits in the first half of the year was under pressure due to the affected business of certain customers amidst the China-US trade conflict, coupled with the trough prior to the 5G smartphone replacement wave in the phone industry. With the external environment becoming moderate, the Group saw expanded market share of products, enhanced introduction of new products and improved operating efficiency, and a profits rebound step by step in the third and fourth quarters. During the Year, profit attributable to shareholders decreased by approximately 27.00% to RMB1,598 million compared with 2018.

As regards the smartphone and PC business, the Group continued to cement its strategic partnerships with clients, build on the market share of existing product lines, and proactively expand new product lines, based on a diversified customer platform. Leveraging its leading strengths in the industry in terms of quality, material science, mold technology, automated and smart manufacturing and large-size production, the Group built a one-stop product portfolio of "structural parts + EMS (Electronic Contract Manufacturing Service)", which further strengthened its leading position in the industry and won the best strategic partner awards by several smartphone brands in recognition of widespread trust that we earned from our clients. Apart from strategic cooperation with leading Android phone brands in a number of product lines and regions, the Group also made headway in doing business with major customer from North America, where the Group successfully penetrated the core product supply chains and achieved mass production and delivery, ushering in a high-speed path for future growth. Despite an impact on our metal component business resulting from fluctuations in overall market demand, the metal component, as the key part for 5G smartphones, continued to secure the leading position in the industry with rising market share, and offered services for nearly 40% of Android phones with metal middle-frame. Benefiting from the forward-looking vision and strategic production capacity building efforts, the Group has become one of the leading vendors in the industry in terms of EMS business and has acquired considerable glass and ceramic production capacity, ranking it among the top three whole-process solution providers. During the Year, revenue of RMB45.409 billion from the smartphone and PC business was recorded, representing an increase of approximately 27.85% compared with 2018, among which, approximately RMB18.562 billion was from component business and approximately RMB26.847 billion was from assembly business, a year-on-year increase of 3.05% and 53.37%, respectively.

In terms of new intelligent products, the Group continued to cement partnerships with existing customers and expand market share, leading to rapid growth in shipment of products and business scale. In addition, the Group invested more capital and adopted an active marketing strategy to introduce new clients in fields such as the industrial, commercial, smart home products and other emerging consumer electronics devices gradually. During the Year, revenues from new intelligent products business amounted to approximately RMB6.025 billion, accounting for 11.36% of the total revenue, an increase of approximately 38.83% compared with 2018.

On the automotive intelligent system front, shipments of automobile multimedia system and automobile communications interconnect products were further increased, attesting to rapid growth in business scale. The Group continued to inject a large amount of capital into hardware and software design, and the development of automobile intelligent system product mix. In addition to the intelligent system supporting car models of the parent company, the Group actively expanded external markets, and secured partnership deals with other domestic and foreign automobile brands. Many new projects were initiated during the Year, which is expected to be a new source of future revenue. During the Year, revenue from the automotive intelligent system business of the Group amounted to approximately RMB1.594 billion, accounting for 3.01% of the total revenue and an increase of approximately 33.94% compared with 2018.

Having achieved numerous breakthroughs in market expansion and business development, the demand in the front-end was increased. In order to better serve different strategic customers and meet their diversified demands, the Group kicked out the global layout strategy, improved production capacity and set up advanced manufacturing bases at home and abroad. Based on the existing production bases in Shenzhen, Huizhou, Shantou, Shanwei, Shaoguan and Xi'an of China, the new Changsha base had begun operation during the Year, with construction of new bases in Zhongshan and Xi'an currently underway. Internationally, two new production bases in Europe had gone into mass production and the production base in Southeast Asia region has been launched.

STRATEGY FOR FUTURE DEVELOPMENT

Looking ahead to 2020, the global political landscape is still clouded by uncertainties with the global economy to be affected by political and economic risks and the International Monetary Fund lowering their forecasts for global economic growth in 2020 to 3.3%, which was the lowest in the past four years, indicating that the economy is still under considerable downside pressure. Meanwhile, the outbreak of COVID-19 in the beginning of 2020 has jeopardized the growth of global economy.

Management insists that 5G is one of the deterministic directions for global technology development and intelligent mobile communication terminal is an important carrier of further commercialization of 5G. Consequently, mobile communication terminal industry remains positive in terms of development opportunities and broad development prospects, purchase or replacement needs of mobile may be delayed but not lost.

It was proposed at the 2020 National Conference on Industry and Informatization held in late 2019, China will steadily promote the construction of 5G network, and deepen co-construction and sharing, striving to make 5G network access available in all prefecture-level cities across the country by the end of 2020. With a growing number of 5G commercial products released, the smartphone market will see a new wave of changes, and major smartphone makers will energetically break through technical barriers, accelerate their research and development, and seize the market opportunities. IDC predicts that 5G phone shipments will make up 26% of all phone shipments by 2023. BYD Electronic will tap into existing resources such as innovative materials, high quality products, cutting-edge technology and economies of scale, as well as its full range of production capabilities covering metal, plastic, glass, ceramic, and EMS to seize the highly anticipated opportunities in the 5G era, in an effort to generate more revenue for the Group.

The development of 5G, AI and other emerging technologies has accelerated the promotion and application of intelligence in various industries, introducing enormous development opportunities to the interconnection of all. IDC forecasts that the Smart Home market in China will enter a phase of large-scale development in 2020, with more market demand, enormous growth potential and promising development prospect. To seize the huge business opportunities in the next-generation smart devices market, the Group will actively develop relevant products, build on its customer base, increase market share, and leverage its advantage of vertical integration fully and increase investment in the market, so as to achieve sustainable business development.

Following the trend of automotive electrification, intelligence, and networking and benefiting from the favorable policies as well as the expanded downstream demand, the growth potential of automotive smart product will gain further release, demonstrating huge potential of China and global intelligent vehicles. According to statistics from the Society of Automotive Engineers of China, the connectivity rate of new vehicle models sold in China is projected to reach 80% by 2025, and the total market size will exceed RMB1 trillion. On the basis of the rapid growth of automotive intelligent systems supporting the parent company, the Group will continue to carry out promotions targeting other foreign and home-growth auto brands, invest more resources in research and development, and enrich product lines to achieve the long-term and rapid development of the Group’s automotive intelligent system business.

Looking forward, the Group remains optimistic about the future despite the macro-economic uncertainties. With the further promotion of IoT, 5G and AI application, the three major business segments of the Group will maintain a good momentum of development. Capitalizing on the continuous investment and accumulation over the years, the resource platform established by the Group focusing on outstanding talents, refined corporate culture, excellent quality, advanced technology, abundant product lines, large production capacity, strategic customer relationships, and distinguished industry reputation has developed into a whole new level. Based on the continuous widening and deepening of client network, the Group's business growth potential will be continuously released and it will soon usher in a new business growth cycle.

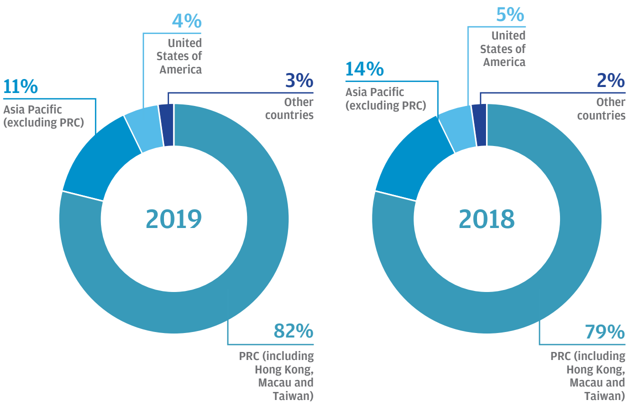
In a trillion-yuan market, BYD Electronic is committed to upholding its core corporate values, gaining keen insight into market changes, constantly improving its technology innovation capacities, upgrading intelligent manufacturing and continuously building and consolidating its core competitiveness. We will push ahead with our pursuit of sustainable development, and unremittingly create value for clients, shareholders and investors.

FINANCIAL REVIEW

Revenue recorded an increase of 29.19% as compared to the previous year. Profit attributable to equity holders of the parent recorded a decrease of 27.00% as compared to the previous year, mainly attributable to a decrease in overall gross profit resulted from the impact of changes of products structure and an increase in investment in the research and development of new business.

SEGMENTAL INFORMATION

Set out below is the comparison of geographical segment information by customer location of the Group for the years ended 31 December 2019 and 2018:



GROSS PROFIT AND MARGIN

The Group's gross profit for the Year decreased by approximately 5.15% to approximately RMB3,957 million. Gross profit margin decreased from approximately 10.16% in 2018 to 7.46%. The decrease in gross profit margin was mainly due to a decrease in overall gross profit resulted from changes of products structure.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group recorded cash inflow from operations of approximately RMB379 million, compared with approximately RMB4,781 million recorded in 2018. The decrease in the cash inflow of the Group recorded during the period was mainly due to the increase in cash paid for goods purchased and services received. During the Year, funds were mainly obtained from the net cash derived from the Group's operations. As of 31 December 2019 and 31 December 2018, the Group did not have bank borrowings.

The Group maintained sufficient liquidity to meet daily liquidity management and capital expenditure requirements, and control internal operating cash flows. Turnover days of trade receivables and trade receivable financing were approximately 58 days for the year ended 31 December 2019, compared with approximately 70 days for the year ended 31 December 2018, which was mainly due to the increase in average trade receivables over the same period was lower than the increase in sales over the same period. Turnover days of inventory for the year ended 31 December 2019 were approximately 39 days, compared with approximately 48 days for the year ended 31 December 2018. The main reason for the change in turnover days of inventory was that the average year-over-year increase in inventory was lower than that in cost of sales over the corresponding period.

CAPITAL STRUCTURE

The duty of the Group's financial division is to manage the Group's financial risk and to operate in accordance with the policies approved and implemented by the senior management. As of 31 December 2019, the Group had no 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 derived from operating activities, will be sufficient to satisfy the Group's material commitments and working capital, capital expenditure, business expansion, investments and the expected debt repayment for at least the next year.

The Group monitors capital using a gearing ratio, which is net liabilities divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net liabilities include 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 -5.29% as at 31 December 2019 (-29.96% as at 31 December 2018).

EXPOSURE TO FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As at 31 December 2019, a bank deposit of approximately RMB20,314,000 was pledged for Guarantee deposits (Nil as at 31 December 2018).

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2019, the Group had employed approximately 99,000 employees. During the Year, total staff cost accounted for approximately 15.27% of the Group's revenue. The Group determines the remuneration of its employees based on their performance, experience and prevailing industry practices, and compensation policies are reviewed on a regular basis. Bonuses and rewards may also be given to employees based on their annual performance evaluation. Incentives may be offered to encourage individual development. The Company did not adopt any share option scheme.

In 2019, the Group has standardized a three-tier training framework for new staff members and has concretely carried out training. The subjects, hours and assessment methods of the three-tier training framework are clearly stated, and safety training materials and examination questions are drafted according to the job nature of employees. New employees are required to attend the training and pass the examination before taking on the job.

DIVIDEND DISTRIBUTION POLICY

The Company seeks to maintain a balance between meeting shareholders' expectations and prudent capital management with sustainable dividend policy. The Company's dividend policy aims to allow shareholders to share the Company's profits and the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including (i) the financial performance and overall financial position of the Group; (ii) the debt-to-equity ratio and return on equity of the Group; (iii) the liquidity and capital requirements of the Group; (iv) the current and future operation of the Group; (v) the business development strategy and future expansion plans of the Group; (vi) the general market conditions; (vii) any relevant requirements of the Listing Rules and applicable laws, rules and regulations as well as the Company's Articles of Association; and (viii) any other factors which the Board deems relevant. The final dividend was approved at the general meeting after thorough discussion and compliance with relevant decision-making procedures. Compliant with the conditions under the dividend distribution policy, the Board may propose interim dividend distribution based on the profitability and capital requirements of the Company.

The Company shall review and reassess the dividend policy and its effectiveness on a regular basis or when necessary.

FINAL DIVIDEND

The Board has resolved to declare a final dividend of RMB0.071 per share (2018: RMB0.195 per share) for the year ended 31 December 2019 which is subject to consideration and approval at the Company's AGM. Please refer to note 35 to the financial statements included in this annual report for details of the final dividend.

SHARE CAPITAL

As at 31 December 2019, the share capital of the Company was as follows:

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

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2019 to 31 December 2019, the Company or its subsidiaries did not redeem any of its shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any listed securities of the Company.

SIGNIFICANT INVESTMENT HELD

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

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

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

CAPITAL COMMITMENTS

As at 31 December 2019, the Company had capital commitments of approximately RMB528 million (31 December 2018: approximately RMB391 million).

CONTINGENT LIABILITIES

Please refer to note 28 to the financial statements included in this annual report for details of contingent liabilities.

ENVIRONMENTAL PROTECTION AND SOCIAL SECURITY

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

WANG, NIAN-QIANG

Mr. Wang Nian-qiang, aged 56, a Chinese national with no right of abode overseas, a master's degree holder and an engineer. Mr. Wang graduated from Central South University of Technology (中南工業大學) (now the Central South University) in the People's Republic of China in 1987 with a bachelor's degree in industrial analysis. In 2011, he obtained a master's degree in MBA from China Europe International Business School. Mr. Wang worked at Anhui Tongling Institute of Non-ferrous Metals (安徽銅陵有色金屬公司研究院) as an engineer. He joined Shenzhen BYD Industries Company Limited (深圳市比亞迪實業有限公司) ("BYD Industries", renamed as BYD Company Limited on 11 June 2002) in February 1995 as a chief engineer. He joined the Group in April 2015 and is the chief executive officer and executive director of the Company and a director of BYD Charity Foundation.

JIANG, XIANG-RONG

Mr. Jiang Xiang-rong, aged 43, a Chinese national with no right of abode overseas, a bachelor's degree holder, graduated from Fudan University (復旦大學) in 1999, majoring in Applied Chemistry, with a bachelor's degree. Mr. Jiang joined BYD Industries in July 1999. He has successively served as the factory director of the precision metal products factory of Division 1, general manager of the technology development center of the electronic business group and deputy general manager of Division 1. Now he is the executive director of the Company and the general manager of the first business division and COO of electronic business group of BYD, who is responsible for the overall operations of the first business division, and the moulds, project development, manufacturing and research and development of related new technologies and materials of BYD's structural parts (metal, glass, ceramic, plastic) business.

NON-EXECUTIVE DIRECTORS

WANG, CHUAN-FU

Mr. Wang Chuan-fu, aged 54, a Chinese national with no right of abode overseas, a master's degree holder and a senior engineer. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently known as Central South University) in 1987 with a bachelor's degree majoring in metallurgy physical chemistry, and then graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) in the PRC in 1990 with a master's degree majoring in materials science. Mr. Wang held positions as vice supervisor in Beijing Non-Ferrous Research Institute, general manager in Shenzhen Bi Ge Battery Co. Limited (深圳市比格電池有限公司). In February 1995, he founded BYD Industries with Mr. Lv Xiang-yang and took the position of general manager. He has been a non-executive Director and Chairman of the Company since December 2007 and now serves as the Chairman, an executive director and the President of BYD Company Limited ("BYD"), a director of Shenzhen DENZA New Energy Automotive Co., Ltd. (深圳騰勢新能源汽車有限公司) (formerly known as "Shenzhen BYD Daimler New Technology Co. Ltd. (深圳比亞迪戴姆勒新技術有限公司)"), a director of BYD Auto (Tianjin) Co., Limited (天津比亞迪汽車有限公司), a director of China Railway Engineering Consulting Group Co., Ltd. (中鐵工程設計諮詢集團有限公司), an independent director of Renren Inc., a director of South University of Science and Technology of China (南方科技大學) and a director of BYD Charity Foundation.

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

WANG, BO

Mr. Wang Bo, aged 48, a bachelor's degree holder. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1993 with a bachelor's degree in engineering, specializing in electrochemical engineering. Mr. Wang worked as an assistant engineer at No. 18 Tianjin Institute of Power Sources (天津電源研究所第十八研究院), a senior quality engineer and resource development manager at Motorola (China) Ltd. (摩托羅拉中國有限公司). Mr. Wang joined BYD Industries in September 2001 and is mainly responsible for marketing and sales. He had focused on marketing and sales of the Group and the day-to-day management of the commercial and customer service aspects of our business since our listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and served as an executive director of the Company. He has been appointed as a non-executive director of the Company since 6 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHUNG, KWOK MO JOHN

Mr. Chung Kwok Mo John, aged 51, a Chinese national and a permanent resident of the Hong Kong Special Administrative Region. Mr Chung obtained a Bachelor of Economics degree from Macquarie University, Australia in 1992 and is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia, with over 20 years of experience in auditing, financial management and corporate finance. Mr. Chung was an auditor in Arthur Andersen (an international accounting firm) from 1992 to 1999. From 2000, Mr. Chung had held several senior management positions, including chief financial officer, executive director and independent non-executive director, in a number of listed companies in Hong Kong. Mr. Chung is presently a vice president of Yongsheng Advanced Materials Company Limited, a company listed on the Stock Exchange (Stock Code: 3608).

Mr. Chung has joined the Group as an independent non-executive Director of the Company since 7 June 2013. In addition, he is also an independent non-executive director of each of B & S International Holdings Ltd., a listed company on the Stock Exchange (Stock Code: 1705), YTO Express (International) Holdings Limited, a listed company on the Stock Exchange (Stock Code: 6123), Zhengye International Holdings Company Limited, a listed company on the Stock Exchange (Stock Code: 3363) and Tokyo Chuo Auction Holdings Limited (Stock Code: 1939).

ANTONY FRANCIS MAMPILLY

Mr. Mampilly, aged 70, a United States national and a master's degree holder. Mr. Mampilly obtained a bachelor's degree and a master's degree in physics from Kerala University, India in 1970. Mr. Mampilly worked at Motorola, Inc. where he held positions as general manager of the Energy Systems Group, general manager of the auto electronics business, corporate vice president and chief procurement officer. He joined the Group in November 2007 and is an independent non-executive Director of the Company.

QIAN, JING-JIE

Mr. Qian Jing-jie, aged 38, a Chinese national without right of abode overseas. Mr. Qian graduated from Monash University in Australia and completed his undergraduate studies in finance in 2006. Since 2006, he has been working at Shenzhen Kind Care Group Co., Ltd. (深圳一德集團有限公司) and is a director and the president thereof. Mr. Qian has extensive experience in business management. He has been an independent non-executive Director of the Company since 27 April 2015.

SENIOR MANAGEMENT

DONG, GE-NING

Mr. Dong Ge-ning, aged 48, a Chinese national with no right of abode overseas and a bachelor's degree holder. Mr. Dong graduated from Southwest Agricultural University (西南農業大學) in 1993 with a bachelor's degree in engineering, specializing in agricultural mechanization. Mr. Dong held positions as engineer, plant manager at Zhanjiang Agricultural Reclamation No. 2 Machinery Factory (湛江農墾第二機械廠) and worked at Foxconn International Holdings Limited where he was responsible for product development. Mr. Dong joined BYD in March 2003 and now serves as a general manager of the ICT Division of the Group.

ZHOU, YA-LIN

Ms. Zhou Ya-lin, aged 43, a Chinese national with no right of abode overseas and a bachelor's degree holder. Ms. Zhou graduated from Jiangxi University of Finance and Economics (江西財經大學) with a bachelor's degree in economics in 1999. Ms. Zhou joined BYD Industries in March 1999 and has been appointed as the Chief Financial Officer of the Company since January 2016 and now also serves as the chief financial officer of BYD, a director of Shenzhen BYD Electric Vehicles Investment Co., Ltd. (深圳比亞迪電動汽車投資有限公司), a supervisor of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), the chairman of BYD Auto Finance Company Limited (比亞迪汽車金融有限公司), a supervisor of Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司), a supervisor of Hangzhou West Lake BYD New Energy Automobiles Co., Ltd. (杭州西湖比亞迪新能源汽車有限公司), a supervisor of Xi'an Chengtou Yadi Automobiles Service Co., Ltd. (西安城投亞迪汽車服務有限責任公司), a director of Chengdu Shudu BYD New Energy Automobiles Co., Ltd. (成都蜀都比亞迪新能源汽車有限公司), a director of Qinghai Salt Lake BYD Resources Development Co., Ltd (青海鹽湖比亞迪資源開發有限公司), a supervisor of Yinchuan Sky Rail Operation Co., Ltd. (銀川雲軌運營有限公司), a director of Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), a supervisor of Shenzhen DENZA New Energy Automotive Co., Ltd. (深圳騰勢新能源汽車有限公司), a director of Shenzhen Faurecia Automotive Parts Co., Ltd. (深圳佛吉亞汽車部件有限公司) and a supervisor of BYD Charity Foundation, etc.

LI, QIAN

Mr. Li Qian, aged 47, a Chinese national with no right of abode overseas and a master's degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學) with a bachelor's degree in economics in 1997. In July 2016, he obtained an MBA from Guanghua School of Management of Peking University (北京大學光華管理學院). Mr. Li worked as an auditor and business consultant at PwC China and Arthur Andersen, respectively and served as a representative of securities affairs at ZTE Corporation (中興通訊股份有限公司). Mr. Li joined BYD in August 2005 and has been nominated as a joint company secretary of the Company since November 2007 and now also serves as a secretary to the board of directors, a company secretary and general manager of investment department of BYD, a supervisor of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. (西藏日喀則扎布耶鋰業高科技有限公司), chairman of Shenzhen BYD Electric Vehicles Investment Co., Ltd. (深圳比亞迪電動汽車投資有限公司) and chairman of Energy Storage Power Station (Hubei) Co., Ltd. (儲能電站(湖北)有限公司).

CHEUNG, HON-WAN

Mr. Cheung Hon-wan, aged 64, a Chinese national, a permanent resident of the Hong Kong Special Administrative Region and a master's degree holder. Mr. Cheung obtained a master degree in accounting and finance from the University of Lancaster in the United Kingdom in 1983. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung worked at various Hong Kong listed companies and served as a qualified accountant of the Company. He joined the Group in June 2007 and is a joint company secretary of the Company.

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

The Company has put in place corporate governance practices to comply with all the applicable provisions and most of the recommended best practices of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the shares of the Company commenced listing on the main board of the Stock Exchange.

In the opinion of the Directors, the Company had complied with the applicable code provisions as set out in Appendix 14 of the Listing Rules during the Year, except for deviation from code provision A.6.7. The code provision A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Due to important business engagements at the relevant time, not all independent non-executive Directors attended the annual general meeting of the Company held on 6 June 2019.

BOARD OF DIRECTORS

Accountable to the Shareholders, the Board of Directors is collectively responsible for formulating the strategic business direction of the Group and setting objectives for the management, overseeing its performance and assessing the efficiency of management strategies. The Board is also responsible for, and has during the Year performed, the corporate governance duties set out in the terms of reference in code provision D.3.1 of the Code (including the determining of the corporate governance policy of the Company).

THE DIRECTORS

As at the date of this report, the Board comprises seven Directors. There are two executive Directors, two non-executive Directors and three independent non-executive Directors. Brief biographical details outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out in the section headed "Directors and Senior Management" of this annual report.

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

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

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

The Directors decide on corporate strategies, approve overall business plans and supervise the Group's financial performance, management and organization on behalf of the Shareholders. Specific tasks that the Board delegates to the Group's management included the preparation of annual, interim and quarterly accounts for the Board's approval before public reporting; the implementation of various strategies approved by the Board; the monitoring of operating budgets; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other rules and regulations. The Directors acknowledge their responsibility for preparing all information and representations of the financial statements of the Company for the year ended 31 December 2019.

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

In accordance with Article 106 of the Company's Articles of Association (the "Articles") at each annual general meeting, one-third of the Directors, or if their number is not three (3) or a multiple of three (3), the number which is nearest to and is at least one-third, shall retire from office by rotation at least every three (3) years. According to Article 111 of the Articles, a director appointed by the Board to fill a vacancy shall retire at the next following general meeting. A retiring director shall be eligible for reelection. Accordingly, Mr. Wang Chuan-fu, Mr. Jiang Xiang-rong and Mr. Chung Kwok Mo John, shall retire by rotation, and it is proposed that Mr. Wang Chuan-fu, Mr. Jiang Xiang-rong and Mr. Chung Kwok Mo John, shall be eligible for re-election at the forthcoming annual general meeting.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Name of Director	Training/seminars participated	Reading materials
Executive Director		
WANG Nian-qiang	✓	✓
JIANG Xiang-rong (Appointed as an Executive Director since 6 June 2019)	✓	✓
Non-executive Director		
WANG Chuan-fu	✓	✓
WANG Bo (Redesignated as a Non-executive Director since 6 June 2019)	✓	✓
WU Jing-sheng (Resigned from the Non-executive Director since 31 May 2019)	✓	✓
Independent Non-executive Director		
CHUNG Kwok Mo John	✓	✓
Antony Francis MAMPILLY	✓	✓
QIAN Jing-jie	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting. The meeting agenda is set in consultation with members of the Board. The Board held nine meetings in 2019. The attendance of individual Directors at the Board meetings as well as general meetings in 2019 is set out below:

Member of the Board	Board meetings	Annual General Meeting	Extraordinary General Meeting
WANG Nian-qiang	9/9	1/1	1/1
JIANG Xiang-rong (Appointed as an Executive Director since 6 June 2019)	4/9	0/1	0/1
WANG Chuan-fu	9/9	1/1	1/1
WANG Bo (Redesignated as a Non-executive Director since 6 June 2019)	9/9	1/1	1/1
WU Jing-sheng (Resigned from the Non-executive Director since 31 May 2019)	4/9	0/1	1/1
CHUNG Kwok Mo John	9/9	1/1	1/1
Antony Francis MAMPILLY	9/9	0/1	1/1
QIAN Jing-jie	9/9	1/1	1/1

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

— the Audit Committee;

— the Remuneration Committee; and

— the Nomination Committee

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

AUDIT COMMITTEE

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

The terms of reference of the Audit Committee were revised on 27 March 2019 and follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and the Listing Rules is published on the websites of the Stock Exchange and the Company pursuant to Code C.3.4.

The Company established the Audit Committee on 29 November 2007 and has held four meetings during the Year to review the audited consolidated financial statements of the Group for the year ended 31 December 2018 and the unaudited consolidated financial statements for the three months ended 31 March 2019, the six months ended 30 June 2019, the nine months ended 30 September 2019 and the effectiveness of the financial reporting process and risk management and internal control systems of the Company. The individual attendance of its members of the meetings is set out as follows:

Member of the Audit Committee	No. of Committee meetings attended
WANG Chuan-fu	4
WANG Bo (Redesignated as a member of the Audit Committee since 6 June 2019)	2
WU Jing-sheng (Resigned from a member of the Audit Committee since 31 May 2019)	2
CHUNG Kwok Mo John (Chairman of the Audit Committee)	4
Antony Francis MAMPILLY	4
QIAN Jing-jie	4

REMUNERATION COMMITTEE

The Company has also set up the Remuneration Committee on 29 November 2007 which consists of five Directors, namely Mr. WANG Nian-qiang, Mr. WANG Chuan-fu, Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie (Chairman of the Remuneration Committee), of which Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie are independent non-executive Directors, as at the date of this report. The Remuneration Committee considers and makes recommendations to the Board regarding the policy and structure on remuneration and other benefits paid by the Company to the Directors, Senior Management and Staff, assesses the performance of executive Directors, and (with delegated responsibility) approves the terms (including terms on remuneration packages) of the executive Directors' service contracts. The remuneration of all Directors, Senior Management and Staff is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. The Remuneration Committee has performed the above duties during the Year. The Remuneration Committee held two meetings during the Year and the individual attendance of its members of the meeting is set out as follows:

Member of the Remuneration Committee	No. of Committee meetings attended
WANG Nian-qiang	2
WANG Chuan-fu	2
CHUNG Kwok Mo John	2
Antony Francis MAMPILLY	2
QIAN Jing-jie (Chairman of the Remuneration Committee)	2

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

REMUNERATION POLICY FOR DIRECTORS

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation to their individual performance as measured against the corporate objectives and the Group's operating results and taking into account the comparable market conditions. For the remuneration of the executive Directors and senior management, the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management (adopting the model described in code provision B.1.2(c)(ii) of the CG Code). The principal elements of the remuneration package of executive Directors include basic salary and discretionary bonus.

The emoluments paid to each Director of the Company for the year ended 31 December 2019 are set out in note 9 to the financial statements.

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

Directors do not participate in decisions on their own remuneration.

REMUNERATION OF SENIOR MANAGEMENT

Remuneration by ranks	**Number of senior management**
RMB0 to RMB1 million	3
RMB1 million to RMB2.5 million	1

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 29 November 2007 with specific written terms of reference stipulating its authorities and duties in compliance with code provision A.5.1 of the CG Code. In light of the latest amendments made to the Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board has further adopted the revised terms of reference of the Nomination Committee. For more details on such terms of reference, please refer to the websites of the Company and Stock Exchange. During the Year, the summary of work of the Nomination Committee included reviewing the structure, size and composition of the Board, reviewing the Board Diversity Policy and Nomination Policy, assessing the independence of the independent non-executive Directors and providing recommendations on retiring Directors at the annual general meeting of the Company.

The Nomination Committee has also adopted a nomination policy (the "Nomination Policy") which includes the selection criteria and nomination procedure of new appointments and re-appointments of directors. The selection criteria for assessing candidates includes, in particular, his/her educational background and professional qualifications, experiences in the industry, personality and integrity, as well as his/her contributions to diversity of the Board according to the Board Diversity Policy. In the case of re-appointment of Director, the Nomination Committee would take into account factors such as contribution from the retiring Directors. Where the candidate is appointed for the position of independent non-executive Director, the Nomination Committee will also assess his/her independence with reference to the requirements set out in the Listing Rules. After the Nomination Committee had assessed the candidates based on the selection criteria, the Nomination Committee will nominate one or more qualified candidates for the Board's consideration and the Board will determine and agree on a preferred candidate. The Company and/or the Chairman of the Board will then negotiate the terms of appointment with the preferred candidate. Finally, the Chairman of the Board, in consultation with the chairman of the Remuneration Committee and the chairman of the Nomination Committee will then finalise a letter of appointment for the Board's approval. The Nomination Committee shall ensure the transparency and fairness of the selection procedure and continue to adopt diverse selection criteria during the appointment procedure, taking into consideration a range of elements such as age, educational background, professional experience, industrial skills and professional knowledge. Since its establishment, the Nomination Committee has assumed the roles of reviewing such diverse selection policy at the nomination level and maintaining a diversified spectrum of varying perspectives, educational background and professional knowledge in the Board.

As at the date of this report, the Nomination Committee comprises five members, namely Mr. JIANG Xiang-rong, Mr. WANG Chuan-fu (chairman of the Nomination Committee), Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, of which Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie are independent non-executive Directors as at the date of this report. The Nomination Committee has performed the above duties during the Year.

THE BOARD'S DIVERSITY POLICY

The Company adopted the Board Diversity Policy on 29 October 2013. In light of the latest amendments to the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board has further adopted the revised 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 appropriates 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.

The Nomination Committee held two meetings during the Year and the individual attendance of its members of the meeting is set out as follows:

Member of the Nomination Committee	No. of Committee meetings attended
JIANG Xiang-rong (Appointed as a member of the Nomination Committee since 6 June 2019)	0
WANG Bo (Ceased to be a member of the Nomination Committee of the Company since 6 June 2019)	2
WANG Chuan-fu (Chairman of the Nomination Committee)	2
CHUNG Kwok Mo John	2
Antony Francis MAMPILLY	2
QIAN Jing-jie	2

The terms of reference of the Nomination Committee were amened on 27 March 2019 in compliance with the Listing Rules and published on the websites of the Stock Exchange and the Company pursuant to Code A.5.3.

INDEPENDENT INTERNATIONAL AUDITOR AND ITS REMUNERATION

For the year ended 31 December 2019, the total remuneration paid and payable by the Company to the independent international auditor, Ernst & Young, was RMB1,240,000 for audit services. The audit fee was approved by the Board. During the reporting period, the total remuneration in respect of non-audit services was RMB250,000.

Item	2019	2018
Review of interim results	RMB250,000	RMB250,000
Other non-audit services	RMB0	RMB0

The re-appointment of Ernst & Young as the Company's independent international auditor for the Year 2020 has been recommended and endorsed by the Board and is subject to approval by Shareholders at the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection and reappointment of the external auditor during the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its responsibility for risk management and internal control, and for reviewing their effectiveness for the year through the Audit Committee at least annually. The Audit Committee assists the Board in performing its responsibilities for supervision and corporate governance, covering financial, operational, compliance, risk management and internal control, and internal audit functions of the Company.

Various measures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The Company's systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material errors, losses or fraud. The Board considers that the Company is fully compliant with the provisions of risk management and internal control as set forth in the Corporate Governance Code.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Company's risk management system is composed of a well-established organizational structure as well as all-rounded policies and procedures. Responsibilities of each business and functional department are clearly defined to ensure effective balance. The Company's risk management and internal control structure comprises of:

BOARD OF DIRECTORS

- Evaluating and determining the nature and magnitude of the risks to be assumed by the Company, to achieve its business and strategic goals;
- Ensuring that the Company has established and maintained an appropriate and effective risk management and internal control system;
- Supervising the designing, implementation and inspection of the risk management and internal control system by the management team.

AUDIT COMMITTEE

- Assisting the Board in performing its duties of risk management and internal control systems;
- Supervising the Company's risk management and internal control system on an ongoing basis, to provide opinions and suggestions with regard to the improvement of the risk management and internal control systems;

- Reviewing the effectiveness of the Company's risk management and internal control systems at least once a year;

- Ensuring that the Company has sufficient resources, staff qualifications and experiences in accounting, internal audit and financial reporting functions.

MANAGEMENT TEAM

- Designing, implementing and inspecting the risk management and internal control systems;

- Identifying, evaluating and managing risks that may exert potential impacts on major operational procedures;

- Responding to and following up with in a timely manner the investigation results of risk management and internal control issues raised by the Internal Audit Department;

- Providing opinions to the Board and the Audit Committee on the acknowledgment of the effectiveness of the risk management and internal control systems.

INTERNAL AUDIT DEPARTMENT

- Reviewing the due effectiveness of the Company's risk management and internal control systems;

- Reporting the audit results and making suggestions to the Audit Committee, to improve major drawbacks of the systems or identify the deficiency of the control.

IDENTIFICATION, EVALUATION AND MANAGEMENT OF MAJOR RISKS

The management team and relevant staff identify risks that may exert potential impacts on the Company and its operation, and evaluate risks in environment and process of the control. Through comparison of the risk appraisal results and risk prioritization, risk management strategies and internal control procedures are determined to prevent, avoid or reduce risks.

Major risks and related control measures are reviewed and upgraded on an ongoing basis to ensure proper internal control procedures in place. Based on the testing results, persons in charge confirm with the Senior Management that internal control measures have played their roles as expected, their weakness identified in the control have been corrected, and risk management policies and internal control procedures have been revised, in the event of any major changes. The Board and the Audit Committee supervise control activities of the management team to ensure the effectiveness of control measures.

ANNUAL REVIEW

In 2019, the Board has reviewed the soundness and effectiveness of the Group's risk management and internal control systems covering financial, operational and compliance controls, with a self-evaluation report issued on the internal control. In addition, the Company engaged an auditor to audit the effectiveness of the internal control related to the Company's financial reports, and to provide independent and objective assessment and suggestions in the form of an auditor's report. The Board considers that the Company's risk management and internal control systems are effective and adequate.

INTERNAL AUDIT

The Group has an Audit Department which, equipped with independent internal audit system, plays an important role in the Group's risk management and internal control framework. The Audit Department reports directly to the Audit Committee. Major audit findings will be reported on a timely basis. Based on its consideration, the Audit Committee will provide advice to the Board and the Senior Management, with subsequent measures taken to review the implementation of the rectification and improvement plans.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified individuals who are likely to be in possession of inside information of the Group are also subject to compliance with the Model Code. No incident of noncompliance was noted by the Company in 2019.

DISCLOSURE OF INSIDE INFORMATION

The Group has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Unless the inside information falls within any of the safe harbours as permitted under the Securities and Future Ordinance, the Group is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner. All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will immediately disclose the information to the public as soon as reasonably practicable. The policy and its effectiveness are subject to review on a regular basis.

SHAREHOLDERS' RIGHTS

Under the Company's Articles and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance"), the Directors shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than 5% of the total voting rights of all members having the right to vote at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company. The request, which must state the general nature of the business to be dealt with at the meeting, may be sent to the Company in hard copy form or in electronic form and must be authenticated by the Shareholder(s) making it.

Further, Shareholders representing at least 2.5% of the total voting rights of all the members having a right to vote, or, at least 50 Shareholders who have a relevant right to vote, may put forward proposals at general meetings; and circulate to other Shareholders written statement with respect to matters to be dealt with or other business to be dealt with at general meetings. For further details on the Shareholder qualifications, and the procedures and timeline, in connection with the above, Shareholders are kindly requested to refer to Sections 580 and 615 of the Hong Kong Companies Ordinance.

Further, a Shareholder may propose a person other than a retiring Director of the Company for election as a Director at a general meeting. For such purpose, the Shareholder must send to the Board or the secretary of the Company a written notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, no earlier than the day after the dispatch of the notice of the relevant general meeting and not later than 7 days prior to the date appointed for the relevant general meeting.

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

Shareholders may send their enquiries or requests requiring the Board's attention to the Company Secretary at the Company's registered office in Hong Kong at Part of Unit 1712, 17th Floor, Tower 2 Grand Central Plaza, No. 138 Shatin Rural Committee Road, New Territories, Hong Kong. Other general enquiries can be directed to the Company through our Investor and Media Relations Consultant, whose contact information is disclosed in the section headed "Corporate Information" of this annual report.

INVESTOR RELATIONS

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

There has not been any significant change in the Company's Articles during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is a world leader in the provision of smart device solutions, offering one-stop services that vertically integrate R&D, design, smart manufacturing, logistics and after-sales for globally renowned mobile intelligent terminal manufacturers such as Huawei, Samsung, vivo, OPPO, Xiaomi and LG. Its businesses cover three major segments, namely smartphones and notebook computers (metal, glass, ceramic, plastic parts and components, as well as OEM, ODM services), new-generation smart devices (Internet of Things, smart home, smart manufacturing, smart business and smart gaming products, etc.) and automotive intelligent systems (smart cockpit, intelligent networking system, communications module, etc.). The Group has 12 production bases in Huizhou, Baolong, Kuichong, Pingshan, Xi'an, Shanghai, Changsha, Shantou and Shaoguan, four R&D centers, with more than 10,000 engineers.

2019 marks another crucial year of the Group's development. Despite the increasingly complex external environment and tough challenges confronting us, the Group continued to pursue harmonious development between the Company and its employees, the society and the nature, by giving back to the community, protecting the natural environment and creating a harmonious environment for development through hands-on actions. These efforts helped us in meeting customers' expectations, as well as fulfilling our responsibilities toward stakeholders and the society. While striving for substantial business growth in 2019, the Group also laid a solid foundation for the sustainable development of its future business and the society.

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The report provides important information for the public on the Company's performance of its social responsibilities amid business and management operations, focusing on its main business objectives set for 2019 as the top priorities. We sincerely hope that this report will help all the related parties acquire a better understanding of the Group, and we also earnestly accept their supervision, so that we can deliver better performance in fulfilling the Group's social responsibilities and building a harmonious community.

The Group engages with a broad spectrum of stakeholders, including staff, shareholders and investors, suppliers, customers, tenants and community partners spanning in places where we operate. We endeavor to create long-term value for our stakeholders, as such, we foresee their needs and expectations by listening to their opinions and feedbacks and have been in a close liaison with different stakeholders continuously through daily communications, general meetings and periodic engagements targeted to environmental, social and governance ("ESG") issues.

A detailed survey on ESG issues is conducted every two to three years to ensure comments, advice and expectations from stakeholders are communicated effectively to our senior management, helping us to understand and evaluate the Group's ESG strategies and performance by identifying ESG issues that are material to the Group's operations and our stakeholders. Also, stakeholders' responses are reviewed annually by our senior management to reevaluate the focuses of the Group's ESG strategies. The results are then confirmed by the Board to ensure our ESG policies are in line with the needs of our stakeholders, significant to the business and adhere to relevant laws and regulations.

In 2019, the Group duly fulfilled its social responsibilities and set a good example for environmental protection, energy saving, social security, and operation management, while ensuring effective development, maintenance and updating of the internal corporate social responsibility management system at the same time.

A. ENVIRONMENT PROTECTION AND ENERGY SAVING

The Group adheres to the guideline of "sustainable development" and is committed to establishing itself as a "resource-saving, environment-friendly, and ecologically civilized" harmonious enterprise, under which the Group attaches great importance to the building of an ecological civilization and its incorporation into the overall corporate planning for future development. The Group is fully aware of the importance of environmental protection with a high sense of social responsibility, and invests a large amount of capital resources in environmental protection in order to achieve harmonious coexistence between the Group and the environment. In 2019, the Group did not encounter any relatively major or more serious environmental pollution or ecologically damaging accidents.

ASPECT A1: EMISSIONS

Since its founding, the Group has upheld the belief that "environmental protection is the top priority in corporate development", and always held on to its obligations and social responsibilities to protect the environment. With the interests of the State and society identified as the top priority, the Group actively coordinates the economic interests of individuals and the whole group, while constantly raising its capital investment in environmental protection to advance pollution prevention and ensure environmental safety, thereby striking a balance between economic benefits and environmental considerations. The Group strictly complies with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, Environmental Protection Law of the People's Republic of China and other laws & regulations, by restricting the emission of waste water, waste gas and solid waste through rational management and control, so as to protect our ecological environment and keep our planet green.

A1.1 Types of Emissions and Respective Emissions Data

Waste emissions include waste water, waste gas, solid wastes and noise. Waste water can be further divided into production waste water and domestic sewage; waste gas mainly includes nitric oxide, sulfur dioxide and suspended particles; and solid wastes include recyclable waste, hazardous waste and general waste.

A1.2 Total Greenhouse Gas Emissions

The Group conducts environmental protection activities in strict compliance with the national regulations, and has taken the initiative to reduce carbon emissions and adopt carbon sequestration in accordance with the relevant requirements governing the reduction of greenhouse-gas emissions, so as to join hands with the community to combat climate change. In 2019, the total volume of greenhouse gases we emitted was approximately 1,111,100 tons of carbon dioxide (calculation based on emission factors due to purchased electricity: emission factors due to purchased electricity from southern and northwestern regions in 2017 were 0.8367tCO2/MWh and 0.9155tCO2/MWh, respectively).

A1.3 Discharge of Hazardous Waste

The Group actively enforces emission reduction policies, and has reduced the emission of air, land and water pollutants by effectively identifying, evaluating, categorizing and managing wastes generated in the production process. All hazardous wastes generated during the production process are transferred to and treated by qualified hazardous-waste processing companies, and industrial sewage is discharged to our sewage treatment station for processing. Treated sewage is discharged if the required standards are met. In 2019, the volume of sewage treated and discharged was approximately 2,437,084 tons.

The total amount of hazardous solid wastes generated in 2019 was approximately 13,330 tons. Through our rigid control during the year, the total amount of hazardous solid wastes has decreased by 3,683 tons compared with last year, and all the wastes were transferred to and treated by companies licensed for disposal of hazardous wastes.

A1.4 Discharge of Non-hazardous Waste

While maintaining tight control over hazardous solid wastes, the Group effectively reduced the emission of non-hazardous wastes in 2019. The total amount of non-hazardous wastes generated throughout the year was about 15,015 tons, all of which were transferred to and treated by companies authorized by the government. The Group continued to explore various ways of reducing emissions, and managed to cut back on waste production by recycling materials in the manufacturing process. An excellent example is the use of plastic frames and recycled cabinets during the production process.

A1.5 Emission-reduction Measures and Achievements

The Group has formulated its annual energy conservation goal and implementation plans in strict compliance with Article 49 of the Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法), tightened up energy consumption measurement and monitoring management, and reported the annual energy consumption report in a timely manner.

The Group organized energy conservation activities pursuant to laws and regulations promulgated by national, provincial and municipal authorities, and set up a dedicated energy saving management department and assigned special personnel to oversee energy saving operations. Furthermore, a series of measures have been adopted to save energy and reduce emission in management, technology and structure.

In 2019, the Group duly implemented the new national policy for energy saving and emission reduction, and established the corporate governance philosophy based on the rule of law. It sensibly set the internal coal-saving target for the year at 1,800 tons of standard coal, drew up a work plan and closely followed it up, which enabled it to deliver on the energy saving targets. The Group has decided to continue to challenge itself by setting the coal-saving target at 2,000 tons of standard coal for 2020.

A1.6 Methods for Disposal of Hazardous and Non-hazardous Wastes, Emission-Reduction Measures and Achievements

The Group has achieved the following results in terms of reducing greenhouse gas emissions:

Case 1: Green lighting program with purchase of 2,062 LED-based energy-saving lights in 2019 (Figure 1-1, Figure 1-2).

Case 2: Energy-saving transformation from central air-conditioning cooling to exhaust and centralized cooling and automation in the mold factory 2 (Figure 2).

Figure 1-1: Before transformation

Figure 1-2: After transformation

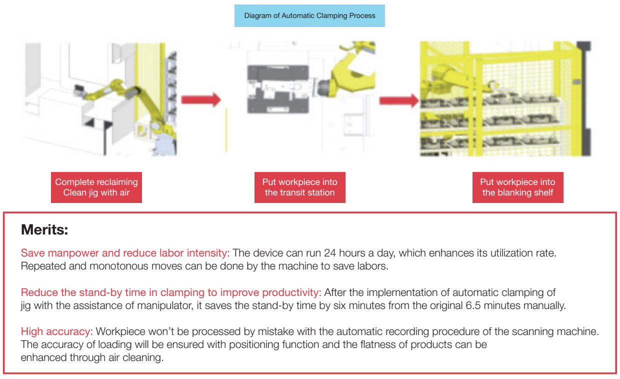


Figure 2: Diagram of automatic clamping process

ASPECT A2: USE OF RESOURCES

To use resources effectively, the Group has formulated and implemented Management Procedure for Implementation Plan Concerning Energy Targets, Energy Index and Energy Management, Energy Assessment & Control Procedure and Control Procedure for Energy Baseline & Energy Performance Parameters, Management Regulations on Energy-saving Work and other relevant regulations and policies.

A2.1 Energy Consumption

The Group uses diesel and natural gas as fuels. In 2019, the total volume of natural gas consumed was approximately 3,112,771 cubic meters, while power consumption totaled approximately 1,306,366,854 KWH.

A2.2 Water Resources Consumption

The Group's goal of "improving the efficiency of water usage and attaining sustainability in the use of water resources" is reflected in all aspects of production and operations. The total amount of water consumed in 2019 was approximately 8,025,764 cubic meters.

A2.3 Energy Conservation

In 2019, guided by the ideology of improving quality and efficiency, and LEAN management, the Group focused on internal transformation and unlocking the full potential of existing resources to continuously optimize energy consumption indicators. We implemented energy-conservation and emission-reduction measures focusing on three areas – energy-saving management, energy-saving technologies and energy-saving structure. Some 130 energy-saving technological transformation projects were carried out. In 2019, energy-saving technological transformation projects led to an annual energy-saving of more than 3,358.6 tons of standard coal.

Case 1: Smart control in air compression by injection machine translated into a saving of 17.79 tons of standard coal for the year.

Case 2: Improvement project in central cooling by reflower resulted in a saving of 22.71 tons of standard coal for the year.

A2.4 Water Resources Conservation

Reuse of overflow water of washing lines and other measures helped reduce consumption of fresh water and save costs. In 2019, the Group reduced water consumption by approximately 1,332,800 cubic meters. The Group did not have or foresee any problems in seeking for applicable water resources.

A2.5 Packaging Materials of End-products

The Group used a total of approximately 656,356,336 pcs of packaging materials for our end-products in 2019.

ASPECT A3: ENVIRONMENTAL AND NATURAL RESOURCES

Environmental Risk Management

The Group has introduced an environmental risk management system covering the whole process of our construction projects. We adopt the "three simultaneousnesses" system, whereby environmental protection facilities and main constructions are designed, constructed and put into production/operations simultaneously, so as to ensure that environmental risks are under control. In addition, the Company has established an integrated environmental management system (EMS) and obtained the ISO14001 certification for the system in 2003, and the upgraded system was certified in October 2018.

Publicity Campaigns

In response to the government's call for "Low Carbon and Emission Reduction for Green Living", the Group earnestly promoted pollution reduction and practice green living at all levels. It put forth solid effort in organizing publicity activities with rich content and in diverse formats in line with its commitment to building an ecological civilization and an environment-friendly society. The public events include a vigorous campaign promoting green office practices within the Company, and posting labels such as those carrying the message "take the lead to save energy" in prominent locations. In June 2019, the Company organized a series of activities marking the Month of Environmental Security, such as an environment safety Q&A prize-giveaway and an environment safety knowledge contest, and commendations granted to outperforming units selected via public appraisal.

Figure 3: Environment safety Q&A prize-giveaway

Figure 4: Environment safety knowledge contest

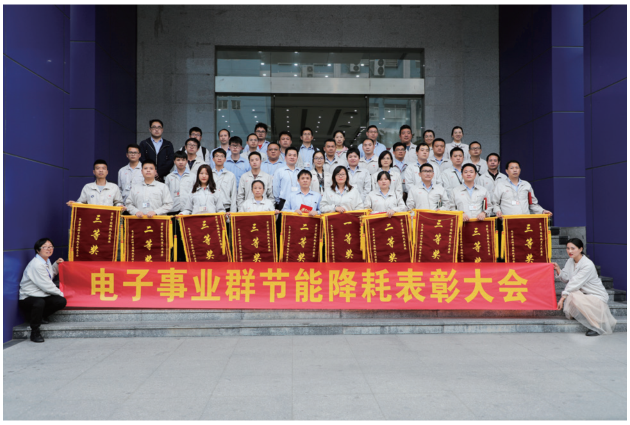


Figure 5: Energy-saving and cost-reducing award ceremony

B. SOCIAL SECURITY ASPECT

EMPLOYMENT AND LABOR ROUTINE

In accordance with the Labor Law, Labor Contract Law and other relevant laws and regulations promulgated by the State, the Group has formulated a systematic, normalized and personalized human resources system to improve employer-employee relationships, ensure that contracts are legally signed, create an equal and diversified work platform, solicit employees' opinions, provide them with sufficient benefits and protection, enhance employees' sense of belonging, and offer them a broad range of promotion opportunities, with the aim of stimulating sustainable and steady development of the Company.

ASPECT B1: EMPLOYMENT

Following the principle that "human capital is the core resources", the Group focuses on promoting best practices for the Company and constructing a strong foundation for the Group. We pay close attention to system and mechanism construction, innovate in human resource management, and always adhere to the "people-oriented" human resources policy. We also attach great importance to staff training, and have created a personal growth platform for staff members, and pushed forward work performance appraisal, achieving an overall improvement in human resources management.

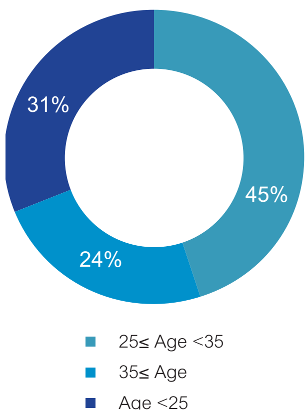
Employment and Contract

With a view to effectively regulating the employer-employee relationship and protecting their legitimate rights and interests according to law, the Group has signed labor contracts with all employees upon commencement of employment to specify the rights and obligations of the enterprise and employees and provided reliable legal evidence and basis for our employees in settling labor disputes and protecting their legitimate rights and interests.

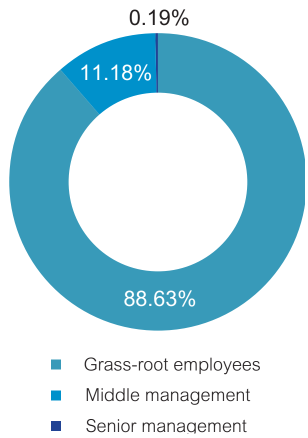
Equality and Diversification

To build a diversified platform, create equal opportunities and strive for common benefits, the Group, since its inception, has kept respecting the privacy and belief of our employees and prohibiting all forms of discriminative practices, including any discrimination on age, gender, birthplace, nationality, customs, social rank, religion, physical disability, political affiliation and so on, hence the high degree of diversity of our workforce. The Group has made a lot of efforts in fighting against discrimination on age and gender. At present, our employees cover all age brackets. In recent years, the proportion of female employees to the Group's total number of employees remained largely stable at approximately 35%. In 2019, 24% of our management staff is female. Twenty-eight senior managers are female, representing approximately 14% of the senior management.

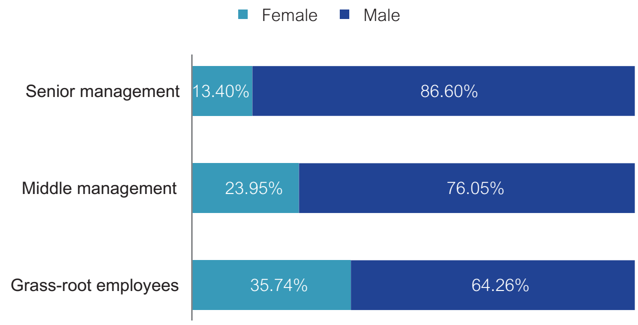
Age ratio



Percentage by level



Gender percentage by level



Communication and Complaint

The Group is fully aware of the importance of maintaining smooth complaint and appeal channels for staff members, and catering to their reasonable needs. To substantially protect the rights of employees, we have made various communications and complaint channels available to all employees. We have in place a wide range of communication and complaint channels (Figure 6) that operate as a whole, including group discussion, labor union, email, mailboxes, complaint hotlines, online platform for communications and complaints, face-to-face communication with HR, questionnaire survey and WeChat account, so as to build a bridge for effective communication between the Company and employees and give them warm care. In 2019, in order to generate more publicity around the processing of staff complaints by the management, in addition to the "complaint channels and processing procedure" policy, the Group posted posters related to the communication channels and online complaint platform QR Code etc., to enhance the diversity and transparency of complaint channels, and protect the privacy and security of employees who have filed complaints, as well as reduce discrimination, creating a more harmonious business environment.

Figure 6: Communication channels

Incentive and Protection

The Group further improved and refined the employee remuneration distribution system and strengthened the performance-oriented salary distribution. In 2019, it continued to build a competitive culture and pushed forward staff performance appraisal on a comprehensive scale, focusing on last year's keyword "competition". Salaries of employees at all levels are linked to their work performance, with greater prominence given to their contributions to company earnings. The aim is to promote the Company's systematic establishment of a scientific and effective incentive and restraint mechanism.

The Group strictly enforces national laws and regulations, and has established a social security system according to law to protect the legitimate rights and interests of employees. We also improved and refined the social security and labor protection mechanisms for employees, with employer's and employees' contributions to social insurance paid in full and in time to protect employees' social welfare benefits such as pension, medical care, etc., and ensure that employees enjoy various holiday benefits including annual leave, sick leave, marriage leave, bereavement leave, maternity leave, breastfeeding leave and so on. During routine management operations, the Company proactively supported and assisted employees in household registration transfer applications, affiliation of personal archives, etc., and offered the optimal catering (employee canteens), transportation (employee commuter cars/concession car purchase price), housing (employees' dormitories) benefits and services to ensure that employees are free of worries, so that they feel like at home and love our big family.

In 2019, the Group vigorously organized employee care activities in line with its commitment to improving the living and working environment for employees. During the year, in order to improve the accommodation conditions for staff members, the Group set up a special fund to carry out dormitory renovation and hardware improvement to build standard rooms (Figure 7), including replacement of bedding plates and air conditioners, placement of lockers, installation of free WIFI in the dormitories (Figure 8) etc., and the addition of laundry rooms, hair dryer rooms (Figure 9), and beverage vending machines in public areas and addition of benches for rest around the dormitories (Figure 10). We also conducted monthly star-rated dormitory contests, eradicated bedbugs in the dormitories and increased the number of cleaners to ensure a more comfortable and healthy living environment for our employees. In order to improve employee satisfaction with catering service at the Company, we introduced the "off-peak dining" policy, renovated and extended the staff canteen. Furthermore, new dishes such grilled fish, griddle cooked foods, barbecued chicken and stewed soup have been added.

Figure 7: Standard dormitory room

Figure 8: The new hair drier room

Figure 9: Free WIFI poster

Figure 10: Bench for rest

In 2019, with a view to improving employee satisfaction and providing them with more spaces for leisure activities, the Company built additional staff restrooms in each workshop for employees to take a short break and relax when they are tired at work, as well as relieve their pressure at work.

Figure 11: Staff restroom

Entertainment and Welfare

In 2019, the Company continued to increase investment in employees spiritual wellbeing, improve employee entertainment facilities, and continuously enrich leisure activities for employees. It organized various recreational activities to help staff relax after work, which significantly increased their satisfaction with the Company and enabled them to identify themselves with, take root in and contribute to the Company.

(I) 4TH BYD ANNIVERSARY HIKING FESTIVAL

On 19 May 2019, the 4th Hiking Festival was held in BYD Village 3 Plaza, Pingshan New District, Shenzhen in celebration of the Group's anniversary. Dubbed "General Assembly", the event turned thousands of employees into martial artists gathering in Julong Mountain Park. Combining with food and amusement, the hiking not only alleviated employees' work pressure, but also helped colleagues bond together and keep up high morale, fully demonstrating the positive mental attitude of the employees!

Figure 12: General Assembly,
the 4th Group Anniversary Celebration

(II) INTEREST CLUBS

To provide opportunities for employees who love literature, photography and dance to show their talents, the Group has organized non-profit-making societies such as journalist, photographer and dancer clubs, which provide training and photography and literature activities from time to time. Club members take part in large public events organized by the Group as performers, photographers, journalists, etc.

Figure 13: Employees performing original recomposed songs at the Extreme & Glorious Evening Party

(III) BADMINTON MATCH

With a view to further enriching leisure activities for young employees, enhancing their physical fitness, and promoting unity and cohesion among young employees, the Group launched the "LEAN Cup" badminton match. In this match, the participating teams played with composure and showed the passion and vitality of BYD electronic engineers.

Figure 14: An employee struts his stuff
in the badminton match

(IV) "GOOD VOICE" SINGING CONTEST

From August 2019 to September 2019, the Group organized preliminaries, qualifying rounds and finals of the third "Good Voice" singing contest. The contest covered a variety of singing styles such as popular, ethnic and Bel Canto. The passionate performance of the singers brought an audio-visual feast of music to the audience. They sang with full passion on an elaborately decorated stage, and used the songs to show their Chinese dreams and sang for the new era.

Figure 15: An employee performing in the "Good Voice" singing contest

(V) MID-AUTUMN GARDEN PARTY

"Moonlight shines on autumn flowers and woods, and all BYD employees get together in high spirit. Mid-autumn night, the time for family reunions." The Group held a Mid-autumn Garden Party dubbed "Electronics' Mid-autumn Night" in Baolong BYD Stadium of Shenzhen on 10 September 2019, attracting more than 4,000 employees and their families. Guessing lantern riddles, pitch pot, shooting, festival lantern DIY, public KTV..., all kinds of food, drinks and games were offered, which made the participants feel at home.

Figure 16: Employees having fun playing Garden Party games

(VI) E-FAN MUSIC FESTIVAL

The Group held the e-Fan Music Festival in Baolong BYD Stadium of Shenzhen on 4 November 2019 to celebrate the 25th anniversary of its parent company. More than 3,000 people attended the event. Outstanding contestants from the "Good Voice" were invited to put on a singing competition in two teams. The participants played interactive games, and some of them took the stage to sing. What's more, the audience was in high spirits and it was just like a grand music party.

Figure 17: An employee is performing B-Box in the music festival

ASPECT B2: HEALTH AND SAFETY

The Group firmly believes that it is obliged to protect people's health and safety, including each employee of the Company and everyone involved in the Company's business operations. Therefore, the Company adheres to the concept of safe development, fulfills its responsibility as a safe production entity, duly implements work safety standardization initiatives, strengthens production safety publicity and education, potential safety hazard investigation and management, occupational health protection and supervision of employees taking up posts, improves and perfects various safety precautions, and creates and improves conditions and the environment for safe production and operation. No work-related fatal accident had occurred in the Group during the year.

Compliance with Occupational Health and Safety Management System

Based on the OHSAS18001:2007 Occupational Health and Safety Management System – Requirements and by learning from and analyzing the management models of excellent enterprises, the Group has finalized its management policy and objectives in ensuring the occupational health and safety of staff; it has also developed a range of standards and management procedures as well as an integrated occupational health and safety management system so that well-defined rules are laid down for everyone to follow, and everyone can shoulder their own responsibilities. In January 2007, the Group obtained the OHSAS18001:2007 certification, which is a certification monitored and approved by the DNV certification group annually. The Group conducts internal audits on its occupational health and safety management system annually to ensure the completeness and reasonability of the management system. The Group completed ISO45001 system certification in October 2019. In order to evaluate and verify the EHS Management System's continuous compliance with relevant standards and requirements, the Group conducts internal audits on its environmental and occupational health and safety management system on every quarter.

Ensuring the Health and Safety of Employees

During the year, the Group ensured the safety and health of employees by evaluating work risks and lowering labor intensity during routine management operations. In 2019, the Group identified the risks in production activities and in the procedures bringing products or services into place and also assessed the magnitude of the risks and assigned rating to such risks. After determining the magnitude of risks, the Group took corresponding measures to implement different levels of effective control over all risks, so as to optimally avoid occupational safety accidents. Meanwhile, the Group continued to conduct evaluations on major safety and environmental improvement projects in 2019, such as Anode water-saving project for metal plant, emulsion waste reduction project for CNC machine and energy-saving improvement project of battery production equipment, in order to improve the working environment, reduce the intensity of labor for workers and create a working environment free of safety hazards for staff members.

Safety Education Training

In order to improve employees' safety awareness and enhance safety and security for them, in 2019, the Group effectively standardized a three-tier training framework for new staff members and concretely carried out the trainings. Specific requirements were imposed on the subjects, class hours, assessment methods and curriculum development, etc. for the three-tier trainings in the form of documents, to ensure that new employees attend the trainings and pass the examination before start working. In 2019, spot checks were regularly conducted to assess the results of safety training of employees who were transferred to other posts, employees who changed their posts and in-service employees.

During production activities, every step of production and operations by employees were effectively supervised through production safety inspections. Meanwhile, potential hazards identified are reported, and employees found in violation of regulations are educated with guidance provided, effectively preventing regulatory violations in business instructions and operations.

In 2019, we implemented the policy that three-regulation documents under the category of equipment must be countersigned by the safe environment departments at the factory and business division levels before they can be released via controlled circulation. Upon countersigning, the equipment must pass the quality evaluation. In order to determine whether the equipment used is duly evaluated, the equipment certificate labels have been introduced. The labels will be formally put into use in 2020 to reduce mechanical injury accidents and achieve the intrinsic safety of objects.

In 2019, the Group continued to improve the special equipment, special operators, occupational health management and information bulletin modules in the safety environment management system, to ensure information sharing and data accuracy.

In 2019, in accordance with the work safety assessment standards, quarterly evaluations and assessments have been performed in different units to gauge the implementation of the standards. Units that have achieved outstanding results in the annual assessment have been awarded and recognized.

Figure 18: Group photo at the presentation of Advanced Management Award ceremony for Q2 2019

Figure 19: Group photo at the Safety Culture Promotion Award ceremony for Q3 2019

Vigorously Strengthening Emergency Management

The Group continuously improves the emergency management structure and strengthens the capacity of emergency relief following the principle of "prioritization of emergency preparation, and integration of emergency preparation with emergency relief". In 2019, the Company kept identifying and evaluating emergent conditions and events, and minimized the impact through the implementation of the 2019 emergency drill plan as scheduled, so that hazards to people, environment and properties were reduced.

Figure 20: Actual practice for fire fighting

Figure 21: The managers of the factory are participating in the drill

ASPECT B3: DEVELOPMENT AND TRAINING

The Group puts emphasis on the improvement of the overall quality of its employees and believes that the biggest cost is ignorance, and the most effective way to overcome ignorance is learning. Employee training is the only way to help employees grow up, implement talent strategy and achieve long-term development. The long-term development of employees benefits from their actual experience in daily work, and relies on sustained and effective talent training organized by enterprises. Therefore, the Company attaches great importance to talent training and the improvement of the quality of its employees, and strives to strengthen team-building among operation and management staff members, skilled workers and technical professionals.

Staff training provided by the Group in 2019 includes induction training for new employees, training in preparation for promotion of talents, employee training programs such as the "Tenglong Project" for fresh graduates (Figure 22), electronic business group "talent training" series training (Figure 23), "Fortress Construction" – team and group leader ability special training (Figure 24) and Lean Six Sigma Project consultation and counseling (Figure 25) to help them faster and better adapt to the working environment and content, constantly enhance work ability and start work more effectively so as to promote mutual development of the Company and individuals.

In 2019, the Group organized more than 130,000 training sessions with approximately 4,950,000 training participants (37% were females and 63% males), 13,840,000 training hours in total, and approximately 82 training hours per capita.

Figure 22: Fresh graduates training session in 2019

Figure 23: "Talent training" of the electronic business group

Figure 24: "Fortress Construction" – team and group leader ability special training

Figure 25: Commencement of Lean Six Sigma Project

ASPECT B4: LABOR STANDARDS

The Group pays due attention to safeguarding the legitimate rights and interests of employees, adheres to fair, just and open employment policies, strictly abides by the relevant laws and regulations such as the Labor Law and the Labor Contract Law, strengthens the management of labor contracts, and enters into labor contracts with all employees according to law to strive to provide employees with a healthy and safe production and living environment.

Forbiddance of Child Labor

In order to effectively safeguard the basic rights of employees and eliminate the employment of child labor, the Group has formulated relevant rules and regulations to prohibit child labor in accordance with the Labor Law of the People's Republic of China, the Law on the Protection of Minors and the Rules on the Forbiddance of Child Labor.

By continuously improving and optimizing its recruitment procedure, the Group fully implemented its corporate social responsibilities and ensured the healthy growth of children. On the one hand, the Group's "rules on the forbiddance of child labor" are disclosed through active external publicity. On the other hand, the Group has actively implemented the rules by specifying the terms of employment and formulating the identification system and relief measures for child labor.

Forbiddance of Forced Labor

The Group fully respects employees' freedom in terms of choice of employment, beliefs, association and personal privacy. The Group undertakes not to employ prison labor, indentured labor or bonded labor in any form, and not to employ child labor. The Group also strictly forbids seizure of credentials, collection of money or objects as security, withholding of wages, surveillance, interception, body search, access restrictions or acts of forced labor in any form.

III. OPERATING PRACTICES

ASPECT B5: SUPPLY CHAIN MANAGEMENT

While maintaining rapid business growth, the Group is committed to serving the society as a fundamental principle. We proactively build and develop partnerships with suppliers following the principles of honesty, good faith, reciprocity and compliance in conducting businesses, and maintain effective communication and coordination between both parties. The Group followed through contracts by strictly complying with and carrying out the agreed terms, thereby maintaining good working relationship with suppliers. Abiding by the principles of fair and just procurement, the Group emphasizes the concepts of responsible procurement, "sunshine" procurement and green procurement, and respects the independence of its suppliers so as to extend cooperation with these parties. All in all, the Group follows through the principle of sustainable development in its procurement operations. The Group also seeks to communicate advanced business philosophies to suppliers through the appraisal and incentive mechanisms. Support and assistance are also offered to suppliers so both parties can work together to provide safe, reliable and quality products to clients. The life-cycle management for suppliers is conducted in a closed-loop feedback format to create a highly efficient, collaborative and mutually-beneficial supply chain platform.

Suppliers Management

With a view to guiding and supervising our suppliers in complying with social ethics and national laws and regulations, respecting basic human rights, treating employees with courtesy and protecting the environment, the Group formulated protocols such as the MSP-16-011 BYD Requirements for Suppliers and the WI-16-0054 BYD Supplier Social Responsibility Management Practices to inform existing and potential suppliers of the Company via a variety of methods of the Company's requirements for suppliers, to establish the basis for supplier certification and business risk analysis, and for continuous improvement and development of suppliers. The Group laid down detailed standards and requirements for suppliers in terms of quality control, environmental management, occupational health and safety, corporate social responsibilities, intellectual property, materials management and production management. A veto right is provided in the corporate social responsibility module to prevent any issues in breach of the Labor Law and Law on the Protection of Women's and Children's Rights from being passed despite how many votes are obtained by other modules.

1. When introducing new suppliers, all procurement departments review their qualification in accordance with the WI-16-003 Procedures for Development and Introduction of Suppliers of BYD. Only suppliers who have met the requirements under ISO14001 Environmental Management System, OSAS18001 Occupational Health and Safety Management System and SA8000 Social Responsibility Management System, with effective planning, operation and control practices on areas such as environment, occupational health and safety and social responsibility are qualified to be engaged by BYD. Suppliers are required to fill out in good faith a supplier's corporate social responsibility survey and supplier's qualification survey. The procurement departments conduct on-site evaluation on suppliers' CSR (Corporate Social Responsibility) performance. The evaluation covers the following:

if the suppliers prohibit the use of child labor, and if they are oppressive to workers; whether the working hours and salaries of employees conform to local laws and regulations; whether employees are guaranteed equality of payments for similar job capacities; whether there is any non-compliance regarding environmental issues; and whether the suppliers comply with the code of business ethics and business conduct.

2. Before officially commencing products supply, suppliers are required by the quality control departments, in accordance with the MSP-07-Q01-001 Environmental Management Material Standards of BYD for Electronic Business Group, to provide information for proving the compliance of their HSF, including the Supplier REACH Survey, an HS examination report for their products by a third party, an analytical sheet of product composition, a Material Safety Data Sheet (MSDS) for chemicals suppliers, and other information required to be provided by suppliers in line with specific requirements of the clients of BYD, such as ODC disclosure sheet, DFE (Design for Environment, meaning to take environmental issues into consideration in product design and operation management) disclosure sheet and investigation information regarding DFE.

3. The procurement departments sign relevant contracts and agreements which include CSR terms with suppliers in accordance with the WI-16-0003 Administrative Measures of BYD for Procurement Contract, to guide and supervise suppliers' performance with respect to human rights, treating employees with courtesy, environmental protection, etc. The contracts include but are not limited to BYD's supplier commitment/supplier access agreement, procurement framework agreement, quality framework agreement, sunshine procurement agreement, corporate social responsibility agreement, protocol on toxic and hazardous substances, etc.

4. The quality control departments evaluate HSPM projects in accordance with the WI-16-0021 Administrative Rules of BYD for Performance Appraisal of Production Material Suppliers. Evaluation process includes testing for HSPM hazardous substances in supplied materials, investigation of HS irregularities during production, the timeliness of submission of relevant HSPM information and accuracy of such information, etc.

5. Each year, procurement departments choose an appropriate time to conduct annual evaluation of suppliers that have transactions with us in accordance with the WI-16-0027 Administrative Rules of BYD for Performance Appraisal of Suppliers to see whether they have followed social responsibility related policies. If relevant suppliers fail the evaluation, BYD would provide them with interviews, tutoring and training to promote continual improvement; those suppliers that fail to make satisfactory rectifications within the prescribed time limit would be disqualified as supplier candidates depending on the actual circumstances. Among the qualified suppliers, we selected the suppliers to be investigated based on the characteristics of materials (such as PCB, FPC, LCD and other high energy consumption and high pollution materials), and then investigated the suppliers for non-compliance regarding environmental issues on the list and required them to provide pollutant discharge license and license for printing operations, etc.

6. The Group will develop an annual environmental humanities performance assessment plan for suppliers. According to the assessment plan, the Group requests suppliers to provide an Annual Environmental Humanities Key Performance Indicators Report, and conduct spot checks and verification on the data outlined in the report to ensure the authenticity and validity of the data. These assessments can ensure that all suppliers respect employees' rights, and proactively take effective energy-saving and emission-reduction measures and raise resource-utilization rate.

7. Supplier management departments regularly visit government websites to find out whether any BYD supplier is being punished by any administrative or enforcement authorities for environmental or humanistic issues; if yes, it would promptly freeze the supplier code on the procurement system, stop related transactions and permanently terminate its cooperation with those suppliers. An official mail would be sent to respective procurement departments in accordance with the WI-16-0040 BYD Company Management Regulations on Blacklisted Suppliers; if the circumstances are serious, a certain amount of fine would be imposed.

Responsible Procurement

Based on the Company's development strategy and environmental policy, the Group ensures orderly supplies of production and everyday life materials and services, establishes equal partnerships with suppliers for mutual benefits and common development to achieve optimal cost-effectiveness and efficiency, and continues to improve the Group's core competitiveness in cost management. With the concerted efforts of all procurement staff, the Company's responsible procurement ratio has reached 100%.

Sunshine Procurement

As regards supply chain management and procurement, the Group has adhered to the philosophy of "sunshine procurement" to ensure the fairness, openness and impartiality of the entire process of supply chain management and procurement.

1. Regarding supply chain management, the Group requires suppliers to establish clear and formal code of business ethics and business conduct based on industry standards, such as EICC (Electronic Industry Code of Conduct), and such requirement shall be included in the suppliers' audit criteria. The Group vigorously promotes, establishes and protects the suppliers' sunshine procurement system through "supplier meetings" and "supplier seminars", etc. It establishes the sunshine procurement policy as an important criterion for supplier appraisal, and strictly urges suppliers to set up a sunshine procurement system and process. Suppliers are also required to enter into a "supplier sunshine cooperation agreement", which specifies the responsibilities and obligations of both parties during the sunshine cooperation regarding procurement activities.

2. As regards procurement methods, the Group adopts different procurement approaches such as tendering, close quotation via electronic means, and price comparing, etc. Suppliers are prohibited from submitting false information to win tenders, or colluding with any personnel of procurement departments or third parties to win tenders. They should not resort to improper competitive practices such as collusive bidding or bid rigging during the quotation process, or resort to inappropriate competitive practices that would interfere with the normal procurement flows of the procurement departments.

3. As regards supervision, the Group established two dedicated bodies under its direct control, (i.e. a procurement committee and a review office) to control supply chain management and procurement internally. Notices containing information (telephone numbers and mailboxes) as to how to lodge complaints are displayed in various places in each manufacturing base of the Company, and all behavior and activities found in violation of the sunshine procurement policy will be seriously punished once verified. Such measures ensure that supply chain management and procurement are supervised by all personnel, and facilitate the effective implementation and supervision of sunshine procurement. Suppliers are also provided with convenient ways of making complaints. Hence, suppliers are also recognized as "supervisors" in BYD's sunshine procurement activities.

4. The Company's procurement division collects blacklists of suppliers from procurement departments on a regular basis. The Company blacklists enterprises that use improper ways to compete during the procurement. Suppliers blacklisted are not allowed to carry out transactions with the Company within one year and can only be re-introduced following prescribed procedure after they meet the rectification requirements.

Green Procurement

The Group insists on green procurement in supply chain and raw material-related operations. The Company established the green procurement system of "green suppliers, green raw materials" in all regions, businesses and factories under direction of the procurement division of the head office. Various tasks of environmental management involved in procurement activities are subject to its control to ensure that all parts and components procured from external sources conform to the green environment requirements.

1. The Group has established a series of green procurement policies and guidelines, issued BYD Requirements for Suppliers, Procedures for Development and Engagement of Production Material Suppliers, Procedures of BYD for Selection of Production Material Suppliers, Administrative Rules of BYD for Assessment of Suppliers, Administrative Rules of BYD for Performance Appraisal of Production Material Suppliers and other documents on supplier management, which set forth clear requirements and operating guidelines in environmental substance management for suppliers; and toxic and hazardous substances management is conducted in the supplier introduction phase. All suppliers are required to sign the Protocol on Toxic and Hazardous Substances and Agreement on Corporate Social Responsibilities for Suppliers before they can be accepted as partners. A management group on green procurement from suppliers is set up and the appraisal system for green procurement from suppliers is formulated. Suppliers' environmental protection performance is appraised every year.

2. Where a supplier is found in violation of the green practice or environmental protection policy during production or business operations, an environmental inefficiency report will be issued demanding that improvement be made. Where a serious offense is involved, penalties will be imposed in the form of fines or reduction of procurement share. Those involved in extraordinary serious breach will be disqualified. As regards raw material and parts procurement, the Group requires suppliers to use green materials in the preproduction stage. During the interim pilot stage, the DFE (Design of Environment) survey is conducted on the raw materials. At the final stage of mass production, supervisory inspections are carried out on supplied materials to ensure that BYD's "green procurement" policy is effectively enforced.

3. Through front-end green procurement-based control of suppliers and raw materials, the Group prevents pollution and wastage from spreading to back-end activities. By incorporating all raw materials and unfinished and finished products into cyclical management, organic dynamics between the suppliers, customers and the Group are achieved, making entire production and operation processes eco-friendly in line with the Company's commitments to the society and environment.

4. Regarding the Group's production materials, the supplier management departments identify and compile a list of suppliers that are subjected to conflict minerals investigation as per attributes of relevant materials at the beginning of each year, and require that the suppliers duly complete the CMRT (Conflict Minerals Reporting Template) survey. The Group conducts annual audits on the sources of metal materials provided by the suppliers to evaluate whether they comply with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. All suppliers are required to prove that they understand and support the EICC-GeSI (Electronic Industry Code of Conduct – Global e-Sustainability Initiative) actions. Use of conflict minerals such as cassiterite, wolframite, iron mine and gold originating from Congo-Kinshasa and its surrounding countries is prohibited, regardless of whether the materials are directly or indirectly involved in the conflicts. Suppliers are required to prove with evidences that they have completed the EICC-GeSI Reporting Template for Conflict Free Minerals, and that they have communicated with their sub-suppliers regarding the mineral element conflict policies, and have signed letters of commitments undertaking not to use conflict minerals. The Group espouses such programs as the Conflict-Free Smelter (CFS) to ensure responsible and sustainable sourcing of raw materials. The Company re-evaluates suppliers whose supply chains are found to include metal from the conflict areas.

ASPECT B6: PRODUCT-RELATED RESPONSIBILITY

The core value of the survival and growth of any given enterprise lies in the development, design, manufacture and sale of products. An enterprise is inherently responsible to contribute to the market of its products and the related socioeconomic environment, known as the "corporate product responsibility". The Group strictly abides by state laws and regulations such as the Product Quality Law, Standardization Law, Metrology Law and Consumer Protection Law, and strictly enforces the product standards to firmly establish the idea of "quality first", continuously enhance the awareness of quality and social responsibility, ensure and improve product quality, fulfill the main responsibility of enterprise quality, and to meet customer expectations and demand for high-quality products and enhance customer confidence.

Product Quality and Staff Quality

Adhering to the philosophies of "people before products" and "making life more enjoyable through technology innovation", the Group creates first-class products, and believes that product quality is determined by the quality of people who make them. As a manufacturing enterprise, we see products as the foundation of success, and quality as the essence of our products. After more than two decades of development and exploration, the Group has a deeper understanding of quality and quality culture. In 2019, the Company carried out an all-round evaluation on the maturity of quality culture, which mainly includes four aspects (system construction, training and publicity, activities, achievements). Focusing on strengthening quality management covering all employees, processes and operations, we strictly controlled the quality of raw materials, production processes, products shipping and storage, transportation and sale to ensure that the quality of our products meet or even exceed the requirements of our customers. In 2019, the Group stepped up staff training on relevant quality management requirements and skills on three levels, i.e. management, execution and operation. In 2019, it promoted the construction of quality culture as requested by the Company and arranged a series of promotion and activities such as craftsmen spirit, QCC, 5S, 6sigma, etc. with a view to instilling quality awareness in all staff members to ensure truly exceptional product quality.

Customers First

Riding on our vision of "devoting best efforts to electronic manufacture and helping customers succeed", the Group is committed to providing excellent services to all customers. Customer satisfaction is the foundation for the survival and development of an enterprise. No matter how things change in the future, we must take customer satisfaction as the top priority. In the process of production management, the Company set up a quality department in each plant to oversee quality management system, product quality management and customer service management operations. Customer satisfaction is the goal that the Group will always pursue. Customer complaints are promptly processed by quality customer service staff, and responses are made as early as possible in accordance with the Customer Complaints and Returns Process to ensure customer satisfaction. No serious customer complaint was received in 2019, and the number of minor complaints decreased compared with 2018. All the complaints received were processed in accordance with Management Procedures for Customer Satisfaction and customer's requirements. Report of improvement measures was implemented thereafter and the improvement results were verified and approved by customers.

Quality Appraisal and Recovery Procedures

The Group adopts the Management Procedure for Product Safety Responsibility, and sets annual quality targets according to customer requirements and quality performance of the previous year. It evaluates fulfillment of the quality targets on a monthly basis and requires those who fail to reach the targets to take improvement measures and follow up on the targets in the following month until the targets are fulfilled. Recalled products are strictly controlled according to the Management Procedure for Non-compliance. Product quality should conform to the Product Quality Law《質量法》. During the year, no product was recalled for safety or health reasons, and the percentage for the aggregate amount of sold or shipped remaining products which were recalled for safety and health reasons was zero.

Consumer Privacy Protection

The Group respects the privacy of customers and strictly implements customer privacy management in accordance with the Management Procedures for Client Property and the Product Information Management Regulations. In terms of technology, the Company authorizes computer access on four levels to restrict data duplication by employees; meanwhile, the Company's internal network is physically isolated from external networks to ensure that business data is stored on computers for business operations only and cannot be taken away from the Company. Strict control is implemented over the access to backend systems and databases of IT staff, especially those responsible for maintaining databases containing customer information. Their operations are monitored and audited in real time to prevent IT staff from accessing customer information through technical means or taking customer information away without authorization. On the hardware front, the Group always ensures the security of servers and the protection of the firewall against common viruses and information security by establishing multiple lines of defense.

ASPECT B7: ANTI-CORRUPTION

The Group is convinced that operating in good faith is the foundation for the fulfillment of corporate social responsibility and the basis of competitive advantage and continuing operation. It is committed to preventing corruption, bribery, extortion, fraud and money laundering across the Company, and prohibits employees from giving special treatment to or soliciting any benefits from customers, suppliers or any business-related persons, with "green operation" established as the ultimate goal.

Staff Code of Conduct

The Group requires employees across the country to strictly abide by the laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China and the Anti-Corruption and Bribery Law of the People's Republic of China. They are prohibited from accepting commercial bribery or offering bribery or other improper gifts. We require employees to comply with laws, social norms, professional ethics, and internal rules and regulations of the Company. The legal audit rate of various rules and regulations, economic contracts and important decisions of the Company has remained 100% throughout the year. Meanwhile, the Group has an effective internal control mechanism in place to ensure the performance of economic contracts.

In addition, the "Code of Conduct" in the Employee Handbook of the Group states that all of its activities should fully comply with relevant laws, systems and regulations of the countries in which it operates. We undertake to regularly solicit the opinions of related parties, and continue to develop and improve the code of conduct accordingly.

Anti-corruption Publicity and Whistleblowing Policy

The Group believes that ethical behavior is extremely important to the sustainable development and the long-term success of the business of an enterprise. Therefore, the Company strictly abides by the state regulations in "China's Efforts to Combat Corruption and Build a Clean Government", and prohibits provision or acceptance of bribes, gifts, entertainment or any other form of practice which intends to affect or may affect the relevant business decisions of the Group in order to gain unusual or inappropriate advantages.

We attach great importance to promoting and fostering a culture of integrity, and consider corruption investigation and prevention as a key aspect of our corporate culture. As such, we carry out education on integrity and self-discipline and alert all employees through notices on corruption cases. Meanwhile, the Company provides channels for complaints. In the event of an act of corruption, bribery, extortion, fraud of money laundering being detected, employees must report such cases to the administrative department. All complaints will be handled confidentially, and the Company is obliged to protect the lawful rights and interests of the whistleblowers. In the event of any act of corruption, bribery, extortion, fraud or money laundering being detected, the Company shall investigate and take necessary legal actions to protect the Company's interests.

The Group has complied with all anti-corruption laws and regulations during the year.

IV. CONTRIBUTING TO THE COMMUNITY

ASPECT B8: COMMUNITY INVESTMENT

The Group always maintains close communications with organizations such as general labor unions, general charity federations and the Communist Youth Leagues in different regions, and actively participates in social activities such as skill competitions, charity works and youth services. These activities served to establish a positive image and garnered public recognition for the Company, and fulfill the social obligations of a "civilized national unit".

Charity Activities

Love brings us together. To make good of this belief, the Group has been actively involved in corporate charity activities, and organized charity fundraising campaigns. All donations are centrally collected and managed by the charity foundation of the Company.

Figure 26: A charitable donation event

In 2019, the Group proactively fulfilled its social responsibilities. Since it was listed, the Group has published the social responsibility report on an annual basis, and accepted supervision by the media. During the reporting period, it did not receive any report from mainstream media outlets regarding any non-compliance with social responsibilities. The Company also strictly complied with the requirements of and met the standards of state laws and regulations during the reporting period. No material environmental or safety incident or issues warranting penalties imposed by environmental or labor authorities have occurred.

In 2020, the Group undertakes to continuously strengthen its abilities in fulfilling social responsibilities in various aspects, and to abide by social morality and professional ethics. Furthermore, the Group is committed to contributing to regional economic growth, and maintaining ecological balance, promoting harmony across communities, safeguarding employees' healthy development, and to actively participating in social welfare activities. The Group undertakes to further enhance its protection of the legitimate rights and interests of all shareholders, creditors and employees, and treats its suppliers and customers in good faith; make active efforts to protect the environment, and actively participate in social welfare activities, and promote harmonious development of the Company and the society.

The board of directors (the "Board") of BYD Electronic (International) Company Limited would like to present its annual report and audited consolidated financial statements for the year ended 31 December 2019.

CORPORATE REORGANISATION

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

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group and the Company as at 31 December 2019, are set out in the consolidated financial statements and their notes on pages 68 to 150 in this annual report.

The Board has resolved to declare a proposed final dividend for the year ended 31 December 2019 of RMB0.071 per share (for the year ended 31 December 2018: RMB0.195 per share). The proposed final dividend is subject to consideration and approval at the Company's annual general meeting (the "AGM").

The Company will issue announcement, circular and notice of AGM regarding the AGM in accordance with the Listing Rules and the Articles of Association of the Company. The Company will also make separate announcements regarding the record date and the date of closure of register of members for the payment of the final dividend. It is expected that the final dividend will be distributed before 31 August 2020.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statements of changes in equity and notes 27 and 38 to the financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL/PAID-IN CAPITAL

Details of the movements during the Year in the share capital are set out in note 26 to the financial statements.

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2019, calculated under the provisions of Sections 291, 297 and 299 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "Hong Kong Companies Ordinance"), amounted to approximately RMB13,113,343,000 (2018: RMB11,998,864,000).

DIRECTORS AND SERVICE CONTRACTS

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

EXECUTIVE DIRECTORS

WANG Nian-qiang
JIANG Xiang-rong (appointed as an executive director of the Company with effect from 6 June 2019)

NON-EXECUTIVE DIRECTORS

WANG Chuan-fu
WANG Bo (re-designated as a non-executive director of the Company with effect from 6 June 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Antony Francis MAMPILLY
CHUNG Kwok Mo John
QIAN Jing-jie

Below is a list of directors of the subsidiaries of the Company during the Year and up to the date of this report in alphabetical order:

HE Zhi-qi, LI Ke, LIU Xue-liang, LV Xiang-yang NING Xin-jie, SHAN Jie, SUN Yi-zao, WANG Bo, WANG Chuan-fu, WANG Nian-qiang, XIA Zuo-quan, ZHANG Jie, ZHAO Jian-ping, ZHAO Tong, ZHOU Ya-lin

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

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

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

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

No Directors who proposed for re-election at the forthcoming annual general meeting of the Company have a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BUSINESS REVIEW

The business review of the Group is set out in the following sections of this annual report: Chairman's Statement, Management Discussion and Analysis, the Environmental, Social and Governance Report and note 34 to the financial statements. The applicable discussion and analysis as referenced shall form an integral part of this Directors' Report.

The Group recognises the importance of compliance with relevant laws and regulations and the impact of noncompliance with such relevant laws and regulations on the business. The Group has been allocating system and human resources to ensure ongoing compliance with laws and regulations and to maintain cordial working relationships with regulators through effective communication. During the year ended 31 December 2019, the Group has complied with, to the best of our knowledge, all relevant laws and regulations that have a significant impact on the Group.

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Company are set out on pages 14 to 16 of this report.

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

As at 31 December 2019, the Directors and chief executive of the Company had relevant interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") relating to securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of Company	Capacity	Number of Issued shares held	Approximate percentage of total issued shares of that company
Mr. WANG Nian-qiang	the Company	Beneficial owner and beneficiary	17,102,000[1] (long position)	0.76%
	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%

Notes:

1. Of which 8,500,000 shares are held by Mr. Wang Nian-qiang and 8,602,000 shares are held by Gold Dragonfly Limited ("Gold Dragonfly"), a company incorporated in the British Virgin Islands and wholly owned by BF Gold Dragon Fly (PTC) Limited ("BF Trustee") as the trustee of BF Trust, the beneficiaries of which include Mr. Wang Nian-qiang.

2. These are the A shares of BYD held by Mr. WANG Nian-qiang. The total issued share capital of BYD as at 31 December 2019 was RMB2,728,142,855, comprising 1,813,142,855 A shares and 915,000,000 H shares, all of which have a par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang represented approximately 1.05% of the total issued A shares of BYD as of 31 December 2019.

3. These shares are held by Gold Dragonfly, a company wholly owned by BF Trustee as the trustee of BF Trust, the beneficiaries of which include Mr. WANG Bo.

4. These are the 513,623,850 A shares, 3,727,700 A shares held in No.1 Assets Management Plan through E Fund BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.11% of total issued A shares and H shares of BYD as of 31 December 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 and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2019.

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, so far as being known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of ordinary shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of total issued shares
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest[1]	1,481,700,000 (long position)	65.76%
BYD (H.K.) Co., Limited ("BYD 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. The shares 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 31 December 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 recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

Report for the corporate governance adopted by the Company is set out on pages 17 to 25 of this annual report.

REMUNERATIONS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Pleas refer to the paragraph headed "Remuneration Policy for Directors" in the corporate governance report in this annual report for the details of the Group's remuneration policy for Directors.

For the year ended 31 December 2019, the total remuneration of the Directors and the five highest paid employees are set out in notes 9 and 10 to the financial statements.

PERMITTED INDEMNITY PROVISION

Subject to the Hong Kong Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any legal proceedings which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him as an officer or auditor of the Company and in which judgment is given in his favour or in which he is acquitted, or incurred in connection with any application in which relief is granted to him by the court from liability in respect of any such act or omission.

MAJOR CUSTOMERS AND SUPPLIERS

The top five largest customer groups and the largest customer group of the Group represent approximately 75.06% and 51.29% of the Group's total sales of the Year respectively. The top five largest suppliers and the largest supplier of the Group represent approximately 52.03% and 37.07% of the Group's total purchase of the Year respectively.

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

MANAGEMENT CONTRACTS

No contract concerning the management and operation of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

NON-COMPETE UNDERTAKING

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

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

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 30(a) to the financial statements constitute connected transactions or continuing connected transactions (as defined in Chapter 14A of the Listing Rules) of the Company and the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such transactions.

CONNECTED TRANSACTIONS

Details of the connected transactions are as follows:

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

(i) Sale of assets by the Company to BYD

On 28 June 2019, the Company entered into another assets sale agreement with BYD for the sale of fixtures and fittings, vertical injection molding machine (立式注塑機), metal and aluminium chip compressor (金屬鋁屑壓縮機) and other related equipment of a factory in the PRC to BYD Group by the Group at a consideration of RMB9,581,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2019, subject to a downward adjustment on the day of assets delivery due to accumulated depreciation before the delivery.

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

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the sale of assets constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. The sales under the assets sale agreement entered into in June 2019 were aggregated with the sales under the assets sale agreement entered into in July 2018 (the details of which were set out in the announcement of the Company dated 27 July 2018) and the sales under the assets sale agreement entered into in January 2019 (which does not constitute a disclose-able transaction of the Company and is not subject to disclosure requirements under the Listing Rules), for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the sales were subject to the reporting and announcement requirements under Rule 14A.76 of the Listing Rules, but are exempt from the independent Shareholders' approval requirement.

As the assets transferred to BYD Group are the idle assets of the Company, it is believed that such disposal of idle assets at reasonable prices would be economical and beneficial to the Group.

(ii) Purchase of assets by the Company from BYD

On 4 January 2019, the Company entered into the assets purchase agreement with BYD for the purchase of drilling and processing units (鑽削及加工組件), sanders (磨沙機), surface mount machines/system (貼片機), spray towers (噴霧塔) and other related equipment by the Group from BYD Group at a consideration of RMB30,310,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 31 October 2018, subject to a downward adjustment on the day of assets delivery due to accumulated depreciation before the delivery.

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

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The purchases under the assets purchase agreement entered into in January 2019 were aggregated with the July 2018 Assets Purchase Transaction (the details of which were set out in the announcement of the Company dated 27 July 2018) for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the purchases were subject to the reporting and announcement requirements under Rule 14A.76 of the Listing Rules, but are exempt from the independent Shareholders' approval requirement.

On 28 June 2019, the Company entered into another assets purchase agreement with BYD for the purchase of vertical machining center (立式加工中心), computer numerically controlled punching machine (數控衝床), computer numerically controlled bending machine (數控折彎機) and other related equipment by the Group from BYD Group at a consideration of RMB12,783,000, which was determined with reference to the unaudited net asset value of the transferred assets as at 30 April 2019, subject to a downward adjustment on the day of assets delivery due to accumulated depreciation before the delivery.

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

As BYD is the controlling Shareholder of the Company, it is a connected person of the Company and therefore the assets purchases constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The purchases under the assets purchase agreement entered into in June 2019 were aggregated with the July 2018 Assets Purchase Transaction (the details of which were set out in the announcement of the Company dated 27 July 2018) and the January 2019 Assets Purchase Transaction (the details of which were set out in the announcement of the Company dated 4 January 2019) for the purpose of calculating the percentage ratios as stipulated under Rule 14.07 of the Listing Rules. As the applicable percentage ratios calculated on aggregation basis were all more than 0.1% but less than 5%, the purchases were subject to the reporting and announcement requirements under Rule 14A.76 of the Listing Rules, but are exempt from the independent Shareholders' approval requirement.

The Group believes that the purchase of assets from BYD is the fastest and more cost-effective way to expand the Group's product lines of business. Due to the proximity of the location of the Group and BYD Group, the Group will benefit from reduced transportation cost and more convenient testing of the assets by purchasing the assets from BYD.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions are as follows:

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

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

Pursuant to the New Baolong Lease Agreement dated 6 November 2015 between BYD Precision and BYD, BYD has agreed to lease to BYD Precision certain factory and office premises situated at Baolong Industrial Park, Longgang District, Shenzhen, the PRC during the period from 1 January 2016 to 31 December 2018. Pursuant to the Supplemental Baolong Lease Agreement dated 28 April 2017 between BYD Precision and BYD, BYD has agreed to adjust the gross lease area and monthly rental under the existing Baolong Lease Agreement during the period from 1 May 2017 to 31 December 2018, with all other terms and conditions unchanged. Pursuant to the New Huizhou Lease Agreement dated 6 November 2015 between Huizhou BYD Electronic Co., Limited (惠州比亞迪電子有限公司) ("Huizhou Electronic") and BYD (Huizhou) Company Limited (惠州比亞迪實業有限公司) ("BYD Huizhou"), BYD Huizhou has agreed to lease to Huizhou Electronic certain factory buildings situated at Xiangshui River, Dayawan Economic Technology Development District, Huizhou during the period from 1 January 2016 to 31 December 2018. Pursuant to the Supplemental Huizhou Lease Agreement dated 28 April 2017 between Huizhou Electronic and BYD Huizhou, BYD Huizhou has agreed to adjust the aggregate leasing area and monthly rental under the Existing Huizhou Lease Agreement during the period from 1 May 2017 to 31 December 2018, with all other terms and conditions unchanged. Pursuant to the New Beijing Lease Agreement dated 6 November 2015 between BYD Precision and Beijing BYD Mould Company Limited (北京比亞迪模具有限公司) ("BYD Beijing"), BYD Beijing has agreed to lease to BYD Precision certain premises at the 3rd and 4th floors and part of the 2nd floor of certain factory buildings at No. 1, Kechuang East Fifth Street, Tongzhou District, Beijing during the period from 1 January 2016 to 31 December 2018. Pursuant to the Supplemental Beijing Lease Agreement dated 28 April 2017 between BYD Precision and BYD Beijing, BYD Beijing has agreed to adjust the aggregate leasing area and monthly rental under the Existing Beijing Lease Agreement during the period from 1 May 2017 to 31 December 2018, with all other terms and conditions unchanged. Pursuant to the New Xi'an Lease Agreement dated 6 November 2015 between BYD Automobile Company Limited (比亞迪汽車有限公司) ("BYD Auto") and Xi'an BYD Electronic Company Limited (西安比亞迪電子有限公司) ("BYD Xi'an"), BYD Auto has agreed to lease BYD Xi'an certain factory and premises situated at No. 2, Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi'an City during the period from 1 December 2015 to 30 November 2018. Pursuant to the Supplemental Xi'an Lease Agreement dated 28 April 2017 between BYD Xi'an and BYD Auto, BYD Auto has agreed to adjust the aggregate leasing area, monthly rental and the term of the lease under the Existing Xi'an Lease Agreement during the period from 1 May 2017 to 31 December 2018, with all other terms and conditions unchanged. Pursuant to the New Xi'an Land Lease Agreement dated 6 November 2015 between BYD Automobile Company Limited ("BYD Auto") and Xi'an BYD Electronic Company Limited ("BYD Xi'an"), BYD Auto has agreed to lease BYD Xi'an certain lands situated at No. 2, Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi'an City during the period from 1 January 2016 to 30 December 2018. Pursuant to the Supplemental Xi'an Land Lease Agreement dated 28 April 2017 between BYD Xi'an and

BYD Auto, BYD Auto has agreed to adjust the aggregate leasing area and monthly rental under the Existing Xi’an Land Lease Agreement during the period from 1 May 2017 to 31 December 2018, with all other terms and conditions unchanged. Pursuant to the Xi’an Additional Lease Agreement dated 28 April 2017 between BYD Xi’an and BYD Auto, BYD Auto has agreed to lease BYD Xi’an certain factory and premises situated at No.2 Yadi Road, Xinxing Industrial Area, Gaoxin District, Xi’an City during the period from 16 May 2017 to 31 December 2018. Pursuant to the Shanghai Lease Agreement dated 28 April 2017 between BYD Precision and Shanghai BYD Company Limited (“BYD Shanghai”), BYD Shanghai has agreed to lease BYD Precision certain factory and premises situated at the 2nd and 4th floors of certain factory buildings at No. 999 Xiangjing Road, Songjiang District, Shanghai during the period from 1 May 2017 to 31 December 2018. Pursuant to the Inner-Mongolia Lease Agreement dated 28 April 2017 between Baotou BYD Electronic Co., Limited (“Baotao Electronic”) and Baotou City BYD Mining Vehicles Company Limited (“BYD Baotou”), BYD Baotou has agreed to lease Baotao Electronic certain factory and premises, canteen and staff quarters situated at No.18 Jianhua North Road, Inner-Mongolia Baotou Equipment Manufacturing Industrial Park New Planning District during the period from 1 May 2017 to 31 December 2018. Pursuant to the Shaoguan Lease Agreement dated 28 April 2017 between Shaoguan BYD Electronic Co., Limited (“Shaoguan Electronic”) and BYD (Shaoguan) Company Limited (“BYD Shaoguan”), BYD Shaoguan has agreed to lease Shaoguan Electronic certain factory buildings situated at 1 BYD Avenue, Zhenjiang District Industrial Park, Shaoguan during the period from 1 May 2017 to 31 December 2018. Pursuant to the Huizhou Additional Lease Agreement dated 28 April 2017 between Huizhou BYD Electronic Co., Limited (“Huizhou Electronic”) and Huizhou BYD Battery Company Limited (“BYD Huizhou Battery”), BYD Huizhou Battery has agreed to lease Huizhou Electronic certain factory buildings situated at Xiangshui River, Dayawan Economic Technology Development District, Huizhou during the period from 1 May 2017 to 31 December 2018. Pursuant to the Shanwei Lease Agreement dated 23 August 2017 between Shanwei BYD Electronic Co., Limited (“Shanwei Electronic”) and BYD (Shanwei) Company Limited (“BYD Shanwei”), BYD Shanwei has agreed to lease Shanwei Electronic certain factory situated at 88 Yanhe Road, Hongcao County, Shanwei City during the period from 1 September 2017 to 31 December 2018.

Pursuant to the New Property Leasing Framework Agreement dated 26 November 2018 between the Group and its subsidiaries and BYD Group and its subsidiaries, BYD Group and its subsidiaries have agreed that the Group may from time to time lease the properties of the BYD Group in the PRC, predominantly factory and office space, for its daily operations purposes during the period from 1 January 2019 to 31 December 2021. Meanwhile, the Group shall enter into individual property leasing agreements in respect of each leasing arrangement in accordance with the terms of the New Property Leasing Framework Agreement. Each individual property leasing agreement shall contain, amongst other things, the specific details of the leased property and must comply with the terms of the New Property Leasing Framework Agreement, the Listing Rules and applicable laws.

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

For the year ended 31 December 2019, the annual cap of total amount of the rental transactions of the Company was set at RMB286,841,000, and the actual aggregate amount was approximately RMB213,771,000.

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

The Company and BYD entered into the New Comprehensive Services Master Agreement on 26 November 2018, pursuant to which BYD Group has agreed to provide to the Group ancillary services required for its operations during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the total expenditure for acquiring the ancillary services for the year ended 31 December 2019 was RMB28,166,000, and the actual aggregate amount was approximately RMB22,793,000.

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

Pursuant to the New BE Processing Services Agreement dated 26 November 2018 between the Company and BYD, the Company has agreed that the Group will provide to BYD Group automation equipment design services, processing services, testing services and research and development support for certain products of BYD Group, and waste water treatment facilities during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the total amount of the processing services provided to BYD Group was RMB170,355,000 for the year ended 31 December 2019, and the actual aggregate amount was approximately RMB132,550,000.

(iv) Provision of purchasing service by BYD Group

Pursuant to the New Supply Chain Management Service Agreement dated 26 November 2018 between the Company and BYD Group, BYD Group has agreed to provide certain purchasing services to the Group during the period from 1 January 2019 to 30 December 2021.

As BYD is the controlling Shareholder of the Company, BYD and its subsidiaries are connected persons of the Company.

The annual cap of purchasing service fee payable to BYD Group by the Company for the year ended 31 December 2019 was RMB93,828,000, and the actual aggregate amount was approximately RMB52,468,000.

(v) Provision of available-for-sale automotive core components and special purpose electric vehicles by BYD Group to the Group

Pursuant to the New Automotive Core Components and Special Purpose Electric Vehicles Purchase Agreement dated 26 November 2018 between the Company and BYD, the Group agreed to purchase certain goods from BYD Group including automotive core components and special purpose electric vehicles and certain other materials during the period from 1 January 2019 to 31 December 2021.

As BYD is the controlling Shareholder of the Company, BYD and its subsidiaries are connected persons of the Company.

The annual cap for the total amount of the products purchased from BYD Group for the year ended 31 December 2019 was RMB298,160,000, and the actual aggregate amount was approximately RMB124,272,000.

(vi) Provision of glass products by the Group to BYD Group

Pursuant to the New Glass Sales Agency Agreement dated 26 November 2018 between the Company and BYD, the Group agreed to supply glass casing products to BYD Group during the period from 1 January 2019 to 31 December 2021 for its onward sales by agency to the overseas customers as designated by the Group.

As BYD is the controlling Shareholder of the Company, BYD and its subsidiaries are connected persons of the Company.

The annual cap for the total amount of the products supplied to BYD Group for the year ended 31 December 2019 was RMB310,000,000, and the actual aggregate amount was approximately RMB112,295,000.

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

Pursuant to the New Purchase Agreement dated 26 November 2018 between the Company and BYD, BYD has agreed that BYD Group will supply materials used for the production of handset casings, plastic structural materials, packaging materials and certain other products and materials to the Group during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the total amount of the purchases of products from BYD Group for the year ended 31 December 2019 is RMB950,442,000, and the actual aggregate amount was approximately RMB908,081,000.

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

According to the New Utility Services Master Agreement dated 26 November 2018 between the Company and BYD, BYD Group has agreed to provide to the Group certain utility or utility connection (as the case may be), including water and electricity, during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the total expenditure for acquiring utility connection and/or utility from BYD for the year ended 31 December 2019 is RMB950,160,000, and the actual aggregate amount was approximately RMB597,099,000.

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

Pursuant to the New Processing Services Agreement dated 26 November 2018 between the Company and BYD, BYD Group has agreed to provide certain processing services for certain products (including handset metal parts) and facilities (including waste water treatment) of the Group whereby some steps in the production process of such facilities are further processed by BYD Group during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the expenditure for acquiring processing services from BYD Group for the year ended 31 December 2019 is RMB511,947,000, and the actual aggregate amount was approximately RMB374,660,000.

(x) Provision of power supply services for BYD Group (other than the Group)

Pursuant to the Power Supply Services Agreement dated 1 March 2019, the Company has agreed to provide power supply services to BYD Group during the three years ended 31 December 2021 to satisfy the day-to-day operations and production needs of BYD Group in the Shenzhen Baolong industrial hub in the PRC.

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

The annual cap of the total amount of the processing services provided to BYD Group is RMB90,433,200 for the year ended 31 December 2019, and the actual aggregate amount was approximately RMB77,892,000.

(xi) Provision of construction services by BYD Group to the Group

Pursuant to the Construction Services Framework Agreement dated 27 November 2019 between the Company and BYD, BYD Group shall provide construction services in relation to the Group's plants and production facilities (whether existing or to be opened in future) to the Group in the PRC from 27 November 2019 to 31 December 2019, unless terminated earlier in accordance with the terms of the Construction Services Framework Agreement.

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

The annual cap of the total amount of the construction services provided by BYD Group to the Group is RMB51,600,000 for the year ended 31 December 2019, and the actual aggregate amount was approximately RMB39,046,000.

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

Supplying products to BYD Group (other than the Group)

Pursuant to the New Supply Agreement dated 26 November 2018 between the Company and BYD, the Company has agreed that the Group will supply to BYD Group products it required for producing its products such as rotatable display screens, injection molded parts, moulds and certain other products and materials during the period from 1 January 2019 to 31 December 2021.

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

The annual cap of the total amount of supply of products to BYD Group for the year ended 31 December 2019 is RMB2,274,779,000, and the actual aggregate amount was approximately RMB1,019,193,000.

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

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

(2) on normal commercial terms; and

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

The auditors of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions:

1. nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes the auditors to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Mr. WANG Chuan-fu, a non-executive Director of the Company, has also been an executive director and chairman of the board of directors of BYD. As Mr. WANG Chuan-fu held certain interests in the shares of BYD as at the dates of the aforementioned connected transactions and continuing connected transactions, Mr. WANG Chuan-fu, being the Director who may have a material interest in the aforesaid transactions, has voluntarily abstained from voting on the board resolutions of the Company concerning the aforesaid transactions.

PURCHASE, SALE OR REDEMPTION OF SHARES

From 1 January 2019 to 31 December 2019, the Company did not redeem any shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any shares of the Company.

DIRECTORS' INTEREST IN CONTRACTS

Save for the connected transactions and continuing connected transactions described in this report, no Directors or entities connected to the Directors have direct or indirect material interests in any material transactions or arrangements conducted or material contracts entered into by the Company or any of its subsidiaries at any time during or at the end of the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float during the year ended 31 December 2019.

CONFIRMATION OF INDEPENDENCE

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

INDEPENDENT INTERNATIONAL AUDITOR

Since the incorporation of the Company, all its financial statements have been audited by Ernst & Young. A resolution will be proposed regarding the re-appointment of Ernst & Young as the Company's independent international auditor for 2020 at the forthcoming annual general meeting.

By the order of the Board

WANG NIAN-QIANG
Director

21 April 2020

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

OPINION

We have audited the consolidated financial statements of BYD Electronic (International) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 149, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for impairment on trade receivables As at 31 December 2019, the Group recorded trade receivables of RMB9,684,530,000 and provision of RMB117,160,000 in the consolidated financial statements accounted. The management uses a provision matrix to calculate expected credit losses for trade receivables. The application of provision matrix requires to consider all reasonable and reliable information, including customers' credit risks, aging of receivables, existence of disputes and historic payments, as well as forecasts of future economic conditions. The groupings of various customer segments and the estimation of expected credit loss rate involve significant judgements and estimate. Details of provision for expected credit losses on trade receivables are disclosed in notes 2.4, 3 and 19 to the consolidated financial statements.	We performed the following procedures, among others, in related to expected credit losses of trade receivables: • Obtained an understanding of the key internal controls of provision for expected credit losses and its design and operating effectiveness; • Discussed with management on the identification of customer segments and estimates on expected credit losses, reviewed its accracy based on historical incurred losses, and evaluated the reasonableness of management's expected credit loss model considering current economic conditions; • For trade receivables with individually assessed credit risk exposure, discussed with management on the reasonableness of identification and analysed the recoverability of such receivables; • For trade receivables with credit risk exposure assessed based on provision matrix, evaluated the reasonableness of estimates on the expected credit loss model based on type of customers, historical incurred losses and expected credit loss rates of comparable companies; • Recalculated the management's impairment provision of trade receivables to ensure mathematical accuracy.
Inventory provision As at 31 December 2019, inventories and related provision amounted to RMB5,543,608,000 and RMB142,696,000, respectively, which were material to the consolidated financial statements. Inventories are stated at the lower of cost and net realisable value. The inventories of the Group are mainly mobile intelligent terminals which are subject to rapid product innovations and technological upgrade and therefore have a high risk of obsolescence. Management assessment on inventory provision is judgmental and is based on assumptions, specifically the forecasted inventory usage, estimated selling prices and cost to be incurred to completion and disposal, which are affected by expected future market and sales orders. The accounting policies and disclosures for inventory provision are included in note 2.4, 3 and 18 to the consolidated financial statements.	We performed the following procedures, among others, on the inventory provision: • Checked management's methodology and estimates used in inventory provision calculation; • Assessed the reasonableness of the inventory provision by comparing to historical write-downs, actual selling prices and costs to sale; • Tested the aging of inventories and discussed the long aging inventories with management to identify any slow-moving, excess or obsolete items; • Observed the stocktaking process at the end of the year; • Performed subsequent sales review of inventories

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAU, Man Lok.

Ernst & Young
Certified Public Accountants

Hong Kong

21 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
REVENUE	5	**53,028,376**	41,047,139
Cost of sales		**(49,071,048)**	(36,875,156)
Gross profit		**3,957,328**	4,171,983
Other income and gains	5	**561,599**	558,070
Government grants and subsidies	7	**236,979**	287,390
Research and development expenses		**(2,087,846)**	(1,588,654)
Selling and distribution expenses		**(256,786)**	(229,238)
Administrative expenses		**(619,132)**	(535,819)
Impairment losses on financial assets		**(15,961)**	(57,333)
Loss on disposal of financial assets measured at amortised cost		**(21,195)**	(42,805)
Other expenses		**(27,568)**	(27,762)
Finance costs	8	**(31,218)**	–
PROFIT BEFORE TAX	6	**1,696,200**	2,535,832
Income tax expense	11	**(98,555)**	(347,212)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		**1,597,645**	2,188,620
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted			
– For profit for the year	12	**RMB0.71**	RMB0.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000 (Restated)
PROFIT FOR THE YEAR	**1,597,645**	2,188,620
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Trade receivable financing:		
Changes in fair value, net of tax	**(13)**	–
Impairment losses, net of tax	**(80)**	(428)
Exchange differences on translation of foreign operations	**5,964**	(12,615)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**5,871**	(13,043)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**5,871**	(13,043)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,603,516**	2,175,577
Attributable to owners of the parent	**1,603,516**	2,175,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,617,418**	7,633,550
Right-of-use assets	14(b)	**1,183,290**	–
Prepaid land lease payments	14(a)	**–**	381,243
Prepayments, other receivables and other assets	15	**566,805**	398,701
Other intangible assets	16	**10,866**	14,231
Loans to the ultimate holding company	31	**399,160**	398,920
Deferred tax assets	25	**159,052**	128,361
Other non-current financial assets	17	**8,305**	6,703
Total non-current assets		**10,944,896**	8,961,709
CURRENT ASSETS			
Inventories	18	**5,400,912**	4,767,794
Trade receivables	19	**9,567,370**	7,209,225
Trade receivable financing		**45,230**	38,826
Prepayments, other receivables and other assets	15	**381,766**	329,418
Derivative financial instruments	23	**15,520**	–
Due from related parties	31(b)	**236**	2,823
Pledged deposits	20	**20,314**	–
Cash and cash equivalents	20	**1,650,730**	4,741,377
Total current assets		**17,082,078**	17,089,463
Total assets		**28,026,974**	26,051,172
CURRENT LIABILITIES			
Trade and bills payables	21	**7,339,882**	7,891,996
Other payables and accruals	22	**2,679,785**	2,123,343
Lease liabilities	14(c)	**253,840**	–
Derivative financial instruments	23	**17,055**	–
Tax payable		**108,256**	30,209
Deferred income	24	**–**	15,987
Total current liabilities		**10,398,818**	10,061,535
NET CURRENT ASSETS		**6,683,260**	7,027,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,628,156**	15,989,637

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	18,377	44,648
Lease liabilities	14(c)	498,252	–
Deferred income	24	122,054	119,657
Total non-current liabilities		638,683	164,305
Net assets		16,989,473	15,825,332
EQUITY			
Share capital	26	4,052,228	4,052,228
Other reserves	27	12,937,245	11,773,104
Total equity		16,989,473	15,825,332

Wang Chuan-fu
Director

Wang Nian-qiang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital RMB'000 (note 26)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000 (note(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	4,052,228	367	(46,323)	860,708	(169,293)	9,470,305	14,167,992
Profit for the year	–	–	–	–	–	2,188,620	2,188,620
Changes in fair value of trade receivable financing	–	(428)	–	–	–	–	(428)
Exchange differences on translation of foreign operations	–	–	–	–	(12,615)	–	(12,615)
Total comprehensive income for the year	–	(428)	–	–	(12,615)	2,188,620	2,175,577
Final 2017 dividend	–	–	–	–	–	(518,237)	(518,237)
Transfer to statutory surplus reserve	–	–	–	59,264	–	(59,264)	–
At 31 December 2018	4,052,228	(61) *	(46,323) *	919,972*	(181,908) *	11,081,424*	15,825,332
Profit for the year	–	–	–	–	–	1,597,645	1,597,645
Changes in fair value of trade receivable financing	–	(93)	–	–	–	–	(93)
Exchange differences on translation of foreign operations	–	–	–	–	5,964	–	5,964
Total comprehensive income for the year	–	(93)	–	–	5,964	1,597,645	1,603,516
Final 2018 dividend	–	–	–	–	–	(439,375)	(439,375)
Transfer to statutory surplus reserve	–	–	–	44,512	–	(44,512)	–
At 31 December 2019	4,052,228	(154) *	(46,323) *	964,484*	(175,944) *	12,195,182*	16,989,473

Notes:

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

* These reserve accounts comprise the consolidated other reserves of RMB12,937,245,000 (2018: RMB11,773,104,000) in the consolidated statement of financial position as at 31 December 2019.

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,696,200**	2,535,832
Adjustments for:			
Finance costs		**31,218**	42,805
Interest income	5	**(53,683)**	(50,800)
Government grants and subsidies	7	**(9,585)**	(79,783)
Loss on disposal of items of property, plant and equipment	6	**17,239**	14,123
Depreciation of property, plant and equipment	6	**2,051,241**	1,917,625
Amortisation of intangible assets	6	**7,401**	7,928
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6	**217,267**	7,498
Impairment of trade receivables	6	**19,973**	71,302
Impairment of trade receivables reversed	6	**(5,340)**	(13,697)
Impairment of loans to the ultimate holding company reversed		**(240)**	(80)
Impairment of trade receivable financing reversed	6	**(80)**	(203)
Impairment of other receivables		**–**	4
Impairment of other receivables reversed		**(9)**	–
Impairment of amounts due from related parties		**1,657**	7
Write-down of inventories to net realisable value	6	**24,876**	42,278
Fair value gains, net:			
Derivative instruments		**1,535**	–
Fair value (gains)/losses on other non-current financial assets	6	**(1,602)**	7,076
Gain on disposal of financial products		**–**	(5,943)
		3,998,068	4,495,972
Increase in inventories		**(657,994)**	(202,232)
(Increase)/decrease in trade receivables		**(2,372,778)**	1,203,360
Increase in trade receivable financing		**(6,417)**	–
(Increase)/decrease in prepayments, other receivables and other assets		**(60,964)**	352,384
Decrease in trade and bills payables		**(909,153)**	(865,550)
Increase in other payables		**414,742**	189,052
(Increase)/decrease in amounts due from related parties		**930**	(2,830)
Decrease in amounts due to related parties		**–**	(940)
Decrease in deferred income		**(4,005)**	(65,000)
Cash generated from operations		**402,429**	5,104,216
Interest received		**53,683**	50,800
Tax paid		**(77,470)**	(374,139)
Net cash flows from operating activities		**378,642**	4,780,877

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,744,728)**	(2,316,587)
Additions to right-of-use assets/increase in prepaid land lease payments		**(106,301)**	(148,711)
(Purchases)/disposal of other intangible assets	16	**(4,036)**	2,914
Proceeds from disposal of items of property, plant and equipment		**23,135**	40,346
Receipt of government grants		**–**	124,030
(Increase)/decrease in pledged deposits		**(20,314)**	71
Purchase of financial products		**–**	(19,785)
Proceeds from disposal of financial products		**–**	25,728
Net cash flows used in investing activities		**(2,852,244)**	(2,291,994)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(479)**	(42,805)
Principal portion of lease payments	29(b)	**(183,149)**	–
Dividend paid		**(439,375)**	(518,237)
Net cash flows used in financing activities		**(623,003)**	(561,042)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,096,605)**	1,927,841
Cash and cash equivalents at beginning of year		**4,741,377**	2,822,267
Effect of foreign exchange rate changes, net		**5,958**	(8,731)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,650,730**	4,741,377

1. CORPORATE AND GROUP INFORMATION

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

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

The registered office of the Company is located at 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 immediate holding company 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 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.

INFORMATION ABOUT SUBSIDIARIES

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

Company name	Place of incorporation or registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lead Wealth International Limited ("Lead Wealth") (領裕國際有限公司) ***	British Virgin Islands	US$50,000	–	100	Investment holding
BYD Precision Manufacture Co., Ltd. ("BYD Precision") (比亞迪精密製造有限公司)*	PRC/Mainland China	US$145,000,000	–	100	Manufacture and sale of mobile handset components and modules
Huizhou BYD Electronic Co., Limited ("Huizhou Electronic") (惠州比亞迪電子有限公司)**	PRC/ Mainland China	US$110,000,000	–	100	High-level assembly

1. CORPORATE AND GROUP INFORMATION *(Continued)*

INFORMATION ABOUT SUBSIDIARIES *(Continued)*

Company name	Place of incorporation or registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD India Private Limited ("BYD India ")***	India	INR2,562,804,780	–	100	Manufacture and sale of mobile handset components and modules. manufacture and sale of battery, charger, iron-phosphate batteries used in electric bus, electric truck, electric car, electric forklift and its components&spare parts. building and maintaining monorail projects.
Xi'an BYD Electronic Co., Limited ("Xi'an Electronic") (西安比亞迪電子有限公司) *	PRC/ Mainland China	RMB100,000,000	–	100	Manufacture and sale of mobile handset components
BYD (Wuhan) Electronic Co., Limited ("Wuhan Electronic") (武漢比亞迪電子有限公司) *	PRC/ Mainland China	RMB10,000,000	–	100	Manufacture and sale of mobile handset components
BYD (Shaoguan) Electronic Co., Limited ("Shaoguan Electronic") (韶關比亞迪電子有限公司) *	PRC/ Mainland China	RMB30,000,000	–	100	Manufacture and sale of mobile handset components

* These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

** Huizhou Electronic is registered as a Sino-foreign joint venture under PRC law.

*** These subsidiaries are registered as wholly-foreign-owned enterprises under foreign law.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, bills receivable and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the amendments to HKFRS 9, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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

(a) *(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.

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 buildings, leasehold land, machinery and other equipment used in its operations. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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.

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

(a) *(Continued)*

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

Impact on transition (Continued)

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.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	436,200
Decrease in prepaid land lease payments	(381,243)
Decrease in prepayments, other receivables and other assets	(8,625)
Increase in total assets	46,332
Liabilities	
Increase in lease liabilities	46,332
Increase in total liabilities	46,332

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

(a) *(Continued)*

Financial impact at 1 January 2019 (Continued)

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

	RMB'000
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 ended on or before 31 December 2019	**13,824**
Commitments relating to leases of low-value assets	**405**
Weighted average incremental borrowing rate as at 1 January 2019	**4.83%**
Discounted operating lease commitments as at 1 January 2019	**46,332**
Add: Finance lease liabilities recognised as at 31 December 2018	**–**
Lease liabilities as at 1 January 2019	**46,332**

(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 continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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 impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 No mandatory effective date yet determined but available for adoption

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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS

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

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

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

FAIR VALUE MEASUREMENT *(Continued)*

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

RELATED PARTIES

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

	Estimated useful lives	Residual value
Freehold land	Not depreciated	–
Buildings	10 to 70 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Machinery and equipment	5 to 10 years	5%
Office equipment and fixtures	5 years and below	5%
Motor vehicles	5 years	5%

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION *(Continued)*

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

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

Construction in progress representing property, plant and equipment under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

Computer software

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

Research and development costs

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

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

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

LEASES (APPLICABLE FROM 1 JANUARY 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	44 to 99 years
Buildings	1 to 20 years
Machinery and other equipment	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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

LEASES (APPLICABLE FROM 1 JANUARY 2019) *(Continued)*

Group as a lessee (Continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

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

LEASES (APPLICABLE BEFORE 1 JANUARY 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

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

INVESTMENTS AND OTHER FINANCIAL ASSETS *(Continued)*

Financial assets at fair value through other comprehensive income (debt instruments)

For trade receivable financing, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

IMPAIRMENT OF FINANCIAL ASSETS *(Continued)*

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For trade receivable financing, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the trade receivable financing is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the trade receivable financing. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trade receivable financing and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The Group's financial liabilities include trade and other payables, and interest-bearing bank, and other borrowings and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Those derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

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

INCOME TAX

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

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

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

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

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

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

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

INCOME TAX *(Continued)*

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

GOVERNMENT GRANTS

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group sells products to a customer who is also the supplier of key materials used in the manufacturing of products. The Group obtains the control of the materials purchased from the customer and provides significant services to integrate materials with other goods and services into a portfolio of outputs. The Group considered itself as a principal in the arrangement and accordingly recognizes revenue on a gross basis.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the goods.

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

REVENUE RECOGNITION *(Continued)*

Other income

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

Rental income is recognised on a time proportion basis over the lease terms.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

EMPLOYEE BENEFITS

Medical benefits

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

Pension scheme – Mainland China

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

Pension scheme – outside Mainland China

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

Housing fund – Mainland China

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

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

BORROWING COSTS

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

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes 35 to the financial statements.

FOREIGN CURRENCIES

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

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

FOREIGN CURRENCIES *(Continued)*

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Principal versus agent considerations

The Group sells products to a customer who is also the supplier of key materials used in the manufacturing of products. The Group needs to determine whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains for its agency services if its role is to arrange to provide the goods. To assess whether the Group controls the goods before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has latitude in establishing the selling price and (iv) has significant involvement in the determination of product and service specifications.

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. Further details are included in note 25 to the financial statements.

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

ESTIMATION UNCERTAINTY

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

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

ESTIMATION UNCERTAINTY *(Continued)*

Depreciation

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, and level of future taxable profits together with future tax planning strategies. Further details are included in note 25 to the financial statements.

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

The Group writes down inventories from cost to net realisable value and makes provision for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group makes estimates of the selling prices, the costs of completion, and the costs to be incurred in disposal based on the historical experience and the prevailing market conditions.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

The Group's primary business is the manufacture, assembly and sale of mobile handset components and modules. For management purposes, the Group is organised into one operating segment based on industry practice and management's vertical integration strategy. Management monitors the results of the Group as a whole for the purpose of making decisions about 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.

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2019	2018
	RMB'000	RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**43,600,079**	32,473,515
Asia Pacific (excluding PRC)	**6,006,475**	5,919,538
United States of America	**2,119,669**	1,841,255
Other countries	**1,302,153**	812,831
	53,028,376	41,047,139

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

(b) Non-current assets

	2019	2018
	RMB'000	RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**10,176,689**	8,256,816
India	**188,695**	170,622
Other countries	**12,995**	287
	10,378,379	8,427,725

The non-current asset information above is based on the locations of the assets and excludes financial instruments, loans to the ultimate holding company and deferred tax assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2019 **RMB'000**
Customer A[1]	**27,198,937**
	27,198,937

	2018 RMB'000
Customer A[1]	12,401,115
Customer B[1]	5,938,103
Customer C[1]	4,480,935
Customer D[1]	4,241,264
	27,061,417

1 Revenue from major customers comes from the sale of mobile handset components and modules.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**53,028,376**	41,047,139

REVENUE FROM CONTRACTS WITH CUSTOMERS

(i) Disaggregated revenue information

For the year ended 31 December 2019 Segments	2019 RMB'000	2018 RMB'000
Type of goods or services		
Sale of mobile handset components and modules	**53,028,376**	41,047,139
Total revenue from contracts with customers	**53,028,376**	41,047,139
Geographical markets		
PRC (including Hong Kong, Macau, and Taiwan)	**43,600,079**	32,473,515
Asia Pacific (excluding PRC)	**6,006,475**	5,919,538
United States of America	**2,119,669**	1,841,255
Other countries	**1,302,153**	812,831
Total revenue from contracts with customers	**53,028,376**	41,047,139
Timing of revenue recognition		
Goods transferred at a point in time	**53,028,376**	41,047,139

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of mobile handset components and modules	**247,115**	246,419

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

REVENUE FROM CONTRACTS WITH CUSTOMERS *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 are as follows:

	2019 RMB'000 VAT inclusive	2018 RMB'000 VAT inclusive
Within one year	**455,057**	279,240
More than one year	**11,535**	–
	466,592	279,240

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	**34,419**	31,536
Other interest income	**19,264**	19,264
Sale of scrap and materials	**336,166**	327,156
Compensation from suppliers and customers	**46,809**	41,351
Foreign exchange gain, net	**78,411**	101,350
Others	**46,530**	37,413
	561,599	558,070

6. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold#		**49,046,172**	36,832,878
Depreciation of property, plant and equipment	13	**2,051,241**	1,917,625
Depreciation of right-of-use assets (2018: Recognition of prepaid land lease payments)	14(b)	**217,267**	7,498
Research and development costs: Current year expenditure		**2,087,846**	1,588,654
Minimum lease payments under operating leases		**–**	274,661
Lease payments not included in the measurement of lease liabilities	14(d)	**131,764**	–
Auditors' remuneration		**1,490**	1,590
Amortisation of intangible assets##	16	**7,401**	7,928
Employee benefit expense (excluding directors', supervisors' and senior executive officers' remuneration (note 31(d))			
Wages and salaries		**7,176,850**	5,358,377
Retirement benefit scheme contributions		**428,452**	367,403
		7,605,302	5,725,780
Impairment of trade receivables#####	19	**19,973**	71,302
Impairment losses on trade receivables reversed#####	19	**(5,340)**	(13,697)
Write-down of inventories to net realisable value####		**24,876**	42,278
Impairment of trade receivable financing reversed#####		**(80)**	(203)
Loss on disposal of items of property, plant and equipment###		**17,239**	14,123
Fair value (gains)/losses, net:###			
Derivative instruments		**1,535**	–
Equity investment at fair value through profit or loss – mandatorily classified		**(1,602)**	7,076
Foreign exchange gain, net###		**(78,411)**	(101,349)

Cost of inventories sold represents "Cost of sales" in the consolidated statement of profit or loss after excluding write-down of inventories to net realisable value

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

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

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

Included in "Impairment losses on financial assets" in the consolidated statement of profit or loss

7. GOVERNMENT GRANTS AND SUBSIDIES

	2019 RMB'000	2018 RMB'000
Related to assets		
Subsidies on technical transformation	–	65,301
Others	9,585	14,482
Related to income		
Support fund for industrial co-construction (note (a))	98,696	73,000
Subsidies on research (note (b))	10,645	–
Subsidies on employee stability (note (c))	7,129	11,772
Subsidies on logistics	–	69,903
Subsidies on operating expense	92,680	45,122
Others	18,244	7,810
	236,979	287,390

Notes:

(a) The item represents subsidy income obtained by subsidiaries of the Group from the government for industrial development. Relevant expenditures incurred during the reporting period were recognised as government subsidies.

(b) The item represents subsidy income obtained by subsidiaries of the Group from the government for the use of R&D expenses. Relevant expenditures incurred during the reporting period were recognised as government subsidies.

(c) The item represents subsidy income obtained by subsidiaries of the Group from the government on employee stability. Relevant expenditures incurred during the reporting period were recognised as government subsidies.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank borrowings	479	–
Interest on lease liabilities	30,739	–
	31,218	–

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 RMB'000	2018 RMB'000
Fees	**600**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**11,167**	12,761
Pension scheme contributions	**64**	51
	11,231	12,812
	11,831	13,412

There were no discretionary bonuses or compensation paid for loss of office or as inducement to join the Company for directors during the year (2018: Nil).

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Mampilly, Antony Francis	**200**	200
Mr. Zhong Guo-wu	**200**	200
Mr. Qian Jing-jie	**200**	200
	600	600

There was no other emolument payable to the independent non-executive directors during the year (2018: Nil).

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

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
31 December 2019				
Executive directors:				
Mr. Wang Nian-qiang	**–**	**8,715**	**26**	**8,741**
Mr. Wang Bo**		**1,149**	**11**	**1,160**
Mr. Jiang Xiang-rong*	**–**	**1,303**	**27**	**1,330**
	–	**11,167**	**64**	**11,231**
Non-executive directors:				
Mr. Wang Chuan-fu	**–**	**–**	**–**	**–**
Mr. Wang Bo**	**–**	**–**	**–**	**–**
Mr. Wu Jing-sheng	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**
31 December 2018				
Executive directors:				
Mr. Wang Nian-qiang	–	9,588	26	9,614
Mr. Wang Bo**	–	3,173	25	3,198
	–	12,761	51	12,812
Non-executive directors:				
Mr. Wang Chuan-fu	–	–	–	–
Mr. Wu Jing-sheng	–	–	–	–
	–	–	–	–

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

* Mr. Jiang Xiang-rong was appointed as an executive director on 6 June 2019. His remuneration of 2019 covered the period from 6 June to 31 December.

** Mr. Wang Bo was changed from executive director to non-executive director on 6 June 2019. His remuneration as the executive director of 2019 covered the period from 1 January to 6 June.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2018: three) non-director and highest paid employees are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	4,836	5,720
Pension scheme contributions	67	79
	4,903	5,799

There were no discretionary bonuses or compensation paid for loss of office or as inducement to join the Company for the above highest paid employees during the year (2018: Nil).

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

	Number of employees 2019	2018
RMB2,000,001 to RMB2,500,000	1	2
RMB1,500,001 to RMB2,000,000	–	–
RMB1,000,001 to RMB1,500,000	2	1
	3	3

11. INCOME TAX

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

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

BYD Precision is renewed to be a high and new technology enterprise in 2018, and is entitled to a reduced enterprise income tax rate of 15% from 2018 to 2020.

Huizhou Electronic is renewed to be a high and new technology enterprise in 2018, and is entitled to a reduced enterprise income tax rate of 15% from 2018 to 2020.

Shaoguan Electronic was approved to be a high and new technology enterprise in 2018, and is entitled to a reduced enterprise income tax rate of 15% from 2018 to 2020.

Xi'an Electronic which operates in Mainland China is entitled to a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year pursuant to the Western Development Policy.

BYD India is subject to income tax at a rate of 26% (2018:30%).

11. INCOME TAX *(Continued)*

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

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No provision has been made for profits tax in jurisdictions other than Mainland China and Hong Kong as the Group had no assessable profits derived from these countries.

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

	2019 RMB'000	2018 RMB'000
Current – Mainland China		
Charge for the year	**155,517**	230,980
Deferred (note 25)	**(56,962)**	116,232
Total tax charge for the year	**98,555**	347,212

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

	2019		2018	
	RMB'000	**%**	RMB'000	%
Profit before tax	**1,696,200**		2,535,832	
Tax at the applicable tax rate	**424,050**	**25.0**	634,290	25.0
Expenses not deductible for tax	**4,795**	**0.3**	28,598	1.1
Lower tax rate for specific provinces or enacted by local authority	**(159,489)**	**(9.4)**	(224,763)	(8.9)
Super-deduction of research and development costs	**(169,696)**	**(10.0)**	(143,891)	(5.7)
Tax losses utilised from previous periods	**(1,880)**	**(0.1)**	(3,000)	(0.1)
Tax losses and deductible differences not recognised	**775**	**0.0**	55,978	2.2
Tax charge at the Group's effective rate	**98,555**	**5.8**	347,212	13.7

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

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,597,645**	2,188,620

	Number of shares 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,253,204,500**	2,253,204,500

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 31 December 2018 and at 1 January 2019:							
Cost	1,410,254	496,186	13,197,912	1,160,913	37,767	315,510	16,618,542
Accumulated depreciation and impairment	(247,197)	(118,060)	(7,809,035)	(788,527)	(22,173)	–	(8,984,992)
Net carrying amount	1,163,057	378,126	5,388,877	372,386	15,594	315,510	7,633,550
At 1 January 2019, net of accumulated depreciation and impairment	1,163,057	378,126	5,388,877	372,386	15,594	315,510	7,633,550
Additions	38,745	324,154	2,129,609	194,080	6,278	382,497	3,075,363
Disposals	–	–	(29,173)	(10,797)	(404)	–	(40,374)
Depreciation provided during the year	(49,154)	(94,624)	(1,733,994)	(167,535)	(5,934)	–	(2,051,241)
Exchange realignment	88	–	53	3	(2)	(22)	120
Transfers	60,353	–	265,383	13,683	–	(339,419)	–
At 31 December 2019, net of accumulated depreciation and impairment	1,213,089	607,656	6,020,755	401,820	15,532	358,566	8,617,418
At 31 December 2019:							
Cost	1,509,122	820,340	15,419,262	1,302,629	40,082	358,566	19,450,001
Accumulated depreciation and impairment	(296,033)	(212,684)	(9,398,507)	(900,809)	(24,550)	–	(10,832,583)
Net carrying amount	1,213,089	607,656	6,020,755	401,820	15,532	358,566	8,617,418

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

	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and at 1 January 2018:							
Cost	1,263,249	261,824	11,690,856	1,018,386	34,977	392,708	14,662,000
Accumulated depreciation and impairment	(215,955)	(67,784)	(6,242,842)	(685,855)	(18,615)	–	(7,231,051)
Net carrying amount	1,047,294	194,040	5,448,014	332,531	16,362	392,708	7,430,949
At 1 January 2018, net of accumulated depreciation and impairment	1,047,294	194,040	5,448,014	332,531	16,362	392,708	7,430,949
Additions	1,603	234,363	1,346,985	182,809	5,787	406,174	2,177,721
Disposals	–	–	(49,636)	(3,375)	(1,397)	(61)	(54,469)
Depreciation provided during the year	(33,338)	(50,277)	(1,680,789)	(148,063)	(5,158)	–	(1,917,625)
Exchange realignment	(3,261)	–	226	(18)	–	27	(3,026)
Transfers	150,759	–	324,077	8,502	–	(483,338)	–
At 31 December 2018, net of accumulated depreciation and impairment	1,163,057	378,126	5,388,877	372,386	15,594	315,510	7,633,550
At 31 December 2018:							
Cost	1,410,254	496,186	13,197,912	1,160,913	37,767	315,510	16,618,542
Accumulated depreciation and impairment	(247,197)	(118,060)	(7,809,035)	(788,527)	(22,173)	–	(8,984,992)
Net carrying amount	1,163,057	378,126	5,388,877	372,386	15,594	315,510	7,633,550

14. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of buildings, leasehold land, machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 44 to 99 years, and no ongoing payments will be made under the terms of these land leases. Leases of building generally have lease terms between 1 and 20 years. Machinery and other equipment generally has lease terms of 1 to 5 years and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	287,388
Additions	110,831
Recognised in profit or loss during the year (note 6)	(7,498)
Exchange realignment	(853)
Carrying amount at 31 December 2018	389,868
Current portion included in prepayments, other receivables and other assets	(8,625)
Non-current portion	381,243

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Machinery and other equipment RMB'000	Total RMB'000
As at 1 January 2019	389,868	46,332	–	436,200
Additions	106,301	852,777	5,393	964,471
Depreciation charge	(10,413)	(205,955)	(899)	(217,267)
Exchange realignment	(114)	–	–	(114)
As at 31 December 2019	**485,642**	**693,154**	**4,494**	**1,183,290**

14. LEASES *(Continued)*

THE GROUP AS A LESSEE *(Continued)*

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	46,332
New leases	858,170
Accretion of interest recognised during the year	30,739
Payments	(183,149)
Carrying amount at 31 December	752,092
Analysed into:	
Current portion	253,840
Non-current portion	498,252

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	30,739
Depreciation charge of right-of-use assets	217,267
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	131,486
Expense relating to leases of low-value assets (included in administrative expenses)	278
Total amount recognised in profit or loss	379,770

14. LEASES *(Continued)*

THE GROUP AS A LESSEE *(Continued)*

(e) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(f) The total cash outflow for leases are disclosed in note 29 to the financial statements.

THE GROUP AS A LESSOR

The Group leases its equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB11,777,000 (2018: RMB5,962,000).

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**5,482**	5,052
After one year but within five years	**1,428**	113
	6,910	5,165

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Non-current portion:			
Prepayments for items of property, plant and equipment	**550,049**	349,130	349,130
Prepayments for others	**16,756**	49,571	49,571
Current portion:			
Deposits and other receivables	**375,029**	316,458	316,458
Impairment allowance	**(20)**	(29)	(29)
	375,009	316,429	316,429
Prepayments	**6,757**	4,364	12,989
	381,766	320,793	329,418

At 31 December 2019, an impairment loss of RMB20,000 (2018: RMB29,000) has been provided.

As a result of the initial application of HKFRS 16, prepayments of RMB8,625,000 previously included in "Prepayments and other receivables and other assets" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	**14,231**
Additions	**4,036**
Amortisation provided during the year	**(7,401)**
At 31 December 2019	**10,866**
At 31 December 2019:	
Cost	**45,858**
Accumulated amortisation	**(34,992)**
Net carrying amount	**10,866**

	Computer software RMB'000
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	25,073
Disposal	(2,914)
Amortisation provided during the year	(7,928)
At 31 December 2018	14,231
At 31 December 2018:	
Cost	53,528
Accumulated amortisation	(39,297)
Net carrying amount	14,231

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2019	2018
	RMB'000	RMB'000
Listed equity investments, at fair value	**8,305**	6,703
	8,305	6,703

The above equity investments at 31 December 2019 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

18. INVENTORIES

	Group	
	2019	2018
	RMB'000	RMB'000
Raw materials	**1,403,925**	1,527,480
Work in progress	**114,119**	93,331
Finished goods	**3,810,377**	3,076,654
Moulds held for production	**72,491**	70,329
	5,400,912	4,767,794

19. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**9,684,530**	7,311,752
Impairment	**(117,160)**	(102,527)
	9,567,370	7,209,225

The Group's trading terms with its customers are mainly on credit. The credit period is generally two to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 34% (2018: 31%) and 66% (2018: 67%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2019 RMB'000	2018 RMB'000
Within 90 days	**9,011,492**	6,788,232
91 to 180 days	**511,649**	417,334
181 to 360 days	**43,899**	3,659
Over 360 days	**330**	–
	9,567,370	7,209,225

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**102,527**	50,136
Impairment losses	**19,973**	71,302
Impairment losses reversed	**(5,340)**	(13,697)
Amount written off as uncollectible	**–**	(5,214)
At end of the year	**117,160**	102,527

There are no significant changes in the loss allowance.

19. TRADE RECEIVABLES *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns by product type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Aging as at 31 December 2019				
	Within 90 days	**91 to 180 days**	**181 to 360 days**	**Over 1 year**	**Total**
Expected credit loss rate	**0.18%**	**0.21%**	**0.21%**	**99.67%**	**1.21%**
Gross carrying amount (RMB'000)	**9,027,942**	**512,726**	**43,991**	**99,871**	**9,684,530**
Expected credit losses (RMB'000)	**16,450**	**1,077**	**92**	**99,541**	**117,160**

As at 31 December 2018

	Aging as at 31 December 2018				
	Within 90 days	91 to 180 days	181 to 360 days	Over 1 year	Total
Expected credit loss rate	0.27%	0.27%	0.27%	100.00%	1.40%
Gross carrying amount (RMB'000)	6,806,626	418,464	3,669	82,993	7,311,752
Expected credit losses (RMB'000)	18,394	1,130	10	82,993	102,527

The net of loss allowance due from the holding companies and fellow subsidiaries included in the above are as follows:

	2019 RMB'000	2018 RMB'000
Due from the ultimate holding company	**157,760**	214,433
Due from the intermediate holding company	**164,230**	146,644
Due from fellow subsidiaries	**396,975**	565,035
	718,965	926,112

The balances are unsecured, non-interest-bearing and on credit terms similar to those offered to the major customers of the Group.

20. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	Notes	2019 RMB'000	2018 RMB'000
Cash and bank balances		**1,650,730**	4,497,377
Time deposits		**20,314**	244,000
		1,671,044	4,741,377
Less: Restricted bank deposits:			
Pledged deposit	(i)	**(20,314)**	–
Cash and cash equivalents	(ii)	**1,650,730**	4,741,377

Notes:

(i) At 31 December 2019, bank deposits of RMB20,314,000 (2018: Nil) were pledged for guarantee credit.

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB310,613,000 (2018: RMB2,734,539,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. 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:

	2019 RMB'000	2018 RMB'000
Within 90 days	**6,405,173**	6,066,226
91 to 180 days	**780,576**	771,051
181 to 360 days	**51,550**	91,653
1 to 2 years	**95,005**	477,059
Over 2 years	**7,578**	486,007
	7,339,882	7,891,996

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

21. TRADE AND BILLS PAYABLES *(Continued)*

The balances due to the holding companies, fellow subsidiaries and other related companies included in the above are as follows:

	2019 RMB'000	2018 RMB'000
Due to the ultimate holding company	150,210	138,576
Due to the intermediate holding company	1,377,758	990,292
Due to fellow subsidiaries	3,546,888	2,636,871
	5,074,856	3,765,739

The balances are unsecured, non-interest-bearing and repayable on demand.

22. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Contract liabilities	(a)	466,592	279,240
Other payables	(b)	925,900	766,860
Accrued payroll		1,287,293	1,077,243
		2,679,785	2,123,343

Notes:

(a) Details of contract liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers			
Sale of goods	466,592	279,240	285,846
Total contract liabilities	466,592	279,240	285,846

Contract liabilities include short-term advances received to deliver goods.

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

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2019		2018	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Forward currency contracts	**15,520**	**17,055**	–	–
Current portion	**15,520**	**17,055**	–	–

24. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
At 1 January	**135,644**	156,398
Received during the year	**232,847**	254,864
Returned during the year	**(7,360)**	–
Released to the statement of profit or loss	**(239,077)**	(275,618)
At 31 December	**122,054**	135,644
Less: Portion classified as current liabilities	**–**	(15,987)
Non-current portion	**122,054**	119,657

Various government grants have been received for basic research and development activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

25. DEFERRED TAX

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

DEFERRED TAX LIABILITIES

	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Depreciation in excess of depreciation allowance RMB'000	Fair value adjustment arising from trading financial assets RMB'000	Total RMB'000
At 1 January 2019	44,648	141,596	–	186,244
Deferred tax (credited)/charged to the statement of profit or loss during the year	(28,691)	91,301	684	63,294
Gross deferred tax liabilities At 31 December 2019	15,957	232,897	684	249,538
At 1 January 2018	25,912	–	–	25,912
Deferred tax charged to the statement of profit or loss during the year	18,736	141,596	–	160,332
Gross deferred tax liabilities At 31 December 2018	44,648	141,596	–	186,244

DEFERRED TAX ASSETS

	Depreciation in excess of depreciation allowance RMB'000	Impairment of assets RMB'000	Government grants RMB'000	Tax losses RMB'000	Fair value adjustment arising from trading financial liabilities RMB'000	Total RMB'000
At 1 January 2019	231,905	23,298	14,613	141	–	269,957
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	18,385	11,465	(1,634)	91,839	201	120,256
At 31 December 2019	250,290	34,763	12,979	91,980	201	390,213
At 1 January 2018	179,147	33,447	12,511	752	–	225,857
Deferred tax credited/(charged) to the statement of profit or loss during the year	52,758	(10,149)	2,102	(611)	–	44,100
At 31 December 2018	231,905	23,298	14,613	141	–	269,957

25. DEFERRED TAX *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset with an amount of RMB231,161,000 (2018: RMB141,596,000) in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	159,052
Net deferred tax liabilities recognised in the consolidated statement of financial position	18,377

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

	2019 RMB'000	2018 RMB'000
Tax losses	**130,312**	101,167
Deductible temporary differences	**452,054**	412,375
	582,366	513,542

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

As at 31 December 2019, the Group recognised the relevant deferred tax liabilities of RMB15,957,000 (2018: RMB44,648,000) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. No withholding tax had been provided for the earnings of approximately RMB12,633,329,000 at 31 December 2019 (2018: RMB11,256,904,000) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on several factors, including management's estimation of overseas funding requirements.

26. SHARE CAPITAL

SHARES

	2019 RMB'000	2018 RMB'000
Issued and fully paid 2,253,204,500 (2018: 2,253,204,500) ordinary shares	**4,052,228**	4,052,228

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	2,253,204,500	4,052,228
At 31 December 2018 and 1 January 2019	2,253,204,500	4,052,228
At 31 December 2019	**2,253,204,500**	**4,052,228**

27. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 72 of the financial statements.

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

28. 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.

28. CONTINGENT LIABILITIES *(Continued)*

ACTION AGAINST FOXCONN *(Continued)*

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.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB697,648,000 and RMB752,092,000, respectively, in respect of lease arrangements for leasehold land, buildings, machinery and other equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000
At 31 December 2018	–
Effect of adoption of HKFRS 16	46,332
At 1 January 2019 (restated)	46,332
Changes from financing cash flows	(183,149)
New leases	858,170
Interest expense	30,739
At 31 December 2019	**752,092**

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**(131,764)**
Within investing activities	**(106,301)**
Within financing activities	**(183,149)**

30. COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Plant and machinery	**453,224**	298,914
Building	**74,523**	92,170
	527,747	391,084

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its plant and machinery and office equipment under operating lease arrangements. Leases for plant and machinery were negotiated for terms mainly ranging from three to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	28,901
In the second to fifth years, inclusive	17,847
After five years	28,253
	75,001

31. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Notes	Related parties	Year ended 31 December 2019 RMB'000	2018 RMB'000
Sales of plant and machinery	(i)	Ultimate holding company	2,270	439
		Fellow subsidiaries	10,996	9,475
Purchases of plant and machinery	(i)	Ultimate holding company	6,231	1,551
		Fellow subsidiaries	34,371	25,399
Purchases of inventories	(ii)	Ultimate holding company	210,511	60,665
		Intermediate holding company	118,829	–
		Fellow subsidiaries	578,741	657,027
Sales of inventories	(ii)	Ultimate holding company	32,774	74,298
		Fellow subsidiaries	986,419	899,404
Lease and ancillary services payments	(iii)	Ultimate holding company	89,238	182,181
		Fellow subsidiaries	744,425	716,679
Exclusive processing services received	(iv)	Ultimate holding company	263,874	295,840
		Fellow subsidiaries	110,786	43,615
Exclusive processing services provided	(iv)	Ultimate holding company	12,751	22,131
		Fellow subsidiaries	119,799	26,067
Agent fee for procurement service	(v)	Intermediate holding company	32,778	37,951
		Fellow subsidiaries	19,690	13,612
Sales of glass casing products	(vi)	Fellow subsidiaries	112,295	218,914
Purchases automotive core components and special purpose electric vehicles	(vii)	Fellow subsidiaries	124,272	89,418
Electricity fee received	(viii)	Ultimate holding company	2,591	–
		Fellow subsidiaries	75,301	–
Construction service received	(ix)	Fellow subsidiaries	39,046	–

31. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

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

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

(iii) The payment 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 31 December 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. For the year ended 31 December 2019, the total amount of procurement provided was RMB20,051,931,000.

(vi) The sales of glass casing products were made 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 automative core components and special purpose electric vehicles were made 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 made 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.

(ix) The service fees 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.

(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") 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 receivable amounting to RMB840,000 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.

Details of the Group's trade balances with the holding shareholder, fellow subsidiaries and other related companies as at the end of the reporting period are disclosed in notes 19 and 21 to the financial statements.

The Group had an outstanding balance due from its related company of RMB236,000 (2018: RMB2,823,000) as at the end of the reporting period.

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

The Group has several rental contracts with BYD Group. As at 31 December 2019, the Group had total lease liabilities with these related companies under non-cancellable leases falling due as follows:

	2019 RMB'000	2018 RMB'000
Lease liabilities – current		
Ultimate holding company	**28,264**	–
Fellow subsidiaries	**48,301**	–
Lease liabilities – non-current		
Ultimate holding company	**112,095**	–
Fellow subsidiaries	**274,789**	–
	463,449	–

As at 31 December 2019, the Group's right-of use assets relating to such rental contracts amounted to RMB423,215,000 (31 December 2018: Nil).

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

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**14,051**	15,688
Pension scheme contributions	**90**	77
	14,141	15,765

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

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Other non-current financial assets	8,305	–	–	8,305
Trade receivables	–	–	9,567,370	9,567,370
Due from other related parties	–	–	236	236
Loans to the ultimate holding company	–	–	399,160	399,160
Financial assets included in prepayments, other receivables and other assets	–	–	19,791	19,791
Derivative financial instruments	15,520	–	–	15,520
Trade receivable financing	–	45,230	–	45,230
Pledged deposits	–	–	20,314	20,314
Cash and cash equivalents	–	–	1,650,730	1,650,730
	23,825	45,230	11,657,601	11,726,656

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	7,339,882
Derivative financial instruments	17,055
Lease liabilities	752,092
Financial liabilities included in other payables	925,900
	9,034,929

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through through other comprehensive income		
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Other non-current financial asset	6,703	–	–	6,703
Trade receivables	–	–	7,209,225	7,209,225
Due from other related parties	–	–	2,823	2,823
Loans to the ultimate holding company	–	–	398,920	398,920
Financial assets included in prepayments, other receivables and other assets	–	–	28,605	28,605
Trade receivable financing	–	38,826	–	38,826
Cash and cash equivalents	–	–	4,741,377	4,741,377
	6,703	38,826	12,380,950	12,426,479

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	7,891,996
Financial liabilities included in other payables	1,844,103
	9,736,099

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

There are no significant differences between the carrying amounts and the fair values of the Group's financial instruments.

Management has assessed that the fair values of short-term deposits, cash and cash equivalents, pledged deposits, trade receivables, trade receivable financing 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 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 following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments and trade receivable financing with various counterparties. The carrying amounts of these derivative financial instruments and trade receivable financing are the same as their fair values. The derivative financial instruments and trade receivable financing are measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and foreign exchange spot and forward rates. The carrying amounts of derivative financial instruments and trade receivable financing are the same as their fair values.

33. 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 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivable financing	–	45,230	–	45,230
Derivative financial instruments	–	15,520	–	15,520
Other non-current financial assets	8,305	–	–	8,305
	8,305	60,750	–	69,055

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Trade receivable financing	–	38,826	–	38,826
Other non-current financial assets	6,703	–	–	6,703
	6,703	38,826	–	45,529

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

FAIR VALUE HIERARCHY *(Continued)*

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	17,055	–	17,055
	–	17,055	–	17,055

Assets for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Loans to the ultimate holding company	–	399,160	–	399,160
	–	399,160	–	399,160

As at 31 December 2018

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

Liabilities for which fair values are disclosed:

There were no financial liabilities disclosed at fair value as at 31 December 2019 and 31 December 2018.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

FOREIGN CURRENCY RISK

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

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

	Increase/ (decrease) in United States dollar exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2019			
If RMB weakens against United States dollar	**5**	**196,696**	**–**
If RMB strengthens against United States dollar	**(5)**	**(196,696)**	**–**
2018			
If RMB weakens against United States dollar	5	172,604	–
If RMB strengthens against United States dollar	(5)	(172,604)	–

* Excluding retained profits and exchange fluctuation reserve

CREDIT RISK

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

MAXIMUM EXPOSURE AND YEAR-END STAGING

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed trade receivable financing, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	9,684,530	9,684,530
Due from related parties	–	–	–	1,900	1,900
Financial assets included in prepayments, other receivables and other assets					
– Normal**	19,811	–	-	–	19,811
Trade receivable financing	45,467	–	-	–	45,467
Loans to the ultimate holding company	400,000	–	–	–	400,000
Pledged deposit	20,314	–	–	–	20,314
Cash and cash equivalents	1,650,730	–	–	–	1,650,730
	2,136,322	–	–	9,686,430	11,822,752

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	7,311,752	7,311,752
Due from related parties	–	–	–	2,830	2,830
Financial assets included in prepayments, other receivables and other assets					
– Normal**	38,156	–	–	–	38,156
Trade receivable financing	39,050	–	–	–	39,050
Loans to the ultimate holding company	400,000	–	–	–	400,000
Cash and cash equivalent equivalents	4,741,377	–	–	–	4,741,377
	5,218,583	–	–	7,314,582	12,533,165

* For trade receivables the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

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

LIQUIDITY RISK

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

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

Financial liabilities

	2019					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	**102,583**	**6,405,173**	**832,126**	**–**	**–**	**7,339,882**
Lease liabilities	**–**	**64,444**	**188,851**	**307,097**	**203,769**	**764,161**
Other payables	**344,502**	**474,334**	**107,064**	**–**	**–**	**925,900**
	447,085	**6,943,951**	**1,128,041**	**307,097**	**203,769**	**9,029,943**

	2018					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	963,066	6,066,226	862,704	–	–	7,891,996
Other payables	352,705	266,572	147,583	–	–	766,860
	1,315,771	6,332,798	1,010,287	–	–	8,658,856

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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.

35. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Proposed final RMB0.071 (2018: RMB0.195) per ordinary share	**159,978**	439,375
	159,978	439,375

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

36. TRANSFERS OF FINANCIAL ASSETS

FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

In the ordinary course of business, the Group has factored a small amount of receivables measured at amortised cost to financial institutions without recourse for its short-term financing needs, and has entered into non-recourse receivables factoring agreements with a number of banks to transfer certain receivables to those banks (the "Receivable Factoring"). Under certain receivable factoring agreements, the Group is not required to undertake default risks and the delayed repayment risk from the debtors after the transfer of receivables, and all risks and rewards related to the ownership of the receivables are transferred. The definition of termination of financial assets is met. Therefore, the Group derecognised the receivables under the factoring agreements at carrying amount. As at 31 December 2019, the carrying amount of transferred receivables under relevant factoring agreements amounted to RMB4,260,475,000 (31 December 2018: RMB7,643,615,000), and the loss related to derecognition amounted to RMB21,195,000 (31 December 2018: RMB42,805,000).

37. EVENTS AFTER THE REPORTING PERIOD

A final dividend in respect of the year ended 31 December 2019 of RMB0.071 per share (tax inclusive) was proposed pursuant to a resolution passed by the Board of Directors on 21 April 2020. This intended to distribute cash dividends of RMB159,977,520 in aggregate based on the total share capital of 2,253,204,500 shares of the Company as at 21 April 2020. The proposal of the final dividend is subject to consideration and approval at the Company's forthcoming general meeting. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

In response to the continuous impact brought by the COVID-19 outbreak, the Group strived to produce medical masks by leveraging on its own advantages in research and development and manufacturing, which is mainly provided to employees of the Group and BYD Group, domestic and overseas governments, medical institutions and other frontline organizations fighting against the virus and part of customers and partners. The Company believes that producing and supplying surgical masks will not have a material adverse impact on the Group's business operations and/or financial results. Save as disclosed above and elsewhere in this announcement, as at the date of this announcement, the Group has no significant events after the reporting period required to be disclosed.

37. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

The outbreak of the COVID-19 on January 2020 caused delay in the production and operation of certain business segments of the Group. However, most subsidiaries of the Group have fully implemented the pandemic prevention and control deployment made by the Chinese Government. As the breakout in mainland China has gradually taken a turn into a better direction and guided by the policy of "Resumption of labor and production" from local governments, the production and operation of the Group's business segments have basically gone to normal.

However, given the breakout is currently spreading rapidly across the world, the Company will continue to give close attention to the development of COVID-19, and make assessment and active response to on its impact on the financial position, operating results and other aspects of the Company.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2019 **RMB'000**	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,120,792**	11,990,269
CURRENT ASSETS		
Prepayments, deposits and other receivables	**14**	14
Trade receivables	**3,876,180**	3,874,426
Cash and bank balances	**6,226**	5,815
Total current assets	**3,882,420**	3,880,255
CURRENT LIABILITIES		
Due to subsidiaries	**12,399**	–
Trade payables	**1,340**	1,340
Total current liabilities	**13,739**	1,340
NET CURRENT ASSETS	**3,868,681**	3,878,915
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,989,473**	15,869,184
Net assets	**16,989,473**	15,869,184
EQUITY		
Share capital	**4,052,228**	4,052,228
Other reserves	**12,937,245**	11,816,956
Total equity	**16,989,473**	15,869,184

Wang Chuan-fu
Director

Wang Nian-qiang
Director

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

Note:

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

	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	–	(169,293)	10,308,378	10,139,085
Profit for the year	–	–	2,208,723	2,208,723
Exchange differences on translation of foreign operations	–	(12,615)	–	(12,615)
Total comprehensive income for the year	–	(12,615)	2,208,723	2,196,108
Final 2017 dividend declared	–	–	(518,237)	(518,237)
At 31 December 2018 and at 1 January 2019	**–**	**(181,908)**	**11,998,864**	**11,816,956**
Profit for the year	**–**	**–**	**1,553,854**	**1,553,854**
Exchange differences on translation of foreign operations	**–**	**5,964**	**–**	**5,964**
Expected credited loss for trade receivable financing	**(154)**	**–**	**–**	**(154)**
Total comprehensive income for the year	**(154)**	**5,964**	**1,553,854**	**1,559,664**
Final 2018 dividend declared	**–**	**–**	**(439,375)**	**(439,375)**
At 31 December 2019	**(154)**	**(175,944)**	**13,113,343**	**12,937,245**

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2020.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
REVENUE	**53,028,376**	41,047,139	38,774,422	36,734,264	29,285,830
Cost of sales	**(49,071,048)**	(36,875,156)	(34,510,484)	(33,934,135)	(27,382,285)
Gross profit	**3,957,328**	4,171,983	4,263,938	2,800,129	1,903,545
Other income and gains	**561,599**	558,070	493,442	474,005	451,442
Government subsidies	**236,979**	287,390	240,161	25,502	47,852
Research and development costs	**(2,087,846)**	(1,588,654)	(1,200,632)	(978,772)	(722,270)
Selling and distribution costs	**(256,786)**	(229,238)	(229,098)	(184,698)	(152,044)
Administrative expenses	**(619,132)**	(535,819)	(434,024)	(562,215)	(453,609)
Impairment losses on financial assets	**(15,961)**	(57,333)	–	–	–
Loss on disposal of financial assets at amortised cost	**(21,195)**	(42,805)	–	–	–
Other expenses	**(27,568)**	(27,762)	(97,620)	(113,914)	(35,390)
Finance costs	**(31,218)**	–	(44,040)	(26,953)	(3,089)
PROFIT BEFORE TAX	**1,696,200**	2,535,832	2,992,127	1,433,084	1,036,437
Tax	**(98,555)**	(347,212)	(407,259)	(199,593)	(128,292)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**1,597,645**	2,188,620	2,584,868	1,233,491	908,145
ASSETS AND LIABILITIES					
TOTAL ASSETS	**28,026,974**	26,051,172	25,386,326	23,994,987	22,244,401
TOTAL LIABILITIES	**11,037,501**	10,225,840	11,195,013	12,240,765	11,696,622
Total equity	**16,989,473**	15,825,332	14,191,313	11,754,222	10,547,779

Electronics

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