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-electronics.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Turnover	5.55%	To RMB38,774 million
Gross profit	52.28%	To RMB4,264 million
Profit attributable to owners of the parent	109.56%	To RMB2,585 million
Earnings per share	109.56%	To RMB1.15
Proposed final dividend		RMB0.230 per share

HIGHLIGHTS

- The continuous increase in the penetration rate of metal parts led to significant growth in revenue and profit of the metal parts business of the Group.
- The proactive expansion of new business sectors (such as glass casings) cultivated new growth point for the Group's continuous development in future.
- The Group actively put strategic plans in place for 5G, Internet of things and artificial intelligence solutions, leading the transformation and upgrade of the Group.

FINANCIAL RESULTS

The Board ("Board") of Directors (the "Directors") of BYD Electronic (International) Company Limited (the "Company" or "BYD Electronic") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Year") together with comparative figures in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000*
REVENUE	*4*	**38,774,422**	36,734,264
Cost of sales		**(34,510,484)**	(33,934,135)
Gross profit		**4,263,938**	2,800,129
Other income and gains	*4*	**493,442**	474,005
Government grants and subsidies	*5*	**240,161**	25,502
Research and development expenses		**(1,200,632)**	(978,772)
Selling and distribution expenses		**(229,098)**	(184,698)
Administrative expenses		**(434,024)**	(562,215)
Other expenses		**(97,620)**	(113,914)
Finance costs	*6*	**(44,040)**	(26,953)
PROFIT BEFORE TAX	*7*	**2,992,127**	1,433,084
Income tax expense	*8*	**(407,259)**	(199,593)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		**2,584,868**	1,233,491
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted			
– For profit for the year	*9*	**RMB1.15**	RMB0.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,584,868**	1,233,491
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**7,694**	123,917
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**7,694**	123,917
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**7,694**	123,917
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,592,562**	1,357,408
Attributable to owners of the parent	**2,592,562**	1,357,408

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,430,949**	6,396,606
Prepaid land lease payments		**280,970**	215,155
Prepayments for items of property, plant and equipment		**368,514**	398,569
Other intangible assets		**25,073**	24,938
Loan to the ultimate holding company		**400,000**	400,000
Deferred tax assets		**225,857**	215,990
Available-for-sale investments		**13,779**	–
Total non-current assets		**8,745,142**	7,651,258
CURRENT ASSETS			
Inventories		**4,607,845**	3,337,732
Trade and bills receivables	*10*	**8,556,349**	9,394,599
Prepayments, deposits and other receivables		**654,652**	397,974
Pledge bank deposits		**71**	–
Short-term deposits		**–**	247,360
Cash and cash equivalents		**2,822,267**	2,966,064
Total current assets		**16,641,184**	16,343,729
CURRENT LIABILITIES			
Trade and bills payables	*11*	**8,982,988**	10,118,810
Other payables		**1,855,408**	1,998,659
Due to related parties		**940**	2,760
Tax payable		**173,367**	120,536
Deferred income		**75,301**	–
Total current liabilities		**11,088,004**	12,240,765
NET CURRENT ASSETS		**5,553,180**	4,102,964
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,298,322**	11,754,222
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**25,912**	–
Deferred income		**81,097**	–
Total non-current liabilities		**107,009**	–
Net assets		**14,191,313**	11,754,222
EQUITY			
Share capital	*12*	**4,052,228**	4,052,228
Other reserves		**10,139,085**	7,701,994
Total equity		**14,191,313**	11,754,222

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results for the year ended 31 December 2017 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

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 Unit 1712, 17th Floor, Grand Central Plaza, No. 138 Shatin Rural Committee Road, Shatin, Hong Kong.

The Group was principally engaged in the 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 incoporated in the British Virgin Islands, and the ultimate holding company of the Company is BYD Company Limited, which is established in the PRC.

Information about subsidiaries

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

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

continued/...

Company name	Place of incorporation or registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BYD India Private Limited ("BYD India")***	India	INR2,407,186,600	–	100	Manufacture and sale of mobile handset components and modules. Sale of battery, charger, Iron-phosphate batteries used in Electric Bus, Electric Truck, Electric car, Electric Forklift and its components&spare parts. Build and maintain monorail projects.
Xi'an BYD Electronic Co., Limited ("Xi'an Electronic") (西安比亞迪電子有限公司) *	PRC/Mainland China	RMB100,000,000	–	100	Manufacture and sale of mobile handset components
BYD (Wuhan) Electronic Co., Limited ("Wuhan Electronic") (武漢比亞迪電子有限公司) *	PRC/Mainland China	RMB10,000,000	–	100	Manufacture and sale of mobile handset components
BYD (Shaoguan) Electronic Co., Limited ("Shaoguan Electronic") (韶關比亞迪電子有限公司) *	PRC/Mainland China	RMB30,000,000	–	100	Manufacture and sale of mobile handset components

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

** Huizhou Electronic is registered as a co-operative joint venture enterprise.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments have no impacts on the disclosure of the financial statements as the Group has no liabilities arising from financing activities in the reporting period.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as there is no Group's subsidiary classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 12, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is describe below:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets except:

- the Group's equity investments currently classified as available-for-sale investments will be reclassified to financial assets at fair value through profit or loss or other comprehensive income;

- the financial assets which are not held to collect contractual cash flows will be reclassified as financial assets at fair value through profit or loss;

- Certain of equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables and other debt instruments within the next twelve months. Based on the assessments undertaken to date, the Group does not expect a material change of the loss allowance for the Group's receivables and other debt investments.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018 and plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, and presentation and disclosures as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group's principal activities consist of the manufacture, assembly and sale of mobile handset components and modules. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation.

In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. The Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB147,053,000 at 31 December 2017. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	**31,725,621**	33,419,185
Asia Pacific (excluding PRC)	**5,816,943**	1,337,206
United States of America	**573,316**	940,750
Other countries	**658,542**	1,037,123
	38,774,422	36,734,264

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

(b) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	**7,950,329**	6,878,003
India	**155,104**	157,187
Other countries	**73**	78
	8,105,506	7,035,268

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

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

	2017
	RMB'000
Customer A[1]	**13,821,721**
Customer B[1]	**6,359,453**
Customer C[1]	**6,353,103**
	26,534,277

	2016
	RMB'000
Customer A[1]	15,327,270
Customer B[1]	5,650,082
Customer C[1]	4,796,088
	25,773,440

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of assembly services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of mobile handset components and modules	**17,478,098**	14,875,840
Assembly services income	**21,296,324**	21,858,424
	38,774,422	36,734,264
Other income and gains		
Bank interest income	**27,033**	86,571
Other interest income	**22,921**	22,341
Sale of scrap and materials	**296,525**	199,456
Compensation from suppliers and customers	**66,521**	32,541
Foreign exchange gain, net	**–**	86,763
Others	**80,442**	46,333
	493,442	474,005

5. GOVERNMENT GRANTS AND SUBSIDIES

	2017	2016
	RMB'000	*RMB'000*
Related to assets		
Others	**2,295**	–
Related to income		
Subsidies on research and development activities *(note (a))*	**16,000**	10,000
Subsidies on employee stability *(note (b))*	**18,167**	8,045
Subsidies on operating expense	**203,647**	–
Others	**52**	7,457
	240,161	25,502

Notes:

(a) In 2017, BYD Precision, a subsidiary of the Company, received government grants with an amount of RMB10,000,000 from the Shenzhen Financial Scientific and Technological Innovation Committee (深圳市科技創新委員會) as subsidies on research and development activities. Since the related expenditure was incurred, RMB10,000,000 was fully recognised as government grant income this year (2016: RMB10,000,000).

(b) In 2017, BYD Precision, Huizhou Electronic and Xi'an Electronic, subsidiaries of the Company, received government grants with an aggregate amount of RMB18,167,000 from the Bureau of Human Resources and Social Security (人力資源和社會保障局) as subsidies on employee stability. Since the related expenditure was incurred, RMB18,167,000 was fully recognised as government grant income this year (2016: RMB8,045,000).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on factored trade receivables	**44,040**	26,953

7. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**13,299,208**	12,651,509
Cost of services provided	**21,107,382**	21,167,430
Depreciation	**1,586,915**	1,726,743
Research and development costs:		
Current year expenditure	**1,200,632**	978,772
Minimum lease payments under operating leases	**236,913**	142,652
Auditors' remuneration	**1,590**	1,590
Recognition of prepaid land lease payments#	**5,669**	4,939
Amortisation of intangible assets#	**7,552**	8,933
Employee benefit expense (excluding directors' and senior executive officers' remuneration)		
Wages and salaries	**4,857,284**	4,532,724
Retirement benefit scheme contributions	**342,264**	244,165
	5,199,548	4,776,889
Impairment of trade receivables##	**8,422**	41,841
Impairment losses of trade receivables reversed##	**(34,377)**	(5,334)
Impairment of inventories###	**103,894**	115,196
Loss on disposal of items of property, plant and equipment##	**28,924**	37,829
Loss on disposal of a subsidiary##	**–**	11,558
Foreign exchange loss/(gain), net##	**45,938**	(86,763)

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

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

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

8. INCOME TAX

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

BYD Precision is approved to be a high and new technology enterprise in 2015, and is entitled to enjoy a reduced enterprise income tax rate of 15% from 2015 to 2017.

Huizhou Electronic is approved to be a high and new technology enterprise in 2015, and entitled to enjoy a reduced enterprise income tax rate of 15% from 2015 to 2017.

Xi'an Electronic operating in Mainland China are entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year pursuant to the Western Development Policy. These subsidiaries need to file the relevant document to the in-charge tax bureau for record every year so as to be entitled to the reduced rate of 15%.

BYD India is subject to income tax at a rate of 30%.

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

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

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

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**391,214**	200,375
Current – Elsewhere		
Charge for the year	**–**	4,706
Deferred	**16,045**	(5,488)
Total tax charge for the year	**407,259**	199,593

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

The calculation of the basic earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,253,204,500 (2016: 2,253,204,500) in issue during the year.

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2017 *RMB'000*	2016 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,584,868**	1,233,491

	Number of shares **2017**	 2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,253,204,500**	2,253,204,500

10. TRADE AND BILLS RECEIVABLES

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills receivables	**8,584,350**	9,460,708
Impairment	**(28,001)**	(66,109)
	8,556,349	9,394,599

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 minimize its credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 23% (2016: 36%) and 64% (2016: 71%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest bearing.

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

	2017 *RMB'000*	2016 *RMB'000*
Within 90 days	**8,268,592**	9,001,700
91 to 180 days	**274,226**	381,617
181 to 360 days	**13,531**	11,282
	8,556,349	9,394,599

11. TRADE AND BILLS PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 90 days	**6,948,227**	9,049,082
91 to 180 days	**988,718**	633,316
181 to 360 days	**372,276**	406,960
1 to 2 years	**670,930**	26,471
Over 2 years	**2,837**	2,981
	8,982,988	10,118,810

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days.

12. SHARE CAPITAL

	2017	2016
	RMB'000	*RMB'000*
Shares		
Issued and fully paid:		
2,253,204,500 (2016: 2,253,204,500) ordinary shares	**4,052,228**	4,052,228

13. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim Nil (2016: RMB 0.067) per ordinary share	**–**	150,965
Proposed final RMB 0.230 (2016: RMB 0.069) per ordinary share	**518,237**	155,471
	518,237	306,436

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. CONTINGENT LIABILITIES

Action against Foxconn

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

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

As at 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

For the year ended 31 December 2017 (the "Year"), global economic growth was 3.7%, hitting a three-year new high. Most economies in the world reported accelerating economic growth. At the same time, China's economic growth also accelerated for the first time in six years. The National Bureau of Statistics announced that China's gross domestic product rose by 6.9% in 2017, higher than the growth recorded in 2016, reversing the slowdown that began in 2011. During the Year, consumption in China continued to increase and structural upgrading continued to accelerate, driving the steady and solid development of the economy.

Global smartphone market saw sales decline for the first time during the year after years of growth, decreasing by 0.5% year-on-year to 1.462 billion units. For China's market, according to data released by CAICT, handset shipments in China were 491 million units in 2017, representing a year-on-year decrease of 12.3%. In particular, the smartphone shipments accounted for 93.9% of domestic handset shipments over the same period, reaching 461 million units, representing a year-on-year decrease of 11.6%. However, China's handset brand manufacturers continued consolidating their market share in the high-end handset market through technological innovation and precisely addressing the needs of users. Meanwhile, they also actively expanded into the overseas markets. In 2017, three of the top five handset brands by global smartphone sales were China's proprietary brands. The influence of China's proprietary brands in the global market continued to increase.

On the other hand, with the rapid development of wireless charging capabilities of handsets and the approaching of the 5G era, the demand for glass casings has increased substantially. As the structure of glass casings requires the metal middle frames to support the strength of the casings, the rise of glass casings has also promoted the application of metal middle frames. Currently, glass casings plus the metal middle frames has gradually become one of the mainstream designs of high-end handsets. The new industry trend propelled the rapid growth in demand for glass casings and metal middle frames, bringing new opportunities to the leading suppliers of handset supply chain.

BUSINESS REVIEW

BYD Electronic (International) Company Limited ("BYD Electronic" or the "Company") and its subsidiaries (collectively referred to as the "Group") is a global leading manufacturer of electronic products and service provider, offering customers with one-stop services including design, R&D, manufacturing, logistics and after-sales services. The main business includes metal parts, plastic parts, glass casings, and other components manufacturing as well as original design, testing, and assembly for electronic products. Products cover consumer electronics, automotive electronics, industrial electronics and other fields. During the Year, the Group recorded sales of approximately RMB38,774 million, representing an increase of approximately 5.55% over the same period last year, and the profit attributable to shareholders increased by approximately 109.56% from 2016 to approximately RMB2,585 million.

In 2017, the penetration rate of metal parts continued to increase. Leveraging on the long-time experiences, leading technologies and mature craftsmanship processes accumulated in the metal parts field, the Group continued to maintain close cooperation with leading handset brand manufacturers in the domestic and overseas markets, thus the Group constantly received orders of high-end flagship models from leading smartphone manufacturers. During the Year, the Group actively promoted the research and development as well as application of new materials and new craftsmanship process. The Group provided high-quality 7-series aluminium parts and new craftsmanship process to the leading handset brand manufacturers, driving the continuous growth of metal parts business.

In addition, the combination of metal middle frames and glass casings has become a new development trend of smartphones. During the Year, the Group has been actively expanding its glass business to foster a new growth point for the handset components business. The Group has invested heavily in research and development of 3D glass which allowed it to achieve breakthrough in the complete cycle of key craftsmanship processes including thermal bending, polishing, bonding and coating. The Group also strived to produce the key equipment which is thermal bending machine and critical material namely PET film on its own. In the second half of 2017, the Group began volume production for 3D glass, while actively expanding the production capacity.

As for automotive electronics business, the Group achieved good progress as it passed the qualification of several global renowned automakers and realized shipments to the customers. The Group provided customers with products including multimedia modules, communications modules and structural components, fostering new growth poles for the Group's long-term development. In addition, concerning the smart hardware and the smart products of Internet of things, the Group also actively expanded its presence by providing customers with one-stop services ranging from product design to complete handset assembly, so as to expand its business scope and strive to realize the long-term and continuous growth of the Group.

FUTURE STRATEGY

Looking ahead to 2018, the global economy is likely to further improve and it is expected that the global economy will usher in a full recovery after the financial crisis. Against the backdrop of favourable economic environment, China's economy is expected to sustain steady and sound momentum of development and continue improving its economic structure, thereby achieving "high-quality" economic development. According to TrendForce, a global market research institute, the global smartphone production volume is expected to increase by 5% to approximately 1.53 billion units in 2018. China's brands will maintain relatively strong growth momentum. With the approaching of the 5G era and more handset brand manufacturers adopting 3D glass, the 3D glass casing industry will usher in a new cycle of prosperity. The Group has already put effective comprehensive plans in place for new materials including 3D glass and ceramics and got its technologies, craftsmanship and production capacity ready, thus expecting the related products to make significant revenue contribution to the Group in 2018.

In the future, the Group will continue to deepen its cooperation with existing well-known electronic industry clients at home and abroad while strengthening its collaboration with existing clients in various fields including automotive electronics, industrial electronics and smart hardware, as well as actively acquiring new high-quality customers to expand its client base.

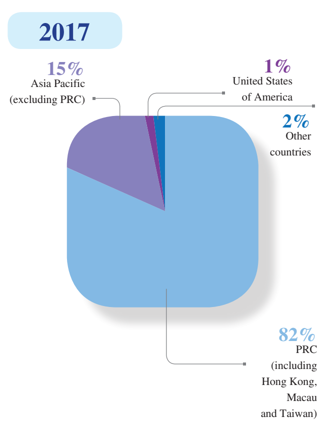
Looking to the future, BYD Electronic will continue to uphold the core corporate values, stay focused on technological innovation and upgrade intelligent manufacturing, constantly enhance its competitive advantages and provide customers with competitive and innovative creations. Meanwhile, the Group will actively put strategic plans in place for 5G, formulate solutions for the Internet of things and artificial intelligence, maintain strategic sensitivity and drive the corporate upgrade and transformation so as to lay a sturdy foundation for the long-term development of the Group and create a solid return for shareholders and investors.

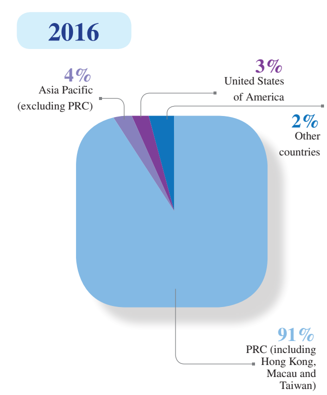
FINANCIAL REVIEW

Turnover recorded an increase of 5.55% as compared to the previous year. Profit attributable to equity owners of the parent recorded an increase of 109.56% as compared to the previous year, mainly attributable to the growth of metal parts business.

Segmental Information

Set out below is the comparison of geographical segment information by customer location for the years ended 31 December 2017 and 2016:





Gross Profit and Margin

The Group's gross profit for the Year increased by approximately 52.28% to approximately RMB 4,264 million. Gross profit margin increased from approximately 7.62% in 2016 to 11.00%.The increase in gross profit margin was mainly due to the increase in income proportion and gross profit margin of metal parts.

Liquidity and Financial Resources

During the Year, the Group recorded cash inflow from operations of approximately RMB1,863 million, compared with approximately RMB2,954 million recorded in 2016. During the Year, funds were mainly obtained from the net cash derived from the Group's operations. As of 31 December 2017 and 31 December 2016, the Group did not have bank borrowings.

The Group maintained sufficient daily liquidity management and capital expenditure requirements, so as to control internal operating cash flows. Turnover day of accounts and bills receivables was approximately 84 days for the year ended 31 December 2017, compared with approximately 85 days for the year ended 31 December 2016. Turnover day of inventory for the year ended 31 December 2017 was approximately 44 days, compared with approximately 41 days for the year ended 31 December 2016.

Capital Structure

The duty of the Company's financial division is to manage the Group's financial risk, and to operate in accordance with the policies approved and implemented by the senior management. As of 31 December 2017, the Group had no bank borrowings and its cash and cash equivalents were mainly held in Renminbi and US dollars. The Group's current bank deposits and cash balances and fixed deposits, as well as the Group's credit facilities and net cash derived from operating activities will be sufficient to satisfy the Group's material commitments and the expected need for working capital, capital expenditure, business expansion, investments and debt repayment for at least the next year.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Equity represents equity attributable to owners of the parent. As the Group did not have any interest-bearing bank borrowings, the gearing ratio was zero as at 31 December 2017 and 31 December 2016.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 31 December 2017, the Group had employed approximately 68,000 employees. During the Year, total staff cost accounted for approximately 14.39% of the Group's turnover. The Group determines the remuneration of its employees based on their performance, experience and prevailing industry practices, and compensation policies are reviewed on a regular basis. Bonuses and rewards may also be given to employees based on their annual performance evaluation. Incentives may be offered to encourage individual development.

In 2017, the Group has standardized a three-tier training framework for new staff members and has concretely carried out the trainings. The subjects, hours and assessment methods of the three-tier training framework are clearly stated, and safety training materials and examination questions are drafted according to the job nature of employees. New employees are required to attend the trainings and pass the examination before taking on the job.

Final dividend

The Board has resolved to declare a final dividend for the year ended 31 December 2017 which is subject to consideration and approval at the Company's AGM. Please refer to Note 13 of the financial statements included in this announcement for details of the final dividend.

Share Capital

As at 31 December 2017, the share capital of the Company was as follows:
Number of shares issued: 2,253,204,500 shares.

Purchase, Sale or Redemption of Shares

From 1 January 2017 to 31 December 2017, the Company or its subsidiaries did not redeem any of its shares. During the Year, neither the Company nor any of its subsidiaries purchased or sold any listed securities of the Company.

Capital Commitments

As at 31 December 2017, the Group had capital commitment of approximately RMB287 million (31 December 2016: approximately RMB476 million).

Contingent Liabilities

Please refer to Note 14 of the financial statements included in this announcement for details of contingent liabilities.

ENVIRONMENTAL PROTECTION AND SOCIAL SECURITY

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

SUPPLEMENTARY INFORMATION

Corporate Governance

Corporate Governance Code (the "Code")

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

In the opinion of the Directors, the Company had complied with the applicable code provisions as set out in Appendix 14 of the Listing Rules during the Year, except for deviation from code provision A.6.7. Code provision A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Due to important business engagements at the relevant time, not all independent non-executive Directors and non-executive Directors attended the annual general meeting of the Company held on 6 June 2017.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct for Directors' securities transactions. 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.

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 27 March 2018 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including the review of the financial statements for the year ended 31 December 2017) for recommendation to the Board for approval.

SCOPE OF WORK OF AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

Disclosure of Information on the Website of the Stock Exchange

This annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk).

By order of the board of
BYD Electronic (International) Company Limited
Wang Nian-qiang
Director

Hong Kong, 27 March 2018

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