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

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

(Stock code: 285)

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

2014 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors of the Company (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months period ended 30 June 2014. This announcement, containing the full text of the 2014 Interim Report of the Company is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. Printed version of the Company’s 2014 Interim Report will be delivered to the Company’s shareholders and is also be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk> and of the Company at <http://www.byd-electronic.com>.

By Order of the Board
BYD Electronic (International) Company Limited
LI Ke
Director

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Turnover	19.79%	to RMB9,104 million
Gross profit	28.36%	to RMB1,061 million
Profit attributable to equity holders of the parent	86.34%	to RMB590 million
Earnings per share	86.34%	to RMB0.26

HIGHLIGHTS

- The success in securing smart phone ODM orders from global leading brand contributed to a rapid growth in the Group's income
- The Group's business structure continued to improve, thus resulting in an enhancement in profitability of the Group
- The successful expansion of customer base in mobile intelligent terminals area brought new growth drivers to the Group

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014 (the “Period”), global economy continued to recover, while the performance of the US economy improved gradually and the economy of the Eurozone recorded a faster growth. Benefiting from an upturn of oversea economies, China’s exports continued its growth momentum. Domestically, the Central Government focused on adjusting and reforming economic structure, promoted industrial upgrading and implemented targeted micro adjustment policies, thereby maintaining a stable growth of the overall economy.

During the Period, the worldwide handset market grew steadily. According to leading global research firm IDC, global handset shipments in the first half of 2014 rose by 5.5% from the same period of last year to 921 million. Specifically, smartphone developed by leaps and bounds, and coupled with the spread of global 4G networks, has led to substantial increase in its shipments, which increased by 28.4% in the first half of 2014 from the same period of last year to approximately 589 million. The percentage of smartphone shipments in global handset market shipment volume recorded a year-on-year increase to approximately 64%, which continued to surpass that of regular handsets and lead the mobile communications market.

In the Chinese market, Domestic manufacturers successively introduced new models of smartphones, thereby constantly improving their own brand awareness. According to data from the Academy of Telecommunications Research under the Ministry of Industry and Information Technology (MIIT), smartphone shipment volume in China reached 193 million units in the first half of 2014, representing a year-on-year decrease of 9.9%. Nevertheless, market share was maintained at as high as 87.7%. Despite a decrease in smartphone shipments, the issue of fourth generation communications (4G) licenses in China at the end of 2013 significantly induced the replacement of mobile terminals and brought about new opportunities for mobile intelligent terminal market.

As for material application, global smartphone technology is undergoing rapid development while consumers have increasingly higher demands for hardware. Leading global smartphone manufacturers pioneered the use of metallic materials in the casings and structural components of high-end smartphones, which significantly enhanced the aesthetical appeal, texture and functionality of products and secured booming market demands. In view of the outstanding performance of metal materials, an increasing number of mobile phone manufacturers at home and abroad began to use metal casing and structural components in an effort to enhance the competitiveness of products, attract more consumer demand. The rising penetration rate of metal components in the global smart phone market brought enormous development opportunities for suppliers with strength in technology, quality, scale, cost efficiency as well as leading market positions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BYD Electronic (International) Company Limited (“BYD Electronic” or the “Company”) and its subsidiaries (collectively, the “Group”) are among the handset component and assembly service suppliers who enjoy leading technological strength and cost competitiveness, and adopt an operating strategy of providing one-stop services with high vertical integration capabilities and provides handset brand manufacturers with such services as the manufacture of handset components, including handset casings and structural parts, and handset modules, as well as the provision of complete handset design and assembly services and the provision of design, parts manufacturing and assembly services of other electronic products.

In the first half of 2014, in light of the rapid growth of market demand, domestic and overseas handsets manufacturers continued to launch new products with emphasis on both aesthetical appeal, texture and performance. As such, the demand for spare parts for handsets continued to increase. Leveraging the Group’s highly vertical integration capabilities, strong product competitiveness and advantages with high value for money, the Group achieved satisfactory growth in the handset components and assembly sector. During the Period, the Group recorded sales of approximately RMB9,104 million, representing an increase of approximately 19.79% year on year. Profit attributable to shareholders increased by approximately 86.34% year-on-year to approximately RMB590 million.

With market-leading core technologies, the Group successfully developed the plastics-and-metal hybrid technology (PMH) to realize the nano scale fusion of metal and plastic with enhanced aesthetical appeal and texture. Meanwhile, the PMH technology also significantly improved the signal reception of conventional metal components. Overall, this high-end technology met the stringent demand from smartphone manufacturers and the Group secured a number of high-end flagship model orders from domestic and overseas smartphone manufacturers. Moreover, the Group became highly recognized by the market, and successfully reinforced its comprehensive competitiveness and strategic position in the industry by successfully securing an established smartphone manufacturer in Korea.

As for our customers, the Group continued to deepen its business strategy to maintain good relationship with our existing global customers, continuously promote the development of new business and strengthen the relationship with its long-term partners. In the meantime, the Group also aggressively developed new customers at home and abroad, and achieved remarkable results during the Period.

With a strong foundation in the handset components and assembly sector, the Group vigorously developed ODM business with higher profitability by drawing upon its extensive experience, high-end technical expertise and integrated capability, and achieved significant breakthroughs during the Period. During the Period, the Group achieved continued growth in sales of its products and businesses, which include smartphones, tablet and mobile terminal sectors. Accordingly, the Group successfully won ODM orders from a leading global brand and provided one-stop services ranging from complete handset design, component production to complete handset assembly for customers. Benefiting from active promotion for the holders by the leading global brand, the Group recorded a good growth in income from this business segment. Overall, the Group successfully created new growth opportunities by leveraging on its outstanding technical expertise and capturing the opportunity of the rapid development of the market.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE STRATEGY

Looking ahead to the second half of the year, the trend of the recovery of the US economy can be expected while the economies in Eurozone are expected to recover from recession. Domestically, the Chinese government will strive to achieve progress in a stable manner by maintaining stability of its policies, proactively adjusting the economic structure and promoting transformation and upgrading. The positive macroeconomic backdrop will be conducive to the sustainable development of, various sectors, thereby providing a healthier business environment to the domestic handset industry.

Along with the rapid development of the mobile Internet, the mobile intelligent terminal market will maintain a robust demand. Gartner forecasts that smartphone shipments for 2014 will continue to rise to approximately 120 million units to 130 million units, which saw a continuous growth in the proportion of total global handset shipment volume. It is also forecast that total tablet shipment volume will increase 23.9% to 260 million units. In the Chinese market, as the Chinese government issued 4G licenses at the end of 2013, the technological upgrading of the industry will drive the growth of consumers' demand for mobile communication terminals. IDC forecast that smart phone shipments from China for this year will expand by 19.8% to a total of 420 million units.

In view of the fast growth of the market, domestic and overseas handsets manufacturers have been working hard in launching more smartphones to capture more market shares. In order to enhance the quality, manufacturers at home and abroad used more and more metal casings. These products provide customer with mechanical performance of metal casings in terms of aesthetical appeal, texture and signal reception. The Group believes that PMH metal casings will become more and more popular in terms of its application. Such rapid growth momentum is expected to continue. As a pioneer in developing and promoting this technology, BYD Electronics will leverage its advantage as a pioneer and continue to enhance its leading position. Meanwhile, it will expand its application so as to develop this business into one of the major driving forces for the future development of the Group.

In addition, it is expected that the demand for smartphone and tablets and other mobile terminals would continue to expand. The Group expects that this development would drive the rapid development of the handset components and assembly services. The Group will capitalize on the market opportunities in ODM business development to secure more orders from leading global brands, so as to develop a strong and stable customer base for its expansion in share in the market of smartphones and increase the Group's income and profit levels.

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

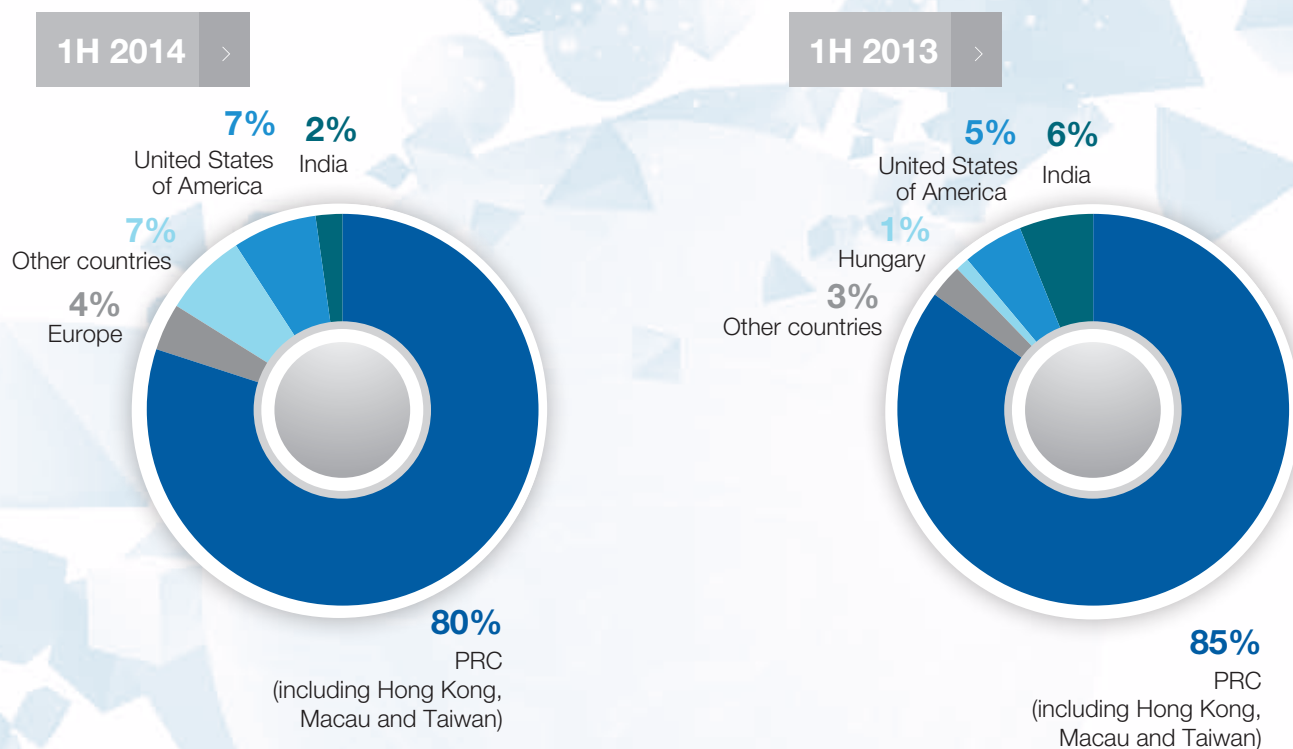
MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Segmental Information

Set out below is a comparison of geographical information by customer locations for the six months ended 30 June 2013 and 2014:



Gross Profit and Margin

The Group's gross profit for the Period increased by approximately 28.36% to approximately RMB1,061 million. Gross profit margin increased from approximately 10.88% in the first half of 2013 to approximately 11.66% during the Period. The increase in gross margin was mainly due to the improvement in gross profit margin of assembly sector.

Liquidity and Financial Resources

During the Period, the Group recorded cash flows used in operations of approximately RMB366 million, compared to RMB391 million recorded cash inflow in the first half of 2013. During the Period, the significant increase in accounts receivables resulted in cash outflow.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. For the six months ended 30 June 2014, the turnover days of accounts and bills receivables were approximately 85 days, while the turnover days were approximately 79 days for the six months ended 30 June 2013. The increase in turnover of accounts and bills receivables was primarily due to the increase in average balance of accounts and bills receivables. Inventory turnover decreased from approximately 55 days for the six months ended 30 June 2013 to approximately 46 days for the Period. The change in inventory turnover was primarily due to the higher year-on-year increase in cost of sales than the year-on-year increase in average inventory.

Capital Structure

The duty of the Company's financial division is to oversee the Company's financial risk management, and to operate in accordance with the policies approved and implemented by the senior management. As at 30 June 2014, the Company did not have any borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Company's current bank deposits and cash balances and fixed deposits as well as the Company's bank facilities and net cash generated from operating activities will be sufficient to satisfy the Company's material commitments and the requirements for working capital, capital expenditure, business expansion, investments and expected debt repayment needs for at least the next six months.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 30 June 2014, the Company had over 60 thousand employees. During the Period, total staff cost accounted for approximately 15.89% of the Company's turnover. Employee remuneration is determined on the basis of the Company employees' performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission may also be awarded to employees based on their annual performance evaluation. In addition, incentives may be offered for personal drive and encouragement.

Share Capital

As at 30 June 2014, the share capital of the Company was as follows:

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

Purchase, Sale or Redemption of Shares

In the six months ended 30 June 2014, the Company did not redeem any of its shares. During the Period, neither the Company nor any of its subsidiaries purchased or sold any shares in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 June 2014, the Company had capital commitments of approximately RMB272 million (31 December 2013: approximately RMB154 million).

Contingent Liabilities

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

SUPPLEMENTARY INFORMATION

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

As at 30 June 2014, the relevant interests or short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company or its associated corporations (with the meaning of Part XV of the Securities and Future Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO"), which are required to be notified to the Company and the Hong Kong Stock Exchange Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange were as follows:

Number of Director	Name of corporation	Capacity	Name of issued shares held	Approximate percentage of total issued share capital of the corporation
Ms. LI Ke	The Company	Beneficial Interest	8,602,000 ¹ (long position)	0.38%
	BYD Company Limited ("BYD")	Personal Interest	11,884,500 ² (long position)	0.48%
Mr. SUN Yi-zao	The Company	Beneficial Interest	5,797,000 ¹ (long position)	0.26%
	BYD	Personal Interest	8,164,680 ² (long position)	0.33%

MANAGEMENT DISCUSSION AND ANALYSIS

Number of Director	Name of corporation	Capacity	Name of issued shares held	Approximate percentage of total issued share capital of the corporation
Mr. WU Jing-sheng	The Company	Beneficial Interest	8,602,000 ¹ (long position)	0.38%
	BYD	Personal Interest	4,420,880 ² (long position)	0.18%
Mr. WANG Chuan-fu	BYD	Personal Interest	570,642,580 ³ (long position)	23.05%

Notes:

1. The shares are held by Gold Dragonfly Limited, a company incorporated in the British Virgin Islands and wholly owned by BF Gold Dragon Fly (PTC) Limited as trustee of BF Trust, of which Ms. LI Ke, Mr. SUN Yi-zao and Mr. WU Jing-sheng are beneficiaries.
2. These are the A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jing-sheng. The total issued share capital of BYD as at 30 June 2014 was RMB2,476,000,000, comprising 1,561,000,000 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Ms. LI Ke, Mr. Sun Yi-zao and Mr. Wu Jine-sheng represented approximately 0.76%, 0.52% and 0.28% of the total issued A shares of BYD as of 30 June 2014.
3. These are the A shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 36.56% of total issued A shares of BYD as of 30 June 2014.

Save as disclosed above, none of the Directors or chief executive had or was deemed to have any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2014.

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares", at no time during the year ended 30 June 2014 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, to the best knowledge of the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the ordinary shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of shareholding in total issued share capital
Golden Link Worldwide Limited ("Golden Link")	Beneficial interest	1,481,700,000 (long position)	65.76%
BYD (H.K.) Company, Limited ("BYD H.K.")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
BYD Company Limited ("BYD")	Interest of controlled corporation ¹	1,481,700,000 (long position)	65.76%
Gold Dragonfly Limited ("Gold Dragonfly")	Beneficial interest	158,820,500 (long position)	7.05%
BF Gold Dragon Fly (PTC) Limited ("BF Trustee")	Trustee ²	158,820,500 (long position)	7.05%

Notes:

1. BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.
2. The 158,820,500 shares of the Company are held by Gold Dragonfly, a company incorporated in the British Virgin Islands and wholly owned by BF Trustee as trustee of BF Trust, the beneficiaries of which are BYD, its subsidiaries and 32 employees of 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 2014, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practice

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

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

Compliance with the Model Code for Securities by Directors of Listed Issuers

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

Disclosure Pursuant to Rule 13.51B (1) of the Listing Rules

During the period from the date of publication of the latest annual report of the Company to 30 June 2014, 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 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

The Board's Diversity Policy

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 22 August 2014 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the Period) before recommending them to the Board for approval.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2013: Nil).

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
REVENUE	5	9,104,236	7,600,368
Cost of sales		(8,042,968)	(6,773,564)
Gross profit		1,061,268	826,804
Other income and gains	5	154,082	113,199
Research and development costs		(273,171)	(280,470)
Selling and distribution costs		(76,698)	(65,384)
Administrative expenses		(163,022)	(166,994)
Other expenses		(43,734)	(67,844)
Finance costs	6	(3,487)	(2,514)
PROFIT BEFORE TAX	7	655,238	356,797
Income tax expense	8	(65,064)	(40,086)
PROFIT FOR THE PERIOD			
Attributable to the owners of the parent		590,174	316,711
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted for the period	9	RMB0.26	RMB0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	590,174	316,711
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	44,449	(52,331)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	44,449	(52,331)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	634,623	264,380
Attributable to owners of the parent	634,623	264,380

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,018,066	4,209,854
Prepaid land lease payments		227,784	228,964
Prepayment for property, plant and equipment		93,889	65,075
Other intangible assets		8,377	8,851
Loan to the ultimate holding company		400,000	400,000
Deferred tax assets		185,445	173,879
Total non-current assets		4,933,561	5,086,623
CURRENT ASSETS			
Inventories	11	1,994,164	1,862,279
Trade and bills receivables	12	5,140,659	3,437,408
Prepayments, deposits and other receivables		280,952	449,144
Due from fellow subsidiaries		97,919	63,846
Due from the intermediate holding company		109,133	109,133
Due from the ultimate holding company		230,262	206,087
Pledged deposits		49,286	86,851
Short-term deposits		312,851	200,000
Cash and cash equivalents		1,717,238	2,375,234
Total current assets		9,932,464	8,789,982
CURRENT LIABILITIES			
Trade and bills payables	13	3,490,708	3,833,975
Other payables		667,055	646,762
Tax payable		89,798	71,285
Dividend payable		64,892	–
Due to fellow subsidiaries		399,413	379,553
Due to the ultimate holding company		750,287	110,889
Total current liabilities		5,462,153	5,042,464
NET CURRENT ASSETS		4,470,311	3,747,518
TOTAL ASSETS LESS CURRENT LIABILITIES		9,403,872	8,834,141
Net assets		9,403,872	8,834,141
EQUITY			
Issued capital		216,999	216,999
Reserves		9,186,873	8,552,301
Proposed final dividend		–	64,841
Total equity		9,403,872	8,834,141

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Issued capital (Unaudited) RMB'000	Capital redemption reserve (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Contributed surplus (Unaudited) RMB'000	Statutory surplus reserve (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2013	216,999	1,670	3,833,559	(46,323)	518,541	(200,910)	-	3,930,882	8,254,418
Profit for the period	-	-	-	-	-	-	-	316,711	316,711
Exchange differences on translation of foreign operations	-	-	-	-	-	(52,331)	-	-	(52,331)
Total comprehensive income for the period	-	-	-	-	-	(52,331)	-	316,711	264,380
At 30 June 2013	216,999	1,670	3,833,559	(46,323)	518,541	(253,241)	-	4,247,593	8,518,798
At 1 January 2014	216,999	1,670*	3,833,559*	(46,323)*	593,003*	(269,592)*	64,841	4,439,984*	8,834,141
Profit for the period	-	-	-	-	-	-	-	590,174	590,174
Exchange differences on translation of foreign operations	-	-	-	-	-	44,449	-	-	44,449
Total comprehensive income for the period	-	-	-	-	-	44,449	-	590,174	634,623
Final 2013 dividend declared**	-	-	-	-	-	-	(64,841)	(51)	(64,892)
At 30 June 2014	216,999	1,670*	3,833,559*	(46,323)*	593,003*	(225,143)*	-	5,030,107*	9,403,872

* These reserve accounts comprise the consolidated reserves of RMB9,186,873,000 (31 December 2013: RMB8,552,301,000) in the interim condensed consolidated statement of financial position as at 30 June 2014.

** On 25 June 2014 the shareholders approved the distribution of a dividend of RMB0.0288 per share for the year ended 31 December 2013 which has been subsequently paid on 13 August 2014.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		For the six months ended 30 June	
	Note	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		655,238	356,797
Adjustments for:			
Finance costs	6	3,487	2,514
Interest income	5	(59,604)	(33,593)
Loss on disposal of items of property, plant and equipment	7	3,838	1,249
Depreciation	7	414,349	334,411
Amortisation of intangible assets	7	1,305	1,669
Recognition of prepaid land lease payments		2,471	1,499
Impairment of trade receivables	7	29,977	347
Impairment of trade receivables reversed	7	(364)	(3,374)
Write-down of inventories to net realisable value	7	39,223	23,377
		1,089,920	684,896
Increase in inventories		(171,108)	(412,135)
Increase in trade and bills receivables		(1,732,864)	(1,084,403)
Decrease/(increase) in prepayments, deposits and other receivables		168,205	(85,320)
(Increase)/decrease in amounts due from fellow subsidiaries		(34,073)	39,573
(Increase)/decrease in an amount due from the ultimate holding company		(24,175)	76,652
(Decrease)/increase in trade and bills payables		(343,267)	996,585
Increase in other payables		20,294	98,397
Increase in an amount due to fellow subsidiaries		19,860	141,057
Increase/(decrease) in an amount due to the ultimate holding company		639,398	(42,568)
Cash (used in)/generated from operations		(367,810)	412,734
Interest received	5	59,604	33,593
Tax paid		(58,117)	(55,385)
Net cash flows (used in)/from operating activities		(366,323)	390,942

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		For the six months ended 30 June	
	Note	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(253,200)	(452,607)
Additions to prepaid land lease payments		(33)	–
Additions to other intangible assets		(831)	(2,157)
Proceeds from disposal of items of property, plant and equipment		12,368	28,281
Increase in short-term deposits		(112,851)	–
Decrease/(increase) in pledged deposits		37,565	(100,657)
Net cash flows used in investing activities		(316,982)	(527,140)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(3,487)	(2,514)
Net cash flows used in financing activities		(3,487)	(2,514)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(686,792)	(138,712)
Cash and cash equivalents at beginning of period		2,375,234	2,111,365
Effect of foreign exchange rate changes, net		28,796	(11,529)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,717,238	1,961,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,766,524	2,078,313
Pledged deposits		(49,286)	(117,189)
Cash and cash equivalents at end of period		1,717,238	1,961,124

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. CORPORATION INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new standards and interpretations as noted below.

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities Amendments
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. These amendments have no impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have no impact on the financial position or performance of the Group upon adoption on 1 January 2014.

Amendments to HKIAS 39 Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has no derivatives during the current or prior periods.

HK(IFRIC)-Int 21 Levies is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 Income Taxes) and fines or other penalties for breaches of legislation. This interpretation has no impact to the Group.

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

4. SEGMENT INFORMATION

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Revenue		
Sales of mobile handset components and modules	4,213,654	4,072,949
Assembly services income	4,890,582	3,527,419
	9,104,236	7,600,368

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Other income and gains		
Bank interest income	59,604	33,593
Gain on disposal of scrap and materials	58,661	65,388
Others	35,817	14,218
	154,082	113,199

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. FINANCE COSTS

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest on factored trade receivables	3,487	2,514

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Cost of inventories sold	3,441,413	3,370,043
Cost of services provided	4,562,332	3,380,144
Depreciation	414,349	334,411
Amortisation of other intangible assets	1,305	1,669
Impairment of trade receivables	29,977	347
Impairment losses of trade receivables reversed	(364)	(3,374)
Write-down of inventories to net realisable value	39,223	23,377
Loss on disposal of items of property, plant and equipment	3,838	1,249

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

8. INCOME TAX

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current-Mainland China	76,630	54,314
Deferred	(11,566)	(14,228)
Total tax charge for the period	65,064	40,086

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, as in the basic earnings per share calculation	590,174	316,711

	For the six months ended 30 June	
	2014	2013
Shares		
Number of ordinary shares in issue during the period	2,253,204,500	2,253,204,500

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB224,385,000 (six months ended 30 June 2013: RMB438,764,000) on additions to property, plant and equipment.

Assets with a net book value of RMB16,206,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB29,530,000) resulting in a net loss on disposal of RMB3,838,000 (six months ended 30 June 2013: loss of RMB1,249,000).

11. INVENTORIES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Raw materials	883,973	711,272
Work-in-progress	21,617	22,312
Finished goods	1,065,264	1,090,845
Mould held for production	23,310	37,850
	1,994,164	1,862,279

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

12. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 90 days	4,826,253	3,277,515
91 to 180 days	304,608	138,828
181 to 360 days	9,798	21,065
	5,140,659	3,437,408

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

13. TRADE AND BILLS PAYABLES

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 90 days	3,218,230	3,464,316
91 to 180 days	234,100	331,182
181 to 360 days	20,145	32,313
1 to 2 years	15,885	4,115
Over 2 years	2,348	2,049
	3,490,708	3,833,975

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

14. CONTINGENT LIABILITIES

On 11 June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the 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. In essence, the Plaintiffs alleged that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000 and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. CONTINGENT LIABILITIES (CONTINUED)

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

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

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

On 21 January 2010, the Plaintiffs based on no reasonable cause of action and other reasons applied to the court for rejecting the contents of some paragraphs in the defendant's counterclaim. On 24 August 2010, the court made a judgement dismissing the application for elimination. On 28 September 2010, the Plaintiffs appealed against the aforesaid judgement. On 31 December 2010, the Court granted leave for the appeal application. In response to the appeal application, the court held hearings on 16 September 2011 and 24 May 2012. On 20 June 2012, the court handed down the judgement to dismiss the appeal relating to the elimination request from the appellant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. CONTINGENT LIABILITIES (CONTINUED)

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

On 6 June 2013, Hong Hai Precision Industry Co., Ltd, Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industrial (Shenzhen) Co., Ltd. (defendants of the counterclaim) replied to the counterclaim from the Defendants and argued that the alleged intervention in the operations of the Defendants and the collusions were not actionable pursuant to the PRC laws, and the alleged charges of written and verbal defamation were legal disclosures under Taiwanese laws, therefore, the counterclaim made by the Defendants against them was groundless. On 27 June 2013, the Defendants made an application to the High Court for raising a defence against the reply from the defendants of the counterclaim. On 6 December 2013, BYD submitted a response against the above-mentioned defence of Foxconn. Both parties exchanged their respective evidence list on 4 July 2014.

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

15. COMMITMENTS

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Contracted, but not provided for:		
Plant and machinery	221,440	95,259
Building	50,264	59,067
	271,704	154,326

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. RELATED PARTY TRANSACTIONS

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

Nature of Transaction	Note	Related parties	For the six months ended 30 June	
			2014	2013
			(Unaudited) RMB'000	(Unaudited) RMB'000
Purchases of plant and machinery	(i)	Ultimate holding company	3,477	581
		Fellow subsidiaries	16,729	15,934
Sales of plant and machinery	(i)	Ultimate holding company	–	889
		Fellow subsidiaries	27,397	23,833
Purchases of inventories	(ii)	Ultimate holding company	155,063	74,311
		Fellow subsidiaries	461,845	291,298
Sales of inventories	(ii)	Ultimate holding company	124,675	87,317
		Fellow subsidiaries	43,535	22,624
Ancillary expenses paid to	(iii)	Ultimate holding company	138,871	79,400
		Fellow subsidiaries	4,186	57,948
Exclusive Processing Service received by	(iv)	Ultimate holding company	1,335	1,917
		Fellow subsidiaries	18,295	19,139
Interest received from	(v)	Ultimate holding company	14,793	14,793

Notes:

- (i) The sales and purchases of plant and machinery were made at net book values.
- (ii) The sales and purchases of inventories were conducted at the then prevailing market prices in accordance with prices and terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iii) Expenses were charged on an actually incurred basis or in accordance with terms mutually agreed between the parties. In the opinion of the directors, the transactions were conducted in the ordinary and usual course of business.
- (iv) The processing service fees were charged for the use of the relevant machinery and equipment at the depreciation basis as mutually agreed between related parties.
- (v) On 29 November 2011, BYD Precision, a wholly-owned subsidiary of the Company provided entrusted loans of RMB400,000,000 to BYD Co., Ltd. ("BYD"), through China Construction Bank, in order to satisfy the need for further working capital of BYD. The loans were unsecured, bear interest at 10% above the prime rate of three-year loans, with a three-year term from 29 November 2011 to 28 November 2014. For the six months ended 30 June 2014, the interest received from the ultimate holding company relating to the entrusted loans was RMB14,793,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

16. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Short term employee benefits	7,376	6,819
Pension scheme contributions	108	79
	7,484	6,898

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

17. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 22 August 2014.

Hong Kong, 22 August 2014

As at the date of this announcement, the executive Directors are Ms. LI Ke and Mr. SUN Yi-zao; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. LIANG Ping.