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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

Turnover	21.24%	To RMB129,957 million
Gross profit	64.31%	To RMB10,434 million
Profit attributable to owners of the parent	117.56%	To RMB4,041 million
Earnings per share	117.56%	To RMB1.79
Proposed final dividend		RMB0.538 per share

HIGHLIGHTS

- Year-on-year growth was seen in our three main business segments of consumer electronics, new intelligent products and new energy vehicles, driving the total revenue of the Group to achieve a record high.
- The Group's business structure was further optimized, capacity utilization rate continued to increase, profitability was significantly improved and substantial profit growth was achieved.
- The Group continued to intensify its research and development and expand its product portfolio in new energy vehicles and AI servers, creating new growth drivers for the business development of the Group.
- The Group has completed the acquisition of quality assets, which will speed up the expansion of its smartphone components business, and significantly improve its customer and product structure, thus driving its industrial upgrading.

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 2023 (the "Year") together with comparative figures in 2022 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	**129,956,992**	107,186,288
Cost of sales		**(119,522,902)**	(100,836,020)
Gross profit		**10,434,090**	6,350,268
Other income and gains	4	**1,284,483**	1,508,534
Government grants and subsidies	5	**236,169**	178,687
Research and development expenses		**(4,721,691)**	(3,969,376)
Selling and distribution expenses		**(719,580)**	(535,437)
Administrative expenses		**(1,287,793)**	(1,234,549)
Impairment losses on financial assets, net		**(24,978)**	(3,193)
Loss on derecognition of financial assets measured at amortised cost		**–**	(20,423)
Other expenses		**(330,949)**	(277,410)
Finance costs	6	**(188,610)**	(58,531)
PROFIT BEFORE TAX	7	**4,681,141**	1,938,570
Income tax expense	8	**(639,767)**	(80,952)
PROFIT FOR THE YEAR			
Attributable to owners of the parent		**4,041,374**	1,857,618
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the year		**RMB1.79**	RMB0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**4,041,374**	1,857,618
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Receivables financing:		
Changes in fair value	**15,652**	(7,622)
Impairment (reversal)/loss	**(280)**	15
Exchange differences on translation of foreign operations	**10,353**	(9,965)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**25,725**	(17,572)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**25,725**	(17,572)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,067,099**	1,840,046
Attributable to owners of the parent	**4,067,099**	1,840,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**19,709,172**	12,940,997
Right-of-use assets		**2,355,127**	1,476,128
Prepayments, other receivables and other assets		**560,260**	1,263,122
Goodwill	*17*	**4,361,657**	–
Other intangible assets		**4,633,085**	8,718
Deferred tax assets		**620,255**	481,354
Other non-current financial assets		**372,100**	335,800
Total non-current assets		**32,611,656**	16,506,119
CURRENT ASSETS			
Inventories		**18,541,478**	17,046,406
Trade receivables	*10*	**23,011,270**	10,471,409
Receivables financing	*11*	**296,597**	5,348,059
Prepayments, other receivables and other assets		**2,211,168**	1,358,069
Derivative financial instruments		**90**	–
Pledged deposits		**9,000**	20,633
Cash and cash equivalents		**10,537,361**	6,243,678
Total current assets		**54,606,964**	40,488,254
Total assets		**87,218,620**	56,994,373
CURRENT LIABILITIES			
Trade and bills payables	*12*	**29,939,105**	22,002,295
Other payables, other liabilities and accruals		**9,098,725**	5,421,180
Lease liabilities		**487,243**	333,646
Derivative financial instruments		**5,314**	18,211
Tax payable		**607,487**	363,200
Interest-bearing loans		**14,612,659**	2,004,306
Total current liabilities		**54,750,533**	30,142,838
NET CURRENT ASSETS/(LIABILITIES)		**(143,569)**	10,345,416
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,468,087**	26,851,535

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,206,052**	394,633
Lease liabilities		**1,389,026**	591,275
Deferred income		**290,437**	230,558
Provision		**252,183**	–
Total non-current liabilities		**3,137,698**	1,216,466
Net assets		**29,330,389**	25,635,069
EQUITY			
Share capital	*13*	**4,052,228**	4,052,228
Other reserves		**25,278,161**	21,582,841
Total equity		**29,330,389**	25,635,069

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2023

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results for the year ended 31 December 2023 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 2022 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 2023 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 part of Unit 1712, 17th Floor, Tower 2, Grand Central Plaza, No.138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong.

The Group is a global leading provider of high-tech and innovative products, providing customers around the world with one-stop product solutions relying on its core advantages in electronic information, AI, 5G and Internet of Things, thermal management, new materials, precision molds and digital manufacturing technologies. The Group engages in businesses covering smart phones, tablet PCs, new energy vehicles, residential energy storage, smart home, game hardware, unmanned aerial vehicles, AI servers, 3D printers, Internet of Things, robotics, communication equipment, health devices and other diversified market areas.

In the opinion of the directors, the immediate holding company of the Company is Golden Link Worldwide Limited, an enterprise incorporated in the British Virgin Islands, and the ultimate holding company of the Company is BYD Company Limited, a company established in the PRC whose H shares are listed on the Stock Exchange and A shares are listed on the Main Board of Shenzhen Stock Exchange.

Information about subsidiaries

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

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

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
Xi'an BYD Electronic Co., Limited ("Xi'an Electronic") (西安比亞迪電子有限公司) *	PRC/Chinese Mainland	RMB 100,000,000	–	100	Manufacture and sale of mobile handset components and other products
BYD (Changsha) Electronic Co., Limited ("Changsha Electronic") (長沙比亞迪電子有限公司) *	PRC/Chinese Mainland	RMB 50,000,000	–	100	Manufacturing and sales of smart products
Chengdu BYD Electronics Co., Ltd. (成都比亞迪電子有限公司) **/#	PRC/Chinese Mainland	US$ 1,200,868,285	–	100	Manufacture and sale of components for consumer electronics products
Wuxi BYD Electronics Co., Ltd. (無錫比亞迪電子有限公司)*/#	PRC/Chinese Mainland	RMB 1,287,833,100	–	100	Manufacture and sale of components for consumer electronics products

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

** These subsidiaries are registered as Sino-foreign joint ventures under PRC law.

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

\# Chengdu BYD Electronics Co., Ltd. and Wuxi BYD Electronics Co., Ltd. are subsidiaries of Juno Newco Target Holdco Singapore Pte. Ltd., which is acquired by the Group during the Year. Further details of this acquisition are included in note 16 to the financial statements.

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"), and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, receivables financing and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Group had net current liabilities of approximately RMB143,569,000 as at 31 December 2023.

Considering the Group's expected cash inflows from operating activities and the support from the ultimate holding company, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the end of the reporting period. The directors of the Company are therefore of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the Year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to HKAS 12 did not have any significant impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024. The amendments did not have any material impact on the financial statements for the financial year 2023.

    The Group is in the process of assessing the potential exposure arising from Pillar Two legislation based on the information available for the financial year ended 31 December 2023. Potential exposure, if any, to Pillar Two income taxes is currently not reasonably estimable due to the complexities in applying the legislation and calculating the Global Anti-Base Erosion income.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the HKICPA. However, the amendments are available for adoption now.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are 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, modules and other products. For management purposes, the Group is organised into one operating segment based on industry practice and management's vertical integration strategy. Management monitors the results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. No further analysis thereof is presented. Segment performance is evaluated based on the revenue and profit before tax which is consistent with the Group's revenue and profit before tax.

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	**42,562,981**	40,583,926
Overseas	**87,394,011**	66,602,362
Total revenue	**129,956,992**	107,186,288

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

(b) ***Non-current assets***

	2023	2022
	RMB'000	*RMB'000*
PRC (including Hong Kong, Macau and Taiwan)	**25,853,179**	14,559,639
Overseas	**1,404,465**	1,129,326
Total non-current assets	**27,257,644**	15,688,965

The non-current asset information above is based on the locations of the assets and excludes equity investments, goodwill 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:

	2023
	RMB'000
Customer A[1]	**62,740,910**
	62,740,910

	2022
	RMB'000
Customer A[1]	47,357,764
Customer B[1]	11,528,097
	58,885,861

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

Segments	**2023** ***RMB'000***	2022 *RMB'000*
Types of goods or services		
Sale of mobile handset components, modules and other products	**128,809,358**	105,982,653
Rendering of services	**1,147,634**	1,203,635
Total	**129,956,992**	107,186,288
Geographical markets		
PRC (including Hong Kong, Macau, and Taiwan)	**42,562,981**	40,583,926
Overseas	**87,394,011**	66,602,362
Total	**129,956,992**	107,186,288
Timing of revenue recognition		
Goods transferred at a point in time	**129,518,552**	106,470,744
Services transferred over time	**438,440**	715,544
Total	**129,956,992**	107,186,288

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

	2023 ***RMB'000***	2022 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of mobile handset components, modules and other products	**649,050**	460,099

(ii) Performance obligations

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 are as follows:

	2023	2022
	RMB'000	*RMB'000*
	VAT exclusive	VAT exclusive
Within one year	**1,113,101**	661,981
More than one year	**37,435**	24,504
Total	**1,150,536**	686,485

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**240,539**	49,743
Other interest income	**–**	1,764
Sale of scrap and materials	**131,858**	559,280
Compensation from suppliers and customers	**90,753**	49,605
Exchange gain	**506,495**	673,871
Others	**314,838**	174,271
Total	**1,284,483**	1,508,534

5. GOVERNMENT GRANTS AND SUBSIDIES

	2023	2022
	RMB'000	*RMB'000*
Related to assets		
Others	**64,958**	31,436
Related to income		
Subsidies on industrial development *(note (a))*	**–**	10,000
Subsidies on research *(note (b))*	**400**	3,000
Subsidies on employee stability and training *(note (c))*	**15,386**	45,673
Subsidies on operating expense	**103,462**	56,582
Others	**51,963**	31,996
Total	**236,169**	178,687

Notes:

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

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

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

6. FINANCE COSTS

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

	2023	2022
	RMB'000	*RMB'000*
Interest on borrowings	**148,170**	12,348
Interest on lease liabilities	**40,440**	46,183
Total	**188,610**	58,531

7. PROFIT BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Cost of inventories sold#		**118,557,502**	100,642,985
Cost of services provided#		**850,922**	118,559
Depreciation of property, plant and equipment		**2,787,817**	2,562,588
Depreciation of right-of-use assets		**368,323**	350,820
Lease payments not included in the measurement of lease liabilities		**68,760**	121,143
Auditors' remuneration		**1,440**	1,440
Amortisation of other intangible assets		**3,362**	3,476
Employee benefit expense (excluding directors', supervisors' and senior executive officers' remuneration):			
– Wages and salaries		**11,067,138**	9,793,104
– Retirement benefit scheme contributions		**981,302**	822,334
Total		**12,048,440**	10,615,438
Impairment of trade receivables, net		**25,271**	3,341
Write-down of inventories to net realisable value#		**114,478**	74,476
Impairment of other receivables, net		**(13)**	(163)
Impairment of receivables financing, net		**(280)**	15
Loss on disposal of items of property, plant and equipment		**147,049**	31,963
Fair value (gains)/losses, net:			
Derivative instruments		**(12,987)**	18,211
Other non-current financial assets		**(36,300)**	636
Foreign exchange gains, net		**(506,495)**	(673,871)

Cost of inventories sold, Cost of services provided and Write-down of inventories to net realisable value are 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.

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

BYD Precision renewed its status of a high and new technology enterprise in 2021, and was entitled to a reduced enterprise income tax rate of 15% from 2021 to 2023.

Huizhou Electronic renewed its status of a high and new technology enterprise in 2021, and was entitled to a reduced enterprise income tax rate of 15% from 2021 to 2023.

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

Chengdu Electronic which operates in Mainland China was entitled to a reduced enterprise income tax rate of 15% of the estimated assessable profits for the Year pursuant to the Western Development Policy.

Shantou Electronic has passed the review of high and new technology enterprise in 2023, and is expected to obtain qualification by the end of May 2024, with a temporary enterprise income tax rate of 15% in 2023.

Taxes on taxable profits overseas 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.

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

	2023	2022
	RMB'000	*RMB'000*
Current –China		
Charge for the year	**335,531**	366,671
Current – Elsewhere	**12,594**	3,454
Deferred	**291,642**	(289,173)
Total tax charge for the year	**639,767**	80,952

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

	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**4,681,141**		1,938,570	
Tax at the applicable tax rate	**1,170,285**	**25**	484,643	25
Effect of different tax rates applicable to certain subsidiaries	**(472,228)**	**(10)**	(255,312)	(13)
Expenses not deductible for tax	**37,968**	**1**	28,546	1
Research and development costs and other super-deduction as required by taxation laws	**(291,318)**	**(6)**	(313,168)	(16)
Tax losses utilised from previous periods	**(35,616)**	**(1)**	(47,156)	(2)
Tax losses and deductible differences not recognised	**230,676**	**5**	183,399	9
Tax charge at the Group's effective rate	**639,767**	**14**	80,952	4

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 (2022: 2,253,204,500) in issue during the Year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2023 and 2022 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:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**4,041,374**	1,857,618

	Number of shares	
	2023	2022
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 RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**23,061,242**	10,495,823
Impairment	**(49,972)**	(24,414)
Net carrying amount	**23,011,270**	10,471,409

The Group's trading terms with its customers are mainly on credit. The credit period is generally two to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had a certain concentration of credit risk as 45% (2022: 45%) and 81% (2022: 69%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**22,415,499**	9,862,438
91 to 180 days	**574,534**	595,953
181 to 360 days	**21,237**	13,018
Total	**23,011,270**	10,471,409

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**24,414**	39,231
Impairment losses/(Reversal of impairment losses), net	**25,271**	3,341
Amount written off as uncollectible	**287**	(18,158)
At end of the year	**49,972**	24,414

There are no significant changes in the loss allowance.

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

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

As at 31 December 2023

	Aging as at 31 December 2023				
	Within 90 days	**91 to 180 days**	**181 to 360 days**	**Over 1 year**	**Total**
Expected credit loss rate	**0.23%**	**0.23%**	**0.23%**	**100.00%**	**0.22%**
Gross carrying amount *(RMB'000)*	**22,460,323**	**575,857**	**21,286**	**3,776**	**23,061,242**
Expected credit losses *(RMB'000)*	**44,824**	**1,323**	**49**	**3,776**	**49,972**

As at 31 December 2022

	Aging as at 31 December 2022				
	Within 90 days	91 to 180 days	181 to 360 days	Over 1 year	Total
Expected credit loss rate	0.22%	0.22%	0.22%	100.00%	0.23%
Gross carrying amount *(RMB'000)*	9,883,853	597,250	13,047	1,673	10,495,823
Expected credit losses *(RMB'000)*	21,416	1,297	28	1,673	24,414

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

	2023	2022
	RMB'000	*RMB'000*
Due from the ultimate holding company	**148,201**	155,744
Due from the intermediate holding company	**153,203**	146,623
Due from fellow subsidiaries	**4,818,115**	4,364,498
Due from other related parties	**803**	5,988
Total	**5,120,322**	4,672,853

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

11. RECEIVABLES FINANCING

	2023	2022
	RMB'000	*RMB'000*
Bank acceptance bills	**297,779**	197,404
Trade receivables	**–**	5,167,489
Subtotal	**297,779**	5,364,893
Less: other comprehensive income – change in fair value	**1,182**	16,834
Total	**296,597**	5,348,059

The Company has changed the business model for a portion of its receivables to target both to receive the contractual cash flows when due and the sales. Accordingly, this portion of the receivables is classified as a financial asset at fair value through other comprehensive income (which can be reclassified to profit or loss in subsequent periods).

The Group reclassified bills receivable into financial assets at fair value through other comprehensive income, presented as receivables financing. As of 31 December 2023, the Group did not have any accumulated impairment provision for receivables financing (31 December 2022: RMB280,000).

12. TRADE AND BILLS PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**29,123,331**	21,490,421
91 to 180 days	**626,775**	483,674
181 to 360 days	**89,116**	21,630
1 to 2 years	**93,983**	4,960
Over 2 years	**5,900**	1,610
Total	**29,939,105**	22,002,295

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

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

	2023	2022
	RMB'000	*RMB'000*
Due to the ultimate holding company	**142,798**	129,779
Due to the intermediate holding company	**10,121,315**	6,311,403
Due to fellow subsidiaries	**11,790,756**	13,011,472
Total	**22,054,869**	19,452,654

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

13. SHARE CAPITAL

Shares

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid		
2,253,204,500 (2022: 2,253,204,500) ordinary shares	**4,052,228**	4,052,228

14. DIVIDENDS

The Board has resolved to declare a final dividend for the year ended 31 December 2023 of RMB0.538 per share (for the year ended 31 December 2022: RMB0.165 per share). The proposed final dividend is subject to consideration and approval at the Company's annual general meeting (the "AGM").

The final dividend will be denominated and declared in RMB but will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the dividend at the AGM.

The Company will issue announcement, circular and notice of AGM regarding the AGM in accordance with the Listing Rules and the Articles of Association of the Company. The Company will also make separate announcement regarding the record date and date of closure of register of members for the payment of the final dividend. It is expected that the final dividend will be distributed before 31 August 2024.

	2023	2022
	RMB'000	*RMB'000*
Proposed final RMB0.538 (2022: RMB0.165) per ordinary share	**1,212,224**	371,779

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

15. 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 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 of any settlement payments (if applicable) of the litigation cannot be made reliably up to date.

16. BUSINESS COMBINATION

Pursuant to the Acquisition Framework Agreement and Equity Purchase Agreement (the "Agreements") entered into between the Group and a third-party Jabil Circuit (Singapore) Pte. Ltd. ("Jabil Singapore"), a subsidiary of Jabil Inc., Jabil Singapore has conditionally agreed to sell, and the Company has conditionally agreed to acquire 100% equity shares of Juno Newco Target Holdco Singapore Pte. Ltd. ("Juno Newco"). Juno Newco and its subsidiaries principally engaged in mobile electronics components manufacturing business and the Acquisition has been completed on 29 December 2023.

The fair values of the identifiable assets and liabilities of Juno Newco and its subsidiaries at the date of Acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Total non-current assets	11,976,934
Total current assets	7,489,393
Total current liabilities	7,386,835
Total non-current liabilities	1,771,356
Total identifiable net assets at fair value	10,308,136
Goodwill on acquisition	4,361,657
Satisfied by cash	14,669,793

The fair values of the property, plant and equipment as at the date of Acquisition amounted to RMB5,956,815,000. The gross contractual amounts of property, plant and equipment were RMB5,909,191,000, of which property, plant and equipment of RMB47,624,000 were valuated increment.

The Group incurred transaction costs of RMB31,264,000 for the Acquisition. These transaction costs have been expensed and are charged to the consolidated statement of profit or loss.

Included in the goodwill of RMB4,361,657,000 recognised above is a assembled workforce and managerial experience, which is not recognised separately. Because the Group would not have sufficient control over the expected future economic benefits arising from the assembled workforce, it does not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the Acquisition of Juno Newco and its subsidiaries is as follows:

	RMB'000
Cash consideration*	14,669,793
Cash consideration not paid yet*	(322,723)
Cash and bank balances acquired	(269,301)
Net outflow of cash and cash equivalents included in cash flows from investing activities	14,077,769

* The final cash consideration is still under negotiation.

Since the Acquisition, there are no revenue and profit were contributed from Juno Newco and its subsidiaries for the year ended 31 December 2023.

In the view of the management, due to differences in accounting standards and accounting period, providing pro forma financial information as if the business combination had taken place at the beginning of the year would be costly and inefficient and the cost outweighs the benefits. Therefore, such pro forma information has not been prepared for illustration.

17. GOODWILL

	RMB'000
At 31 December 2022:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2023, net of accumulated impairment	**–**
Acquisition of Juno Newco and its subsidiaries	**4,361,657**
Cost and net carrying amount at 31 December 2023	**4,361,657**
At 31 December 2023:	
Cost	**4,361,657**
Accumulated impairment	**–**
Net carrying amount	**4,361,657**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the Juno Newco Target Holdco Singapore Pte. Ltd. and its subsidiaries (the "Juno Newco and its subsidiaries") as a cash-generating unit for impairment testing:

The recoverable amount of the Juno Newco and its subsidiaries has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate and the terminal growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period are as follows:

	31 December 2023
Revenue growth rate	**2.30%-5.01%**
Pre-tax discount rate	**11.95%**
Terminal growth rate	**2.30%**

Revenue growth rate – The rate reflects management's estimation of future market development.

Pre-tax discount rate – The rate reflects management's estimate of the risks specific to the unit.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a global leading provider of high-tech and innovative products, providing customers around the world with one-stop product solutions relying on its core advantages in electronic information, AI, 5G and Internet of Things, thermal management, new materials, precision molds and digital manufacturing technologies. The Group's businesses cover smart phones, tablet PCs, new energy vehicles, residential energy storage, smart home, game hardware, unmanned aerial vehicles, AI servers, 3D printers, Internet of Things, robots, communication equipment, health devices and other diversified market areas. Leveraging on its industry leading research and development and manufacturing capabilities, diversified product portfolio and abundant customer resources, the Group's business has entered a new round of high-speed growth cycle.

In 2023, the global economy as a whole showed a weak recovery under the impact of the intensified geopolitical uncertainties and the continuation of tight monetary policies by the world's major central banks. During the Year, the government comprehensively refined its economic stabilization policies, which contributed to the rebound of China's economy. In 2023, China achieved a year-on-year growth of 5.2% in gross domestic product (GDP). Despite the complicated and stringent international political and economic environment, the Group still achieved an increase in market share and significant growth of profit, and accelerated its deployment in new paths with growth potential. In 2023, although global demand for consumer electronics remained weak, the Group further increased its share of major overseas customers, coupled with rebound in demand from Android customers, the business segment maintained a robust growth pace; both of the new intelligent products business and the new energy vehicle business maintained rapid growth, facilitating the Group in achieving significant sales growth and reaching a new historic high. In 2023, the Group recorded sales of approximately RMB129,957 million, representing a year-on-year increase of approximately 21.24%. During the Year, the new energy vehicle business segment maintained strong growth momentum, with proportion of business expanded, boosting the further optimization of our business structure. The capacity utilization rate of the Group continued to increase, profitability was further improved and significant profit growth was achieved. During the Year, profit attributable to shareholders increased by approximately 117.56% year-on-year to approximately RMB4,041 million.

In respect of the consumer electronics business, demand in the consumer electronics market continued to be under pressure in the face of challenges of global high inflation and macroeconomic uncertainties. Demand in the global smartphone market picked up in the second half of 2023, driven by the rapid growth in emerging markets and the iteration of high-end models. According to the data from the research agency IDC, in 2023, global smartphone shipments decreased significantly by 3.2% to 1,170 million units, the global PC market shipments decreased by 13.9% to 260 million units, and the global tablet PCs shipments decreased by 20.5% year-on-year to approximately 129 million units. Information released by the China Academy of Information and Communications Technology shows that mobile phone shipments in the Chinese market amounted to 289 million units in 2023, up by approximately 6.5% year-on-year. During the year, the aerospace industry-grade titanium material rose to prominence and was applied to the body and structural components of a number of popular high-end smartphones. Titanium features the performance advantages of lightness, high strength and good texture, which help to enhance the appearance of smartphones and significantly reduce the weight of their bodies, making it a promising trend for material innovation in the consumer electronics industry. Besides, the application of new materials also increased the added values of our products. Relying on its profound technological and manufacturing experience in material application and processing techniques, the Group has been deeply involved in the development of new material-featured new products for a number of customers, contributing to the iteration and innovation of high-end smartphones. The Group has leveraged its leading edge in scientific research and excellent product design and manufacturing capabilities to continue to further strengthen its strategic cooperation with major customers and fully tap its potential for business growth. In return, the Group achieved steady market share increase in spite of the challenging market environment, further consolidating its industry leadership position. In terms of major overseas customers business, the Group's share of core products was further boosted and projects of new product categories were also in desired progress, resulting in significant growth in business scale. In terms of Android business, the Group continued to focus on providing all-round services for mid-to-high-end products in the Android market. The Android business maintained its sound development. During the Year, the Group recorded a revenue of RMB97,420 million in the consumer electronics business, representing an increase of approximately 18.50% year on year. In particular, revenue from components and parts was approximately RMB13,637 million, representing a decrease of 3.66% year on year, and revenue from assembly was approximately RMB83,783 million, representing an increase of 23.11% year on year.

In respect of new intelligent product business, with the accelerated integration of emerging industries such as 5G communications, artificial intelligence (AI) and the Internet of Things (IoT), the breadth and depth of the application of new intelligent products have been continuously extending, and the market scale has been further expanded. According to Gaogong Industry Research Institute (GGII), the global demand for energy storage is still robust driven by the accelerated progress of global dual-carbon strategies and energy restructuring, as well as the sustained vigorous development of the global residential energy storage market. In 2023, China, the United States and Europe successively declared to intensify their construction efforts in the field of renewable energy. As artificial intelligence models speed up their iteration and application, the demand for intelligent computing power will surge, which will drive the AI server market to grow at a rapid pace. It is estimated in IDC's report that the size of China's AI server market will reach US$9.1 billion in 2023, a year-on-year growth of 82.5%, suggesting ample room for market development. Global consumer spending on smart home-related hardware, services and installation costs recovered to US$131 billion in 2023, representing a 10% increase over 2022, according to market research agency TechInsights. Benefiting from the first-mover advantage in its overseas marketing network and good reputation among its customers, the Group's residential energy storage business achieved growth during the Year. The Group continued to deepen its close co-operation with industry-leading customers in various business segments. Business segments such as drone, smart home and gaming hardware continued to develop stably, with market share increasing steadily. In addition, the Group actively invested in research and development, continued to foster new businesses, and improved its business layout in AI server and other high-growth paths. In 2023, the Group's new intelligent products business recorded revenue of approximately RMB18,441 million, accounting for 14.19% of the total revenue, representing an increase of 21.27% as compared to the same period of 2022.

In terms of the new energy vehicles business, China has become the world's largest producer, consumer and exporter of new energy vehicles. China's new energy vehicles are accelerating their expansion in overseas markets, and are entering a new stage of high-quality development in terms of scale-up, globalisation and intelligence, on top of industrialisation and marketisation. Driven by the favourable national policies and growing market demand, the new energy vehicle market in China sustained its rapid development momentum, ranking first in the world for the ninth consecutive year. New energy vehicles recorded rapid growth in export volume and continued rise in market penetration. With the accelerated integration of digital economy, intelligent networked vehicle has become an important direction for the innovative development of the automotive industry. Moreover, the government supports the development route of vehicle, road and cloud integration, highlights the driving force of innovation, optimises the supply of policies, and accelerates the industrialisation of intelligent networked vehicle. According to the China Association of Automobile Manufacturers, the sales volume of new energy vehicles in 2023 reached 9.495 million units, representing a year-on-year growth of 37.9%, and its market share increased significantly from 25.6% in 2022 to 31.6%. Notably, the new energy vehicles recorded an export volume of 1.203 million units, representing a year-on-year growth of 77.6%. During the Year, the monthly penetration rate of new energy vehicles exceeded 40% for the first time, and the intelligent-oriented transformation of vehicles accelerated. The Group has achieved mass production and delivery of multiple products via forward-looking deployments made years ago in areas including intelligent cockpit systems, intelligent driving systems, intelligent suspension systems, thermal management, controllers and sensors. The Group's intelligent cockpit system product line covers the central control system, instrumentation and display systems, HUD, acoustic systems, in-vehicle power charging systems, T-BOX and switch and control panel systems, which provide users with a multi-dimensional interactive experience. The Group has fully deployed intelligent driving platforms (including low, medium and high computing power platforms) to facilitate intelligent driving products in recording the largest shipments in the domestic market. During the Year, the Group achieved rapid growth in shipments of new energy vehicle products and continued to expand its product offerings, resulting in an impressive business performance. In 2023, the Group's revenue from the new energy vehicle business segment amounted to approximately RMB14,096 million, accounting for 10.85% of the total revenue, representing an increase of approximately 52.17% as compared to the same period of 2022.

FUTURE STRATEGY

Looking forward to the year 2024, the global economy would be impeded from strong growth by the complex and ever-changing political and economic landscape. Yet, China is poised to maintain the long-term stable and positive trajectory, as the country will vigorously promote targeted and effective macroeconomic policies to further boost high-quality development and consolidate the momentum of economic recovery and upturn. The government is going to introduce further policies and measures to support the growth of new energy vehicles and electronic intelligent manufacturing sectors, with a focus on promoting technological innovation and consumer expansion. The Group will actively capitalize on market opportunities, make strategic deployment for R&D and innovation of core technologies, reinforce the vertical integration advantages and further develop the major customer strategy. While maintaining the leading position in traditional businesses, the Group will sustain the robust development momentum by foresighted investments in the field of new energy vehicles and the relevant product lines of other emerging businesses, fostering impetus to the continuous expansion of business scale and total revenue.

In the consumer electronics business, market demand is gradually picking up after going through a cyclical bottom of the industry in the second half of 2023. With the additional support of AI technology integration and innovative product launching, which stimulate the replacement needs, the consumer electronics business is expected to embrace stronger recovery. The deployment of AI foundation model on smartphones has the potential to shake up the market, which has been craving innovation for years. Additionally, the adoption of cutting-edge technologies like satellite communication, vehicle interconnectivity, and the use of new materials such as titanium is poised to elevate smartphone capabilities and accelerate the replacement cycle. TechInsights forecasts that generative AI will be a central theme in the smartphone market for 2024, with shipments anticipated to see a modest growth in the low single digits, largely propelled by a resurgence in demand from emerging markets. Counterpoint Research predicts that the global shipments of generative AI smartphones will exceed 100 million units in 2024 and reach 522 million units by 2027, accounting for 40% of the total smartphone shipments, with a compound annual growth rate of 83%. In addition, top consumer electronics brands are pioneering the use of titanium in their premium offerings, sparking a wave of interest in titanium materials within the industry, which is likely to encourage the spread of these innovative materials across a wider range of devices and product categories. IDC projects that the global PC market will see a resurgence in 2024, driven by the natural replacement cycle of computers and the debut of AI-enabled PCs, with a projected increase in global PC shipments (including desktops, laptops, and workstations) of 3.4% over the figures for 2023. Canalys foresees an explosive growth in the AI PC market in 2025 and 2026, given the release of the latest Windows operating system with AI-enhanced capabilities at the end of 2024 and the pervasive adoption of AI tools in business and productivity applications. By 2027, AI PCs are projected to make up over 60% of the total PC market, with shipments surpassing 170 million units. Sigmaintell forecasts that the global tablet shipments will rise by 4.1% to 138 million units. As a global leading provider of high-tech and innovative products, the Group will further develop the technological advantage and is well-positioned to reap the benefits of the opportunities arising from market recovery, new material application and AI technology integration. In terms of the major overseas customers, the Group will further explore the potential of core businesses with these customers, enhance the market presence of key products, and proactively venture into new product categories, to drive the business scale to grow further. In the Android business domain, the Group will deepen strategic cooperation with customers in developing flagship products, offering continuous support to product evolution and enhancement in alignment with customers' business requirements. Additionally, the Group will adopt proactive approaches to consolidate the mobile electronics manufacturing business acquired at the end of 2023, with the aim of maximizing the synergy realized. The acquisition of high-quality industry assets will lead to a rapid expansion of the consumer electronics components business and open up more opportunities for long-term growth, thereby solidifying the position as an industry leader. Moving forward, the Group will step up efforts to develop both domestic and international markets, enhance the global presence, and deliver a higher standard of comprehensive services to customers globally.

In respect of the new intelligent products, the application scenarios empowered by emerging technologies such as AI and 5G are continuously expanding, sparking new market demands. The fields in which the Group has invested with foresight, including AI servers, residential energy storage, smart home, gaming hardware and unmanned aerial vehicles, are poised to embrace a promising prospect. As the expanded AI models trigger significant growth in demands for enhanced computing power, the foundation model and the generative AI propel the remarkable development of the AI server market. TrendForce anticipates a notable surge in the global AI server market by 2024, projecting a total volume surpassing 1.6 million units and a year-on-year growth rate of 40%, which is primarily driven by the expanding scope of AI application and the greater reliance on, and the stronger demands, for AI capabilities by businesses. The evolution of large language models like ChatGPT is set to enhance the human-computer interaction domain. Such advancements will enrich the smart home experience, contributing to market growth. Statista predicts that the global smart home market will reach a value of US$154.4 billion in 2024 and an anticipated value exceeding US$230 billion by 2028, with the compound annual growth rate averaging at 10.67% in the upcoming five years. The market penetration rate for smart home is expected to rise from 18.9% in 2024 to 33.2% in 2028. Being bullish on the future of AI data centers, the Group dedicates R&D resources to the field for a deep development, fostering a new driver for business growth. With the comprehensive portfolio of products and solutions covering enterprise-grade general servers, storage servers, AI servers, and liquid-cooled heat dissipation solutions, the Group is able to support the establishment of high-performance and scalable data centers and boost the development of green and low-carbon data centers. Leveraging the world-class R&D capabilities, the global presence and the vertical integration advantages, the Group will further enhance collaboration with customers who are top players in the respective segments, so as to maintain the robust growth momentum in the segments of smart home, gaming hardware and unmanned aerial vehicles. The Group will remain committed to developing new categories and markets with high growth potential, thereby introducing impetus to the sustainable development of the new intelligent products.

In terms of the new energy vehicle business, driven by the initiatives of intelligence technology integration, electrification and globalization, China's new energy vehicle market is entering the era of ten-million-unit sales and the phase of strategic restructuring. As Chinese automakers sustain the rising tendency and step up efforts in developing overseas markets, the penetration rate of new energy vehicles will witness further growth. According to the forecast of Gaogong Industry Research Institute (GGII), global new energy vehicle sales will exceed 18 million units in 2024, with the electrification penetration rate in the global auto industry approaching 20%. It is expected that the total sales of China's new energy vehicles will reach 11.5 million units (including exports) in 2024, with the electrification penetration rate surpassing 37%. New energy passenger car sales are expected to hit 11 million units, with the electrification penetration rate potentially breaking the 40% mark. Additionally, the export volume of new energy vehicles from China is forecasted to reach 1.8 million units in 2024, marking a year-on-year increase of over 50%. In the wake of technological innovation and integration, intelligent connected vehicles have emerged as a strategic direction for the auto industry's growth, and the government has announced a series of policies to support the development. On 17 January 2024, the Ministry of Industry and Information Technology, in collaboration with other four departments, released the Notice on Promoting Pilot Program for the "Vehicle-Road-Cloud Integration" for Intelligent Connected Vehicles (《關於開展智能網聯汽車「車路雲一體化」應用試點工作的通知》), in an effort to facilitate the technological breakthrough and industrial development of intelligent connected vehicles. The pilot program, scheduled from 2024 to 2026, aims to address key industry challenges, providing strategic opportunities for in-depth integration of China's intelligent connected vehicle industry with sectors of information technology, energy and traffic management, and driving the autonomous driving industry to a new phase. Supported by the favorable policies, new technologies such as artificial intelligence, 5G and the foundation model achieve in-depth integration with automotive technologies at a faster pace, boosting the intelligence and connectivity level of automobiles and propelling applications in high-end scenarios. As consumers are having higher expectations on intelligent driving, in-car entertainment system, high-tech configuration and safety, products of intelligent cockpits, intelligent driving and intelligent suspension are gaining greater market penetration, introducing brighter growth prospect for the auto industry. Amid the continuous upgrading of the new energy vehicle industry, the market of intelligent cockpits expands further, to reach a value of RMB212.7 billion in 2026 based on the anticipation of KPMG, with the compound annual growth rate for the five-year period exceeding 17%. Moreover, as new energy vehicles display higher level of intelligence and connectivity, the chassis and the suspension system are bound to become more intelligent. Gasgoo estimates that the penetration rate of intelligent air suspension will increase to about 15% in 2025, with the market value surging by around 70% from RMB22.16 billion in 2023 to RMB37.79 billion in 2025. In the backdrop of global expansion of new energy vehicles and accelerated integration of intelligence technologies, the Group is expected to record sustained growth in the shipments of many product categories including intelligent cockpits, intelligent driving, intelligent suspension and thermal management products in 2024. As new products are successively progressing from R&D stage to mass production, the Group will see a sustainable increase in the number and value of supporting products for a single vehicle, and the new energy vehicle business segment will continue to maintain its rapid growth. In the future, the Group will maintain a high level of investment in R&D, further improve and expand the structure of product lines, and adopt reasonable measures to advance the development of new products steadfastly. In addition, the Group will deepen its cooperation with domestic and overseas automotive companies, continue to develop new customers, and strive to become a world-leading solution provider in the new energy vehicle industry.

Over the years, the Group has consistently invested in research and development and technological innovation, forming a strong R&D team that spans multiple fields including new materials and processes, precision molds, product design and development, automation, and informatization, which further strengthens the Group's core competitiveness. Leveraging its robust technology and R&D advantages, the Group actively seizes market opportunities and deeply explores the potential of major customer businesses, continuously expanding its business boundaries. In the past few years, the Group has expanded from a single Android business to a diversified and robust layout that includes overseas major customer business, Android business, automotive business and intelligent product business, and shifted from a business growth model driven by precision manufacturing technologies to one driven by R&D and products. During the period, the Group has planned and developed a series of product lines for new energy vehicle business, including intelligent cockpits, intelligent driving, intelligent suspension, core controllers and sensors. At the same time, new intelligent products developed by the Group, such as gaming hardware and smart home, have achieved rapid growth. The Group's growth momentum has realized a transformation and upgrade from manufacturing drive to R&D drive. Amidst the global wave of rapid development of new technologies such as artificial intelligence, the Group embraces the future with a proactive gesture to vigorously expand the businesses of AI servers and AI PCs, fostering new growth drivers. In 2024, it is expected that a positive development trend will be maintained across all business segments of the Group, providing ample momentum for overall business growth.

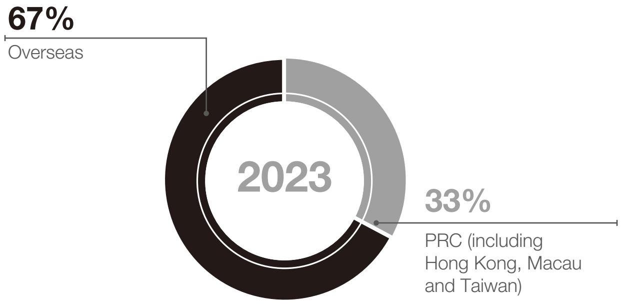
Looking ahead, the Group will adhere to its core corporate values, strive to enhance its independent innovation and R&D capabilities continuously, capitalize on the opportunities to promote the upgrading of intelligent manufacturing, maintain long-term sustainable development, and create value for customers and shareholders.

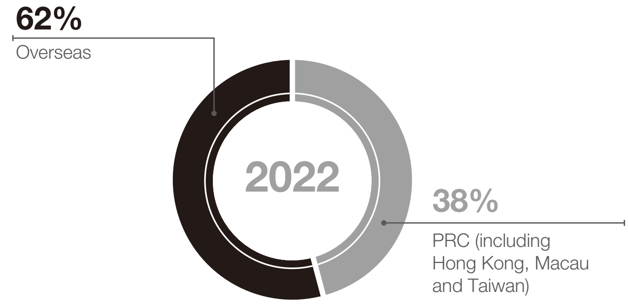
FINANCIAL REVIEW

Revenue of the Group for the Year recorded an increase of 21.24% as compared to the previous year, while profit attributable to equity holders of the parent recorded an increase of 117.56% as compared to the previous year, mainly due to the improved profitability of the Group boosted by the optimized product structure and enhanced overall operational efficiency.

SEGMENT INFORMATION

Set out below is a comparison of geographical segments by customer location of the Group for the years ended 31 December 2023 and 2022:





GROSS PROFIT AND MARGIN

The Group's gross profit for the Year increased by approximately 64.31% to approximately RMB10,434 million. Gross profit margin increased from approximately 5.92% in 2022 to approximately 8.03%. The increase in gross profit margin was mainly due to the improved profitability of the Group boosted by the optimized product structure and enhanced overall operational efficiency.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group recorded a cash inflow from operations of approximately RMB10,243 million, compared with approximately RMB5,961 million recorded in 2022. The increase in the cash inflow of the Group recorded during the period was mainly due to the increase in cash received from the sale of goods. As of 31 December 2023, the Group had interest-bearing bank and other borrowings of approximately RMB14,613 million (31 December 2022: RMB2,004 million). The maturity profile of the interest-bearing bank and other borrowings thereof spreads over a period of one year.

The Group maintained sufficient liquidity to meet daily liquidity management and capital expenditure requirements, and control internal operating cash flows. After taking into account, among others, the restoration effect of the Acquisition in 2023, turnover days of trade receivables and receivables financing were approximately 50 days for the Year, compared with approximately 47 days for the year ended 31 December 2022, which was mainly due to the fact that the increase of the balance of receivables on average was higher than that of revenue over the same period. After taking into account, among others, the restoration effect of the Acquisition in 2023, turnover days of inventory for the Year were approximately 49 days, compared with approximately 50 days for the year ended 31 December 2022, indicating no significant change.

CAPITAL STRUCTURE

The Group's financial division is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As of 31 December 2023, the Group had interest-bearing bank and other borrowings of approximately RMB14,613 million (31 December 2022: RMB2,004 million), which were settled in RMB and US dollars, and its cash and cash equivalents were mainly held in RMB and US dollars. The Group's current bank deposits and cash balances and fixed deposits, as well as net cash derived from operating activities, will be sufficient to satisfy the Group's material commitments and working capital, capital expenditure, business expansion, investments and the expected debt repayment for at least the next year. As at 31 December 2023, the Group's outstanding loans were RMB and US dollar loans at fixed interest rates.

The Group monitors capital using a gearing ratio, which is net liabilities divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net liabilities include interest-bearing liabilities less cash and bank balances. Equity represents equity attributable to owners of the parent. The gearing ratio was 26.11% as of 31 December 2023 (-12.93% as of 31 December 2022).

EXPOSURE TO FOREIGN EXCHANGE RISK

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

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

There are no other subsequent events occurred that materially affected the Group's financial condition or operation after 31 December 2023 and up to the date of this announcement.

CHARGE ON ASSETS

As at 31 December 2023, a bank deposit of approximately RMB9,000,000 was pledged for guarantee deposits (RMB20,633,000 as at 31 December 2022).

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2023, the Group had approximately 150.3 thousand employees. During the Year, total staff cost accounted for approximately 9.58% of the Group's revenue. Employees' remuneration was determined based on performance, qualifications and prevailing industry practices, with compensation policies being reviewed on a regular basis. Employees may receive bonuses and rewards, based on their annual performance evaluation. Incentives were offered to encourage personal motivation. The Company did not adopt any share option scheme.

Since 2021, the Group has standardized a three-tier training framework for new staff members and has concretely carried out training. The subjects, hours and assessment methods of the three-tier training framework are clearly stated, and safety training materials and examination questions are drafted according to the job nature of employees. New employees are required to attend the training and pass the examination before taking on the job.

DIVIDEND DISTRIBUTION POLICY

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

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

FINAL DIVIDEND

The Board has resolved to declare a final dividend of RMB0.538 per ordinary share (2022: RMB0.165 per ordinary share) for the Year which is subject to consideration and approval at the forthcoming annual general meeting of the Company. Please refer to note 14 to the financial statements included in this announcement for details of the final dividend.

SHARE CAPITAL

As at 31 December 2023, the share capital of the Company was as follows:

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or its subsidiaries did not redeem any of its shares during the period from 1 January 2023 to 31 December 2023. During the Year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES AND MATERIAL INVESTMENTS OF CAPITAL ASSETS

During the Year, the Group entered into the Acquisition Framework Agreement and the Formal Agreement with Jabil Circuit (Singapore) Pte. Ltd. ("Jabil Singapore" or the "Seller"), a subsidiary of Jabil Inc., in relation to the Acquisition. The Group acquired the product manufacturing business from the Seller in Chengdu and Wuxi, including the manufacturing of components for existing customers at a cash consideration which was on the basis of RMB15.8 billion (equivalent to US$2.2 billion), and with pre-closing and post-closing adjustments for the actual amounts of cash, indebtedness and net working capital. Upon the completion of the Acquisition, the financial information of the target group will be included in the consolidated financial statements of BYD Electronic. For further details of the Acquisition, please refer to the announcements of the Company dated 28 August 2023, 27 September 2023 and 29 December 2023 and the circular of the Company dated 25 February 2024.

Save as disclosed above, there was no other significant investment held, other material acquisition and disposal of subsidiaries and associates during the Year. There was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

CAPITAL COMMITMENT

As at 31 December 2023, the total capital commitments of the Company were approximately RMB556 million, compared with approximately RMB1,026 million as at 31 December 2022.

CONTINGENT LIABILITIES

Please refer to note 15 to the financial statements included in this announcement for details of contingent liabilities.

ENVIRONMENTAL PROTECTION AND SOCIAL SECURITY

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE (THE "CODE")

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

The Board puts emphasis on maintaining a quality Board with the balance of skill set of Directors, high transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the Directors, the Company had complied with the applicable principles and code provisions as set out in Part 2 of Appendix C1 of the Listing Rules during the Year.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the Company's code of conduct regarding securities transactions by its Directors. Having made specific enquiry, the Company confirmed all Directors have complied with their obligations under the Model Code regarding their securities transactions during the Year.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors and two non-executive Directors. A meeting was convened by the Company's audit committee on 26 March 2024 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 annual results for the Year) for recommendation to the Board for approval.

SCOPE OF WORK OF AUDITOR ON THE PRELIMINARY ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of this preliminary annual results announcement of the Group 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 annual results announcement.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This annual results announcement has been published on the HKEXnews website of the Stock Exchange (http://www.hkexnews.hk).

By Order of the Board
BYD Electronic (International) Company Limited
WANG Nian-qiang
Director

Hong Kong, 26 March 2024

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