



Electronics

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

(Stock Code 股份代號 : 285)

2020 年中期報告
Interim Report



WE CREATE THE
FUTURE



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Revenue	34.82%	to RMB31,386 million
Gross profit	164.27%	to RMB4,100 million
Profit attributable to owners of the parent	329.90%	to RMB2,473 million
Earnings per share	329.90%	to RMB1.10

HIGHLIGHTS:

- Various businesses of the Group developed healthily, business share from major clients continues to increase and smooth expansion of new product line
- Scale of the glass and ceramic businesses doubling year on year and that of the new intelligent product business increasing by 39.50% year on year
- The Group commenced manufacturing of medical protection products, which provided positive contribution to the growth of the Group's sales revenue and profit

■ □ ■ MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a global leader in platform-based high-end manufacturing, providing customers with one-stop services integrating product research and development, innovative materials, components, manufacturing of finished products, supply chain management, logistics and after-sales service. The Group offers a wide variety of businesses ranging from smartphones, smart wearables, computers, automotive intelligent systems, the Internet of Things (IoT), smart home, gaming hardware, robots, unmanned aerial vehicles, communication equipment, electronic atomization to medical devices. Leveraging on its industry-leading R&D and manufacturing capabilities, diversified product portfolio and high-quality customer resources, the Group's business has entered a new round of rapid growth cycle.

In the first half of 2020, the Group recorded sales of approximately RMB31,386 million, representing a year-on-year increase of approximately 34.82%. Despite continuous unstable Sino-US relations coupled with depressed market sentiment caused by the COVID-19 pandemic, the Group adhered to an active market expansion strategy by continuous market expansion, introducing new customers and increasing market shares, thus recording significant increase in both revenue and profit. During the period under review, benefiting from increasing share of existing major clients, shipments of high-end smartphones and tablet PCs increased while shipment of glass and ceramic products doubled year on year. The new intelligent product business segment introduced new customers to facilitate future business growth. Meanwhile, the Group commenced manufacturing of medical protection products, which provided positive contribution to the

growth of the Group's sales revenue and profit. During the period, profitability achieved further improvement benefiting from enhanced overall operating efficiency of the Group and optimized product portfolio. In the first half of the year, profit attributable to shareholders increased significantly by approximately 329.9% to approximately RMB2,473 million as compared to the same period of last year.

In respect of mobile phone and PC businesses, market penetration and shipment of 5G smart phones increased rapidly and sales volume of PC and tablet PCs recorded a year-on-year increase despite the adverse impact of the pandemic on the industry which led to year-on-year decrease in sales volume of smart phones. The Group continued to deepen its cooperative relationships with major clients and achieved comprehensive strategic cooperation with a number of Android brand clients across product lines and geographies, resulting in continuous increase in market shares. Compared with 4G smart phones, their 5G counterparts are technically more sophisticated with enhanced values, increasing gross profit margin of the assembly businesses. The Group's metal business for mobile phones developed steadily, maintaining its leading position in the industry and representing its market share of more than 40% of the metal frames for Android phones. Currently, the Group has become the core glass provider for all major smart phone clients. A number of projects for rear cover glass ramped up mass production, further improve its shares; those for front cover glass have also begun increase in shipments and realised doubled total revenue growth. As the overall scale and capacity utilization rate of glass business continued to increase, gross profit margin also improved further. Meanwhile, the business for metal components used in wearable products and

PCs also achieved favourable growth. As for major clients in North America, the structural parts + electronic contract manufacturing service progressed smoothly with continuous increase in shares. Revenue of ceramics and other structural parts increased significantly year on year, and structural parts in glass were successfully introduced. Meanwhile, the Group actively expanded its production capacity in core products to prepare for the mass production in the second half of the year. During the period, the Group recorded revenue of RMB18,524 million from the mobile phone and PC business, representing a decrease of approximately 7.01% over the corresponding period in 2019. In particular, revenue from components and parts amounted to approximately RMB8,615 million, representing an increase of 6.94% as compared to the same period in 2019; and revenue from assembly amounted to approximately RMB9,909 million, representing a decrease of 16.49% as compared to the same period in 2019.

In respect of new intelligent product business, the Group continued to adopt an active market expansion strategy, with business areas covering the Internet of Things (IoT), smart home, gaming hardware, robots, unmanned aerial vehicles, electronic atomization, smart commercial equipment and industrial control, etc. During the period, the COVID-19 pandemic has boosted the entire stay-at-home economy where the demand for remote work, education and leisure has driven the demand for products such as smart home and gaming hardware, and the Group's shipments in these areas grew rapidly; benefiting from the Group's forward-looking layout in the field of electronic atomization and years of continuous investment, this business developed vigorously during the period, achieving several-folds revenue growth year on year. Furthermore, the Group swiftly introduced various projects of leading customers in the unmanned aerial vehicles industry and became a major supplier of their best-selling products, providing them with a full set of parts and assembly services. In the first half of the year, the Group's new intelligent product business recorded revenue of approximately RMB3,624 million, accounting for 11.55% of the total revenue, representing an increase of approximately 39.50% as compared to the same period in 2019.

In respect of automotive intelligent system business, the automobile industry has been greatly affected by the COVID-19 pandemic, with significant decrease in sales volume of automobiles, however, the development trend of electrification and intelligence of automobiles remains unchanged. As the Group has maintained a healthy business strategy, the automotive intelligent system business has developed better than the market. Apart from infotainment systems supporting all models of the parent company, the Group actively cooperated with third-party vehicle manufacturers and secured a number of orders which were expected to be a strong growth point for the Group's future revenue. With increased new projects under the in-vehicle communication module business and the successive mass production of related products, strong contribution to revenue growth was expected. During the period, the Group's revenue from the automotive intelligent system business amounted to approximately RMB680 million, accounting for 2.17% of the total revenue and representing a decrease of approximately 10.68% as compared to the same period last year.

STRATEGY FOR FUTURE DEVELOPMENT

Looking ahead to the second half of 2020, challenges and changes brought about by the COVID-19 pandemic will have profound effects. The risk-resistance capacity and response time of enterprises will become the focus of attention. Global economy will be moving forward under pressure and international relations will still be under high tension. The International Monetary Fund (IMF) has lowered its forecast for global economic growth by expecting a decrease of 4.9%, and lowered the forecast of global economic growth for 2021 as well. Although the macroeconomy will be full of challenges, leveraging on the ever-increasing market shares of existing customers' mature product lines as well as the rapid coverage of new product lines, our business in the second half of the year will continue to grow rapidly.

■ ■ ■ MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of the year, with the progress of 5G construction, the coverage of 5G network will continue to expand and the production and sales volume as well as the penetration rate of 5G mobile phones will increase continuously, promoting the handset business of the Group to maintain a good momentum of development. The continuously increase in shipment of 5G mobile phones and the fast-growing business of glass products will further enhance the gross profit margin. With the rapid increase in the trading volume of core products with major customers from North America, the business scale will expand significantly. Meanwhile, business of wearable products grew rapidly, which leads to further growth in shipment of products including metal, glass and ceramic.

In terms of new intelligent product business segment, the Group has established solid cooperation with quality customers at home and abroad. The application of technologies including 5G and artificial intelligence has sped up the upgrade of intelligent products and satisfied more diversified application scenarios and needs of users. The huge growth potentials in areas of the Internet of Things (IoT), smart home, gaming hardware, robots, unmanned aerial vehicles, electronic atomization, smart commercial equipment and industrial control, etc. will be further released with promising future. Relying on strong capabilities in R&D, manufacturing and vertical integration, the Group is able to provide overall solutions for clients, which leads to greater advantages to grasp market development opportunities, expand its customer base, and will continuously increase its market share. In the second half of the year, the businesses across the new intelligent products will maintain their strong growth momentum. In particular, owing to the continuous growth in product supply such as unmanned aerial vehicles, robotic vacuum cleaners and electronic atomization equipment, the business will achieve sustained and rapid growth.

In respect of automotive intelligent systems, as users have got used to cloud services and intelligent network, automobiles will provide the main access to connect with users in the future. In February 2020, 11 ministries and commissions including NDRC, Ministry of Science

and Technology and MIIT jointly issued the Intelligent Automobiles Innovation Development Strategy (《智能汽車創新發展戰略》), which clarifies the visions and major missions for China to develop the intelligent automobile strategy. It is expected that between 2035 and 2050, standard intelligent automobile system of China will be fully established and further improved. Intelligent automobile industry will be entering a phase of rapid development. On the basis of support from the automotive intelligent system business of the parent company, the Group's multimedia systems and communication systems will also be shipped to external customers in China, Japan, the United States and Europe to contribute the Group with diversified sources of incomes. Meanwhile, the Group will continue to increase investment in research and development, keep broadening its product lines, and build technical barriers, leading the industry with rich product lines and excellent product quality.

After years of accumulation, BYD Electronic has grown into an international high-end manufacturing enterprise with world-leading capabilities. Relying on the manufacturing strengths in industry-leading R&D and verticle integration, diversified product portfolio and high-quality customer resources, the Group's business has entered a new round of rapid growth cycle. The Group has not only continued to consolidate its leading position in Android products and continued to increase its market share, but also has entered the core product line of major customers from in North America, and its business will grow rapidly in the future. While the business of new intelligent products and automotive intelligent system will maintain rapid development in the future, the Group will actively deploy functional components and medical and health products to push the overall sales scale and results to continuously break new highs.

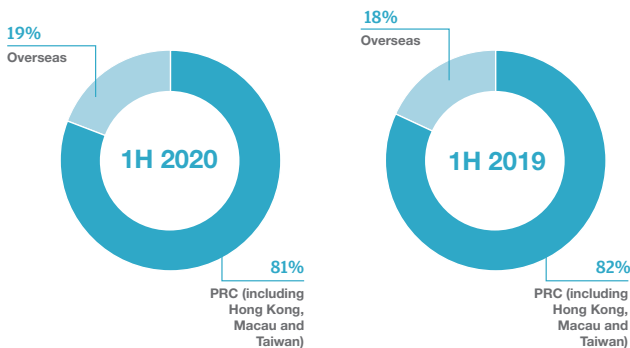
Looking ahead, BYD Electronic will adhere to its core corporate values and continuously build its core competitiveness. We will lead industrial enhancement, and create value for clients, shareholders and investors while promoting business long-term and sustainable development.

FINANCIAL REVIEW

During the period under review, the revenue increased by 34.82% as compared with the same period of the previous year. Profit attributable to owners of the parent recorded an increase of 329.90% as compared with the same period of the previous year, mainly due to a stable growth in components and parts and new intelligent equipment business, while medical protection products provided positive contribution to the Group.

SEGMENTAL INFORMATION

Set out below is a comparison of geographical information by customer locations of the Group for the six months ended 30 June 2020 and 2019:



GROSS PROFIT AND MARGIN

The Group's gross profit for the Period increased by approximately 164.27% to RMB4,100 million. Gross profit margin increased from approximately 6.66% in the first half of 2019 to approximately 13.06% for the Period. The increase in gross profit margin was mainly due to a stable growth in components and parts and new intelligent equipment business, while medical protection products provided positive contribution to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group recorded cash inflow from operations of approximately RMB3,508 million, compared to approximately RMB1,036 million of cash outflow recorded in the first half of 2019. The increase in the Group's cash inflow during the Period was mainly attributable to the increase in the cash arising from the sales of goods. The Group's funds were mainly obtained from the net cash derived from the operations.

The Group possessed sufficient liquidity to meet the daily liquidity management and capital expenditure requirements and to control internal operating cash flows. For the six months ended 30 June 2020, the turnover days of trade receivables and trade receivable financing were approximately 64 days, while the turnover days were approximately 57 days for the six months ended 30 June 2019. The change in turnover days was mainly due to the increase in average trade receivables over the same period was higher than the increase in sales over the same period. Turnover days of inventory decreased from approximately 45 days for the six months ended 30 June 2019 to approximately 36 days for the Period. The change in turnover days of inventory was mainly due to the increase in average inventory over the same period was lower than that in cost of sales over the corresponding period.

■ □ ■ MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The duty of the Group's financial division is to oversee the Group's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As of 30 June 2020, the Group's cash and cash equivalents were mainly held in Renminbi and US dollars. The Group's current bank deposits and cash balances as well as the Group's credit facilities and net cash generated from operating activities will be sufficient to satisfy the Group's material commitments and the expected requirements for working capital, capital expenditure, business expansion, investments and debt repayment for at least the next twelve months.

The Group monitors its capital by using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings and net of cash and bank balances. Equity represents equity attributable to owners of the parent. As at 30 June 2020, the gearing ratio of the Group was -16.13% (31 December 2019: -5.29%).

SIGNIFICANT INVESTMENT HELD

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

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

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

EXPOSURE TO FOREIGN EXCHANGE RISK

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

CHARGE ON ASSETS

As at 30 June 2020, a bank deposit of approximately RMB418,000 was pledged for guarantee deposits (Nil as at 30 June 2019).

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 June 2020, the Group had approximately 137.4 thousand employees. During the Period, total staff cost accounted for approximately 16.16% of the Group's revenue. Employee remuneration is determined on the basis of employees' performances, qualifications and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and rewards may also be awarded to employees based on their annual performance appraisal. Incentives are offered for personal impetus and encouragement.

SHARE CAPITAL

As at 30 June 2020, the share capital of the Company was as follows:

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

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments of approximately RMB573 million (31 December 2019: approximately RMB528 million).

CONTINGENT LIABILITIES

Please refer to note 13 to the interim condensed consolidated financial statements for details of contingent liabilities.

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

As at 30 June 2020, the relevant interests or short positions of the Directors and chief executive of the Company in the ordinary shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Cap. 571 of the Laws of Hong Kong)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of company	Capacity	Number of issued shares held	Approximate percentage of total issued shares of the Company
Mr. WANG Nian-qiang	the Company	Beneficial owner and beneficiary	17,102,000 ¹ (long position)	0.76%
	BYD Company Limited ("BYD")	Beneficial owner	19,049,740 ² (long position)	0.70%
Mr. WANG Bo	the Company	Beneficiary	2,805,000 ³ (long position)	0.12%
Mr. WANG Chuan-fu	BYD	Beneficial owner	518,351,550 ⁴ (long position)	19.00%

Notes:

- Of which 8,500,000 shares are held by Mr. WANG Nian-qiang, while 8,602,000 shares are held by Gold Dragonfly Limited ("Gold Dragonfly"), a company incorporated in the British Virgin Islands and wholly owned by BF Gold Dragon Fly (PTC) Limited ("BF Trustee") as the trustee of BF Trust, the beneficiaries of which include Mr. WANG Nian-qiang.
- These are the A shares of BYD held by Mr. WANG Nian-qiang. The total share capital of BYD as at 30 June 2020 was RMB2,728,142,855, comprising 1,813,142,855 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang represented approximately 1.05% of the total issued A shares of BYD as of 30 June 2020.
- These are held by Gold Dragonfly, which is wholly owned by BF Trustee as the trustee of BF Trust, the beneficiaries of which include Mr. WANG Bo.

- These are the 513,623,850 A shares, 3,727,700 A shares held in Zengchi No.1 Assets Management Plan through E Fund Asset BYD and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.53% and approximately 0.11% of total issued A shares and H shares of BYD as of 30 June 2020, respectively.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2020.

SHARE OPTIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2020 was the Company, its holding company or

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

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

Notes:

1. BYD is the sole shareholder of BYD HK, which in turn is the sole shareholder of Golden Link. As such, both BYD HK and BYD were deemed to be interested in the shares of the Company held by Golden Link.
2. These 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 30 June 2020, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

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

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

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

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

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

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

Since the date of publication of the latest annual report of the Company, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

THE BOARD DIVERSITY POLICY

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

AUDIT COMMITTEE

The audit committee consists of three independent non-executive directors and two non-executive directors. A meeting was convened by the Company's audit committee on 28 August 2020 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

The audit committee has reviewed the unaudited results of the Group for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the Period (six months ended 30 June 2019: nil).

■ □ ■ MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT SUBSEQUENT EVENT

Reference is made to the announcements of the Company dated 19 March 2020, 26 May 2020 and 6 August 2020 and the circulars of the Company dated 11 June 2020 and 25 August 2020 in respect of the supply of masks by the Group to the BYD Group pursuant to the Supply Framework Agreement entered into between the Company and BYD dated 19 March 2020, which constitute continuing connected transactions (the “Masks Transactions”) of the Company under Chapter 14A of the Listing Rules.

Subsequent to the review period, on 6 August 2020, the Company and BYD entered into the second supplemental agreement (the “Second Supplemental Agreement”) to revise the annual cap of the Masks Transactions to RMB22,830,000,000 (the “Proposed Annual Cap”). As the Masks Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and the Proposed Annual Cap are subject to the approval of the independent shareholders, the Second Supplemental Agreement is conditional upon the relevant resolution being passed at the extraordinary general meeting to be held on 9 September 2020. For further details, please refer to the announcement and circular of the Company dated 6 August 2020 and 25 August 2020, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended	
		30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
REVENUE	4	31,386,402	23,280,207
Cost of sales		(27,286,483)	(21,728,807)
Gross profit		4,099,919	1,551,400
Other income and gains		316,959	240,491
Government grants and subsidies		71,730	150,704
Research and development expenses		(1,107,603)	(853,084)
Selling and distribution expenses		(129,918)	(128,953)
Administrative expenses		(275,157)	(299,176)
Impairment losses on financial assets		(65,310)	(2,207)
Loss on disposal of financial assets measured at amortised cost		(852)	(12,184)
Other expenses		(51,531)	(14,573)
Finance costs		(27,627)	(13,625)
PROFIT BEFORE TAX	5	2,830,610	618,793
Income tax expense	6	(357,856)	(43,594)
PROFIT FOR THE PERIOD		2,472,754	575,199
Attributable to owners of the parent		2,472,754	575,199
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted for the period	8	RMB1.10	RMB0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	2,472,754	575,199
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	(253)	–
Impairment losses, net of tax	268	46
Exchange differences on translation of foreign operations	(6,620)	2,149
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(6,605)	2,195
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(6,605)	2,195
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,466,149	577,394
Attributable to owners of the parent	2,466,149	577,394

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	8,704,673	8,617,418
Right-of-use assets		1,220,415	1,183,290
Prepayments, other receivables and other assets		521,643	566,805
Other intangible assets		8,554	10,866
Loans to the ultimate holding company		–	399,160
Deferred tax assets		33,044	159,052
Other non-current financial assets		9,716	8,305
Total non-current assets		10,498,045	10,944,896
CURRENT ASSETS			
Inventories		5,182,035	5,400,912
Trade receivables	10	12,240,535	9,567,370
Trade receivable financing		170,236	45,230
Prepayments, other receivables and other assets		519,146	381,766
Derivative financial instruments		4,654	15,520
Due from related parties	15	280	236
Loans to the ultimate holding company		399,160	–
Pledged deposits		418	20,314
Cash and cash equivalents		5,640,274	1,650,730
Total current assets		24,156,738	17,082,078
Total assets		34,654,783	28,026,974
CURRENT LIABILITIES			
Trade and bills payables	11	7,722,669	7,339,882
Other payables and accruals		4,477,767	2,679,785
Lease liabilities		216,716	253,840
Derivative financial instruments		3,198	17,055
Tax payable		227,436	108,256
Dividend payable		159,978	–
Interest-bearing bank and other borrowings		1,809,247	–
Total current liabilities		14,617,011	10,398,818
NET CURRENT ASSETS		9,539,727	6,683,260
TOTAL ASSETS LESS CURRENT LIABILITIES		20,037,772	17,628,156

■ ■ ■ INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		117,029	18,377
Lease liabilities		502,058	498,252
Deferred income		123,041	122,054
Total non-current liabilities		742,128	638,683
Net assets		19,295,644	16,989,473
EQUITY			
Share capital	12	4,052,228	4,052,228
Other reserves		15,243,416	12,937,245
Total equity		19,295,644	16,989,473

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital (unaudited) RMB'000 (note 12)	Fair value reserve of financial assets at fair value through other comprehensive income (unaudited) RMB'000	Contributed surplus reserve (unaudited) RMB'000	Statutory surplus reserve (unaudited) RMB'000	Exchange fluctuation reserve (unaudited) RMB'000	Retained profits (unaudited) RMB'000	Total equity (unaudited) RMB'000
At 31 December 2018	4,052,228	(61)	(46,323)	919,972	(181,908)	11,081,424	15,825,332
Effect of adoption of HKFRS 16	-	-	-	-	-	-	-
At 1 January 2019	4,052,228	(61)	(46,323)	919,972	(181,908)	11,081,424	15,825,332
Profit for the period	-	-	-	-	-	575,199	575,199
Changes in fair value of trade receivable financing	-	46	-	-	-	-	46
Exchange differences on translation of foreign operations	-	-	-	-	2,149	-	2,149
Total comprehensive income for the period	-	46	-	-	2,149	575,199	577,394
2018 Final dividend declared	-	-	-	-	-	(439,375)	(439,375)
At 30 June 2019	4,052,228	(15)	(46,323)	919,972	(179,759)	11,217,248	15,963,351

	Share capital (unaudited) RMB'000 (note 12)	Fair value reserve of financial assets at fair value through other comprehensive income (unaudited) RMB'000	Contributed surplus reserve (unaudited) RMB'000	Statutory surplus reserve (unaudited) RMB'000	Exchange fluctuation reserve (unaudited) RMB'000	Retained profits (unaudited) RMB'000	Total equity (unaudited) RMB'000
At 1 January 2020	4,052,228	(154)	(46,323)	964,484	(175,944)	12,195,182	16,989,473
Profit for the period	-	-	-	-	-	2,472,754	2,472,754
Changes in fair value of trade receivable financing	-	15	-	-	-	-	15
Exchange differences on translation of foreign operations	-	-	-	-	(6,620)	-	(6,620)
Total comprehensive income for the period	-	15	-	-	(6,620)	2,472,754	2,466,149
2019 Final dividend declared	-	-	-	-	-	(159,978)	(159,978)
At 30 June 2020	4,052,228	(139)*	(46,323)*	964,484*	(182,564)*	14,507,958*	19,295,644

* These reserve accounts comprise the consolidated reserves of RMB15,243,416,000 (31 December 2019: RMB12,937,245,000) in the interim condensed consolidated statement of financial position as at 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	For the six months ended	
		30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,830,610	618,793
Adjustments for:			
Finance costs		27,627	13,625
Interest income		(24,555)	(31,085)
Government grants and subsidies		(3,355)	(5,370)
Loss on disposal of items of property, plant and equipment	5	46,372	7,432
Depreciation of property, plant and equipment	5	850,381	1,004,802
Amortisation of other intangible assets	5	2,413	4,302
Depreciation of right-of-use assets	5	121,565	103,213
Impairment of trade receivables	5	73,123	5,712
Impairment of trade receivables reversed	5	(7,691)	(3,435)
Impairment of trade receivable financing	5	268	–
Impairment of other receivables		12	–
Impairment of other receivables reversed		–	(17)
Impairment of amounts due from related parties reversed	5	(402)	–
Write-down of inventories to net realisable value	5	2,792	39,113
Fair value gains, net:			
Derivative instruments		(2,991)	(3,209)
Fair value gains on other non-current financial assets		(1,411)	–
		3,914,758	1,753,876
Decrease/(increase) in inventories		216,085	(960,194)
(Increase)/decrease in trade receivables		(2,738,597)	35,103
Increase in trade receivable financing		(125,259)	–
Increase in prepayments, other receivables and other assets		(137,392)	(212,471)
Increase/(decrease) in trade and bills payables		776,088	(1,622,585)
Increase in other payables		1,586,649	43,675
Increase in amounts due from related parties		358	372
Increase/(decrease) in deferred income		4,342	(4,360)
Cash generated from/(used in) operations		3,497,032	(966,584)
Interest received		24,555	31,085
Tax paid		(14,016)	(100,372)
Net cash flows from/(used in) operating activities		3,507,571	(1,035,871)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended	
	30 June 2020 (Unaudited) RMB'000	30 June 2019 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(1,131,383)	(1,083,830)
Additions to prepaid land lease payments included in right-of-use assets	(102,855)	(78,933)
Purchases of other intangible assets	(101)	(2,647)
Proceeds from disposal of items of property, plant and equipment	5,031	18,953
Decrease/(increase) in pledged deposits	19,896	(20,000)
Net cash flows used in investing activities	(1,209,412)	(1,166,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	2,157,317	–
Repayment of bank loans	(349,055)	–
Interest paid	(10,328)	–
Principal portion of lease payments	(107,354)	(90,910)
Net cash flows from/(used in) financing activities	1,690,580	(90,910)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,988,739	(2,293,238)
Cash and cash equivalents at beginning of period	1,650,730	4,741,377
Effect of foreign exchange rate changes, net	805	(458)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,640,274	2,447,681

1. CORPORATE INFORMATION

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

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

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

The Group was principally engaged in the business of the manufacture and sales of handset components, modules and other products, 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 People's Republic of China (the "PRC") whose H shares are listed on the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company's auditors have reported on the financial statements for the year ended 31 December 2019. The auditor's report was unqualified; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.



2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, the reduction in the lease payments arising from the rent concessions has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group's primary business is the manufacture, assembly and sale of mobile handset components, modules and other products. 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.

4. REVENUE

DISAGGREGATED REVENUE INFORMATION FOR REVENUE FROM CONTRACTS WITH CUSTOMERS

For the six months ended 30 June 2020	Total
Segments	RMB'000 (Unaudited)
Types of goods or services	
Sale of mobile handset components, modules and other products	31,386,402
Geographical markets	
The PRC (including Hong Kong, Macau, and Taiwan)	25,284,650
Overseas	6,101,752
Total revenue from contracts with customers	31,386,402
Timing of revenue recognition	
Goods transferred at a point in time	31,386,402

For the six months ended 30 June 2019	Total
Segments	RMB'000 (Unaudited)
Types of goods or services	
Sale of mobile handset components, modules and other products	23,280,207
Geographical markets	
The PRC (including Hong Kong, Macau, and Taiwan)	18,976,060
Overseas	4,304,147
Total revenue from contracts with customers	23,280,207
Timing of revenue recognition	
Goods transferred at a point in time	23,280,207

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cost of inventories sold		27,283,691	21,689,694
Depreciation of property, plant and equipment		850,381	1,004,802
Depreciation of right-of-use assets		121,565	103,213
Amortisation of intangible assets [#]		2,413	4,302
Impairment of trade receivables ^{####}		73,123	5,712
Impairment losses of trade receivables reversed ^{####}		(7,691)	(3,435)
Write-down of inventories to net realisable value ^{###}		2,792	39,113
Loss on disposal of items of property, plant and equipment ^{##}	9	46,372	7,432

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

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

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

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

6. INCOME TAX

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

The prevailing corporate income tax rate in Mainland China where the Group primarily operates is 25%. Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy reduced enterprise income tax rates of 15% of the estimated assessable profits for the period. Certain subsidiaries operating in Mainland China are entitled to enjoy a preferential CIT rate of 15% of the estimated assessable profits for the period pursuant to the Western Development Policy of the PRC.

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	132,950	99,814
Current – Else where		
Charge for the period	247	–
Deferred	224,659	(56,220)
Total tax charge for the period	357,856	43,594

7. DIVIDENDS

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Final declared – RMB0.071 (2019: RMB0.195) per ordinary share	159,978	439,375

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

The calculation of the basic earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,253,204,500 (2019: 2,253,204,500) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	2,472,754	575,199
	Number of shares	
	30 June 2020	30 June 2019
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	2,253,204,500	2,253,204,500

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB994,577,000 (30 June 2019: RMB782,229,000).

Assets with a net book value of RMB51,403,000 were disposed of by the Group during the six months ended 30 June 2020(30 June 2019: RMB26,385,000), resulting in a net loss on disposal of RMB46,372,000 (30 June 2019: loss of RMB7,432,000).

10. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	12,423,127	9,684,530
Impairment	(182,592)	(117,160)
	12,240,535	9,567,370

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:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within three months	10,891,349	9,011,492
Four to six months	588,308	511,649
Seven months to one year	760,878	43,899
Over one year	-	330
	12,240,535	9,567,370

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due from the ultimate holding company	190,251	157,760
Due from the intermediate holding company	146,010	164,230
Due from fellow subsidiaries	3,477,181	396,975
	3,813,442	718,965

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

11. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within three months	6,858,236	6,405,173
Three to six months	356,099	780,576
Six months to one year	472,934	51,550
One to two years	29,719	95,005
Over two years	5,681	7,578
	7,722,669	7,339,882

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

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Due to the ultimate holding company	133,493	150,210
Due to the intermediate holding company	1,829,109	1,377,758
Due to fellow subsidiaries	3,914,336	3,546,888
	5,876,938	5,074,856

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

12. SHARE CAPITAL

SHARES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Issued and fully paid 2,253,204,500 (2019: 2,253,204,500) ordinary shares	4,052,228	4,052,228

13. CONTINGENT LIABILITIES

ACTION AGAINST FOXCONN

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

14. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	427,476	453,224
Buildings	145,949	74,523
	573,425	527,747

15. RELATED PARTY TRANSACTIONS

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

Nature of transactions	Notes	Related parties	For the six months ended 30 June	
			2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of plant and machinery to:	(i)	Ultimate holding company	2,195	334
		Fellow subsidiaries	493	3,881
Purchases of plant and machinery from:	(i)	Ultimate holding company	9,151	5,251
		Fellow subsidiaries	22,431	22,666
Purchases of inventories from:	(ii)	Ultimate holding company	135,316	113,723
		Intermediate holding company	-	59,112
		Fellow subsidiaries	694,879	264,101
Sales of inventories to:	(ii)	Ultimate holding company	35,999	21,525
		Fellow subsidiaries	582,952	446,154
Lease and ancillary services payments:	(iii)	Ultimate holding company	47,119	43,271
		Fellow subsidiaries	366,665	338,931
Exclusive processing services received from:	(iv)	Ultimate holding company	82,093	124,869
		Fellow subsidiaries	400,649	55,708
Exclusive processing services provided to:	(iv)	Ultimate holding company	8,476	5,550
		Fellow subsidiaries	73,651	10,475

15. RELATED PARTY TRANSACTIONS (Continued)

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

Nature of transactions	Notes	Related parties	For the six months ended 30 June	
			2020	2019
			RMB'000 (Unaudited)	RMB'000 (Unaudited)
Agent fee for procurement service received from:	(v)	Intermediate holding company	8,893	25,437
		Fellow subsidiaries	7,260	6,344
Sales of glass casing products to:	(vi)	Fellow subsidiaries	25,052	79,938
Purchases automotive core components and special purpose electric vehicles from:	(vii)	Fellow subsidiaries	5,620	59,990
Electricity fee received from	(viii)	Ultimate holding company	1,281	1,226
		Fellow subsidiaries	30,777	35,725
Sales of masks to:	(ix)	Ultimate holding company	13,306	–
		Fellow subsidiaries	8,005,039	–

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 payments were charged on an actually incurred basis or in accordance with terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iv) The processing service fees and revenue were charged and received for the depreciation of the relevant machinery and equipment during the year ended 30 June 2020.
- (v) The agent fee for the procurement service was charged on a certain percentage of the total amount of procurement provided by the fellow subsidiaries on behalf of the Group.
- (vi) The sales of glass casing products were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (vii) The purchases of automotive core components and special purpose electric vehicles were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (viii) The sales of power supply services were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (ix) The sales of masks were conducted in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

BYD Precision, a wholly-owned subsidiary of the Company, provided entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), the ultimate holding company of the Company, through China Construction Bank. The loans were unsecured, bear a fixed interest rate of 4.75% and due in 2020.

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 10 and 11 to the financial statements.

The Group had an outstanding balance due from its related company of RMB280,000 (31 December 2019: RMB236,000) as at the end of the reporting period.

The Group has several rental contracts with BYD Group. As at 30 June 2020, the Group had total lease liabilities with these related companies under non-cancellable leases falling due as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities – current		
Ultimate holding company	62,018	28,264
Fellow subsidiaries	153,681	48,301
Lease liabilities – non-current		
Ultimate holding company	38,375	112,095
Fellow subsidiaries	120,851	274,789
	374,925	463,449

As at 30 June 2020, the Group's right-of use assets relating to such rental contracts amounted to RMB339,442,000 (31 December 2019: 423,215,000).

15. RELATED PARTY TRANSACTIONS (Continued)

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	7,876	7,639
Pension scheme contributions	34	53
	7,910	7,692

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

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 and amounts due from/to the ultimate holding company and the immediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Trade receivable financing	–	170,236	–	170,236
Derivative financial instruments	–	4,654	–	4,654
Other non-current financial assets	9,716	–	–	9,716
	9,716	174,890	–	184,606

As at 31 December 2019

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
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

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

FAIR VALUE HIERARCHY (Continued)

*Liabilities measured at fair value:***As at 30 June 2020**

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments	–	3,198	–	3,198
	–	3,198	–	3,198

The Group did not have any financial liabilities measured at fair value as at 31 December 2019.

*Assets for which fair values are disclosed:***As at 30 June 2020**

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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

FAIR VALUE HIERARCHY (Continued)

Assets for which fair values are disclosed: (Continued)

As at 31 December 2019

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

Liabilities for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Interest-bearing bank and other borrowings	–	1,809,247	–	1,809,247
	–	1,809,247	–	1,809,247

The Group did not have any financial liabilities for which fair values are disclosed as at 31 December 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 August 2020.



Electronics

比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED