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**比亞迪股份有限公司**  
**BYD COMPANY LIMITED**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

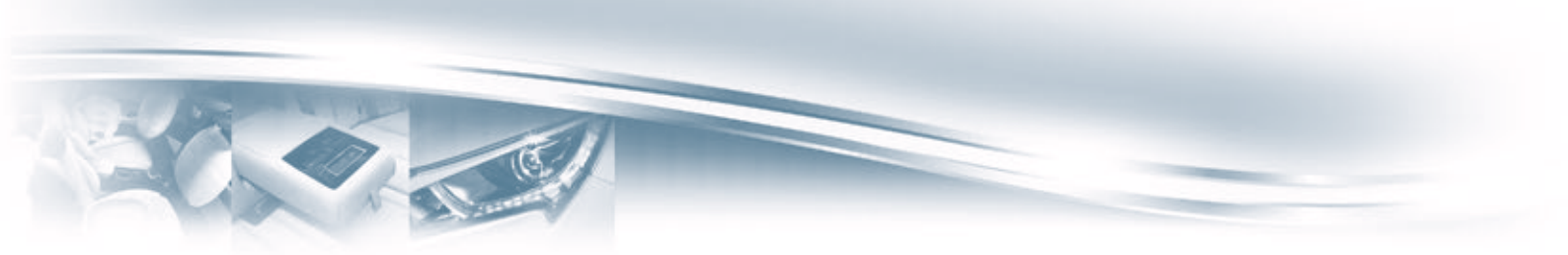
**(Stock code: 1211)**

Website: <http://www.byd.com.cn>

**2014 INTERIM RESULTS ANNOUNCEMENT**

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

By order of the Board of  
**BYD Company Limited**  
**Wang Chuan-fu**  
*Chairman*



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Turnover	4.01%	to RMB25,215 million
Gross profit	14.32%	to RMB3,768 million
Profit attributable to owners of the parent	-15.52%	to RMB361 million
Earnings per share	-15.88%	to RMB0.15

### HIGHLIGHTS

- New energy vehicle business developed rapidly, and the sales increased significantly year-on-year
- Handset components and assembly business recorded a sales of approximately RMB10,913 million, and the Group successfully acquired mobile intelligent terminal manufacturers as new customers
- Rechargeable battery and photovoltaic business maintained a slight decrease, with sales of approximately RMB2,364 million



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## INDUSTRY ANALYSIS AND REVIEW

### Automobile Business

In the first half of 2014, China macro economy kept steady growth but showed a slowdown as compared that of last year with its GDP recording a year-on-year increase of 7.4%. As affected by the macro economy and the bigger basis for the same period of last year, China's automobile market also witnessed a decline in growth rate as compared with that of last year. Looking back on the first half of 2014, total domestic automobile sales amounted to 11,683,500, representing an increase of approximately 8.4% as compared that of last year. Specifically, the sales of the sport utility vehicles ("SUV"), rose by 37.1% to 1,823,400 due to the rapid growth in demand, driving the passenger car sales up by 11.2% to 9,633,800. Affected by the fierce market competition and the change of subsidy policy for energy-efficient automobiles, China's local brand passenger carmakers were under enormous pressure in respect of price and sales volume, and recorded a slight increase in sales of 1.8% to 3,630,300, representing a lower growth rate than that of the whole industry.

In order to expedite the promotion and application of new energy vehicles, alleviate energy and environmental pressures and accelerate the restructuring and upgrade of the automobile industry, the central government successively promulgated a series of favourable policies in the first half of 2014. In February 2014, the four ministries including the Ministry of Finance jointly issued a notice, stating that the subsidy standards for new energy vehicles would be increased from the former one and that subsidiary would continue to be provided following the expiration of such policy in 2015. In May 2014, the General Office of the State Council issued a notice, stating that the promotion efforts of new energy vehicles should be strengthened. In July 2014, the State Council issued the "Guiding Opinions on Accelerating the Promotion and Application of New Energy Vehicles", which urges to establish a long-term stable policy framework for the development of new energy vehicles, and create a favourable atmosphere for the development of new energy vehicle industry. In the same month, the Bureau of Government Offices Administration and the four ministries jointly promulgated the Implementation Plan for Purchase of New Energy Vehicles by the Government Offices and Public Institutions, aiming at urging the government offices and public institutions to purchase new energy vehicles. In addition, according to the decision of the State Council executing meeting convened on 9 July and chaired by Mr. Li Keqiang, Premier of the State Council, the vehicle purchase tax for new energy vehicles will be exempted from 1 September 2014 till the end of 2017. Meanwhile, the National Grid announced in May 2014 that it would completely open up the market of electric vehicle charging and replacing facilities and introduce private capital in building charging facilities for electric vehicles, so as to facilitate the development of new energy vehicle industry. Benefiting from the strong support of the policy and the rich new energy vehicles and the gradual improvement in their performance, the new energy vehicle industry has been developing by leaps and bounds. During the first half of 2014, the sales and production of new energy vehicles of the whole industry both increased by more than two times to 20,692 and 20,477, respectively.

### Handset Components and Assembly Business

According to leading global research firm IDC, global handset shipments in the first half of 2014 rose by 5.5% from the same period of last year to 921 million. Specifically, smartphone development made tremendous advancements, compounded with the spread of global 4G networks, has led to substantial increase in its shipments, which increased by 28.4% in the first half of 2014 from the same period of last year to approximately 589 million. The percentage of smartphone shipments in the global handset market shipment volume increased to approximately 64%, which continued to surpass that of regular handsets and lead the mobile communications market. In the domestic market, the issue of the fourth generation (4G) mobile communication operator's licenses is driving China into the era of fourth-generation (4G) mobile communication, and the resultant upgrade of mobile devices has generated enormous business opportunities for the development of the industry.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## Rechargeable Battery and Photovoltaic Business

During the first half of 2014, the global shipment volume of handset recorded a slight increase, while the lithium-ion battery industry as a whole was relatively stable. In the automobile battery sector, the rapid development of the global new energy vehicle industry has greatly stimulated the growth of demand for upstream automobile batteries. As a result, a large number of battery manufacturers around the world increased investment for a larger production capacity of automobile batteries, bringing about new development opportunities for the rechargeable battery industry. In the photovoltaic sector, the State Council issued the “Opinions on Promoting the Healthy Development of the Photovoltaic Industry” in a view to support the development of photovoltaic industry and promote the industrial integration. Benefiting from the domestic policy support and the gradual improvement of overseas markets, the photovoltaic market is gradually recovering, pulling the industry out of the valley.

## BUSINESS REVIEW

BYD Company Limited (“BYD” or the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in automobile manufacturing business which includes traditional fuel-engined vehicles and new energy vehicles, handset components and assembly business, and rechargeable battery and photovoltaic business. For the six months ended 30 June 2014 (the “Reporting Period”), the Group recorded a turnover of approximately RMB25,215 million, representing a year-on-year increase of 4.01%; the automobile business recorded a revenue of approximately RMB11,938 million, representing a year-on-year decrease of 6.48%; the handset components and assembly business recorded a revenue of approximately RMB10,913 million, representing a year-on-year increase of 21.02%; rechargeable battery and photovoltaic business recorded a revenue of approximately RMB2,364 million, representing a year-on-year decrease of 3.90%. During the reporting period, the Group’s new energy vehicle business recorded a revenue of approximately RMB2,720 million, representing a year-on-year increase of 1,217.61% and accounting for 10.79% of the Group’s total revenue.

### Automobile Business

Due to the intense competition in the automobile market and the change of subsidy policy for energy-efficient automobiles, the market share of China’s local brands has shrunken by 3.48 percentage points as compared with that of last year, especially, the sales volume of China’s local entry-level small sedans declined remarkably. The automobile business of the Group was also adversely affected by such a backdrop. The automobile sales volume was approximately 180,000, down by approximately 27.0% from the same period of last year. However, sales volume of our SUV model S6 maintained its momentum of growth, reporting a year-on-year increase of approximately 30.2%, which partly offset the decrease in sales of other traditional models.

As a pioneer in research, development and promotion of new energy vehicles in China, BYD’s new energy vehicle products have received high recognition in the market. During the reporting period, the sales volume of new energy vehicles of the Group recorded a substantial sixfold increase as compared with that of last year, and particularly, the sales revenue has soared to approximately RMB2.7 billion. The rapid growth of new energy vehicles during the period, however, was not sufficient to fully cover the decline of revenue from traditional automobiles. During the reporting period, revenue from the Group’s automobile business decreased by 6.48% to approximately RMB11,938 million as compared with that of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

As for the new energy vehicle market, BYD continuously consolidated and enhanced its leading position in the industry by capitalizing on the advanced technology and outstanding performance of its products. According to the data released by China Association of Automobile Manufacturers, BYD accounted for 37% of the new energy vehicle market in the first half of 2014, of which its plug-in hybrid vehicle accounted for more than 60% of the market share. Currently, despite having a great number of orders on hand for new energy vehicles, the Group has not adequately catered for market demand due to the fact that its output of new energy vehicles are limited by the production capacity of automobile battery. It is anticipated that, with the inauguration of new production capacity of automobile battery in the second half of the year, both sales volume and market share of new energy vehicles of the Group will continue to increase.

As for the private car market, the Group continued to implement its development strategy of plug-in hybrid vehicles, and focused on the promotion of plug-in hybrid vehicles featuring “electricity for trips and gasoline for journeys”. “Qin” (秦), the plug-in hybrid vehicle model introduced by the Group in December 2013, has received widely high recognition from consumers for its excellent power performance of acceleration to 100 km/h in 5.9 seconds, high energy efficiency of average oil consumption of 1.6L per 100 km, advanced intelligent operating system and fashionable appearance and design, and has rapidly risen to become the champion of all new energy vehicles in China in terms of sales volume. Featuring “electricity for trips and gasoline for journeys”, “Qin” (秦) not only makes pure electric daily trips become true, but also satisfies the mileage needs for journeys, thereby reducing its dependence on recharging facilities, which is one of the key directions to develop the private new energy vehicles market. In addition, as the sales price of “Qin” (秦) is far higher than traditional fuel-powered vehicle models of the Group, the booming sales of “Qin” (秦) will help to elevate the target market segments of BYD’s vehicles, thereby enhancing BYD’s brand image and promoting the long-term development of BYD’s automobile business.

As for public transportation, the Group continued its development strategy of public transportation electrification and pushed forward with the application and promotion of pure electric buses and taxis in domestic and overseas market. During the reporting period, we have secured orders in various cities including Nanjing, Tianjin, Hangzhou and Dalian and have commenced delivery. Current orders on hand have brought the Group’s EV production capacity close to saturation. As one of the cities in the world where electric automobiles are most widely used, Shenzhen currently has approximately 800 e6 pure electric taxis and 780 K9 pure electric buses in operation, with a total mileage of over 200 million kilometres and 30 million kilometres respectively, and a record mileage of 530,000 km and 200,000 km for a single vehicle respectively, which demonstrated the quality of BYD electric vehicles and the reliability of the batteries. What’s more important, the experience in operations accumulated therefrom has consolidated the Group’s leading position in the new energy vehicle operation around the world. In future, the Group will aggressively copy the successful operating model in Shenzhen to other cities, so as to promote commercial operations of new energy vehicles across the country.

During the reporting period, the Group continued to develop overseas markets. In the American market, the Group secured an order from Stanford University for ten K9 electric buses, among which four have been delivered (three have already commenced operation) and the remaining six are expected to be delivered by the end of August. Currently, our K9 electric buses have passed the test drive in various overseas countries and regions in Europe, North America, South America and Asia, which has fully demonstrated BYD’s superiority in technology, quality and commercial operation.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## Handset Components and Assembly Business

The Group's handset components and assembly business adopts the strategy of providing one-stop services with high vertical integration capabilities and provides handset manufacturers with such services as the manufacture of handset components and handset modules, as well as the provision of complete handset design and assembly services and the provision of design, parts manufacturing and assembly services of other electronic products. We are one of the most competitive suppliers of handset components and assembly services in the world. Our major customers include Samsung, Huawei, BBK, HTC, Apple, Nokia, HP and other global and local leading manufacturers of electronic products. During the reporting period, the Group's handset components and assembly business recorded sales revenue of approximately RMB10,913 million, representing an increase of approximately 21.02% as compared with that of last year.

During the first half of 2014, driven by the increase of smart phones, the global handset market continued to grow, and the handset manufacturers at home and abroad continued to pursue breakthroughs and innovation of products with increased efforts in appearance and performance, which placed higher requirements on the handset components. Leveraging on the outstanding performance, appearance and texture of its products, the Group took the lead to develop the plastic-metal hybrid technology (PMH), which was more widely applied during the reporting period. As such, the Group has successively secured orders for middle and high-end handset models from a number of smartphone manufacturers at home and abroad, thus driving sustainable growth of the Group's revenue and profit. In addition, the Group's Original Design Manufacturing (ODM) business also secured orders from world-famous manufacturers of smart phones, tablet PCs, and other mobile terminals during the reporting period.

## Rechargeable Battery and Photovoltaic Business

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries, which are widely used in portable electronic devices including handsets, digital cameras, electrical gadgets and electrical toys. The Group is also actively researching and developing lithium ferrous phosphate batteries ("LFP Batteries") and solar battery products, and is committed to applying such products in areas such as new energy vehicles, energy storage stations, and solar power stations.

During the reporting period, the Group's rechargeable battery and photovoltaic business underwent relatively stable development as a whole, realising a sales revenue of approximately RMB2,364 million. As a world leader in lithium-ion battery development and application, the Group continued to focus on securing new customers and expanding the scope of application of its products so as to increase its market shares.

During the first half of the year, competition in the solar industry eased to some extent, and domestic policies encouraged industry consolidation and restructuring, which laid down a solid foundation for the long-term development of the photovoltaic industry. During the reporting period, the Group continued to increase its efforts in market penetration and tighten cost control measures to drive the substantial growth of revenue. Nevertheless, the profitability of the solar business was still under relatively high pressure. As for energy storage station business, the Group successfully secured orders for 17MWH energy storage power station in the United States and has already commenced delivery of goods. The progress of promotion work in the overseas market is expected to step up.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## PLACING OF SHARES

During the reporting period, in order to support the rapid development of its new energy vehicle business, the Group placed 121,900,000 new H shares at HK\$35 per share in May 30 this year. The placing shares represent approximately 15.37% of the 793,100,000 H Shares then issued and approximately 5.18% of the total issued shares, and represent approximately 13.32% of the enlarged issued H Shares and approximately 4.92% of the total enlarged issued shares after the placing and issuance of the placing shares.

The net proceeds from the placing net of commission and the estimated expenses are approximately HK\$4.2 billion, which will be used mainly for promotion of the development of new energy vehicle business as well as the general working capital. As LFP battery is the key component of new energy vehicles and where the core technology lies, and the Group's 1.6GWH production capacity for LFP batteries can barely meet the demand for new energy vehicles this year, the Group is required to increase investments to expand the production capacity of automobile batteries, so as to meet the future needs arising from the rapid growth of new energy vehicles. As a result, the Group plans to use the proceeds from the Placing Shares to increase investment, so as to accelerate the development and promotion of new energy vehicle business.

## PROSPECTS AND STRATEGIES

Looking ahead to the second half of the year, the global economy is expected to see steady growth, but the downturn risks will remain. It is expected that the Chinese government will continue to make adjustments to its economic structure and improve the quality and efficiency of national economic growth. Going forward, following the development philosophy of "technology, quality and responsibility", the Group will continue to focus on developing new energy vehicle business, improving technology, strengthening brand building and sales channel building, fulfilling its commitments to consumers in terms of quality and after-sale services, and promoting energy conservation and environmental protection, in an effort to consolidate the Group's leading position in the new energy vehicle industry.

### Automobile Business

After years of rapid growth, China's overall automobile market experienced a slowdown in growth in 2014. However, given that the penetration rate of vehicles among residents in China remains relatively low, coupled with the steady advancement of urbanization and continual increase in residents' income, the overall vehicle demand is expected to grow steadily in the future. For new energy vehicles, which are the direction for future development of the automobile industry, benefiting from the gradual enhancement of their performance, the advantages of new energy vehicles will become more significant as compared with traditional automobiles. As a result, the demand of new energy vehicles is expected to experience an explosive growth in the next few years.

As for the Group's traditional automobile business, we will launch the new high-end SUV model, S7, and A+ class model equipped with leading intelligent platform, G5, in the second half of the year. S7 is equipped with the new 2.0T turbo charged engine and timely four-wheel drive, and the off-road ability and stability of the whole vehicle have been enhanced through intelligent allocation of power. G5 will be equipped with global leading mobile intelligent platform to realize the seamless connection between automobiles and the internet, thereby promoting the leap-forward from traditional automobiles to intelligent automobiles. The launch of the above-mentioned relevant models is expected to help further enhance the product competitiveness of the Group, adding new growth momentum for the traditional automobile business.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

As for the new energy vehicles, the Group expects the widely popular “Qin” model to continue the booming sales in the second half of the year, and as the new battery production capacity will commence operation, the sales of new energy vehicles of the Group will continue to boost. In addition, the Group expects to launch the “Tang” model, the plug-in hybrid SUV model in the second half of the year, and the first pure electric sedan of “DENZA”, jointly developed with Daimler, will be launched in the second half on schedule. As a pioneer in the new energy vehicle industry, BYD will capitalize on the huge development opportunities in the industry and leverage its cross-industry synergistic advantages in terms of vehicle manufacturing, battery and information technology to actively enhance technologies for new energy vehicles and develop new energy vehicles with fashionable and novel design, outstanding performance and high energy efficiency. In the future, the Group will continue to actively promote the application of new energy vehicle in the public transportation and private car market, exert more efforts in the R&D and marketing of new energy vehicles, coordinate resources from various channels to improve the charging facility network so as to reinforce and enhance its leading position in the new energy vehicle industry.

2014 marks an important year for the development of new energy vehicles, during which the Group will seize the great opportunity of new energy vehicle popularization in China and abroad to achieve breakthroughs and innovation in the new energy vehicle business. The Group will promote the application and marketing of its new energy vehicles across the world and strive to become the leader in the global new energy vehicle industry by capitalizing on its leading technological edges, strong vertical integration capability, synergy from various businesses and first-mover advantage in commercialization of electric vehicles.

## Handset Components and Assembly Business

The rapid development of mobile Internet and upgrading of communications technology will continue to drive the growth of demand for mobile intelligent terminal markets including smartphones and tablet markets around the globe. According to the estimation of Gartner, global smartphone shipment will increase to 1.2 billion units or 1.3 billion units in 2014, and the percentage of total global handset shipment volume will continue to increase; while the global tablet output will grow by 23.9% to 260 million units. As domestic and overseas handset manufacturers are seeking to produce more competitive smartphone products, an increasing number of manufacturers are turning to choose PMH-based metal casings in order to improve the attractiveness of products. The Group anticipates that PMH-based metal casings will become more popular and enjoy wider applications in the future. In addition, metal cases adopting PMH technology are expected to witness booming development. As the earliest developer and advocator of this technology, the Group will leverage its first-mover advantage and consolidate its leading position to expand customer base and scope of the application of the product and grow it into one of the major growth drivers of handset components and assembly business in the future.

## Rechargeable Battery and Photovoltaic Business

The continuous evolvement of mobile intelligent terminals will bring about more development opportunities for upstream battery manufacturers. Looking ahead, the Group will continue to actively develop new application areas for lithium-ion batteries and diversify the product portfolio to increase market shares. The high-speed growth of new energy vehicles in the future will greatly stimulate market demand for LFP batteries, and the Group will increase its investments to build additional production capacity for LFP batteries in response to market changes, so as to meet the enormous demand arising from the explosive development of new energy vehicle market.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

As for the photovoltaic business, along with the rapid increase in domestic demand and the recovery of overseas demand for photovoltaic products, competition of the photovoltaic market as a whole will be eased, and the photovoltaic industry will see steady recovery. In future, as for the solar business, the Group will continue to implement cost control measures and increase its effort in market expansion, so as to drive the growth of sales revenue and further reduce losses by drawing upon business opportunities arising from the increasing demand in both domestic and overseas markets. Meanwhile, the Group will continue to develop its energy storage station and related businesses to realize its three “green energy” dreams, namely BYD’s new energy vehicle business, solar power station business and energy storage station business.

## ESTIMATED OPERATING RESULTS FOR JANUARY TO SEPTEMBER 2014

Change (in percentage) of net profit attributable to shareholders of the listed company for January to September 2014	-22.45%	to	-11.70%
Change (in range) of net profit attributable to shareholders of the listed company (RMB10,000) for January to September 2014	36,069	to	41,069
Net profit attributable to shareholders of the listed company (RMB10,000) for January to September 2013	46,510		

Reasons for changes in results

It is anticipated that in the 3rd quarter, the new energy vehicle business and the handset components and assembly business will continue their good development momentum. However, the Group’s overall operating results will be dragged down to some extent by the traditional automobile business, which is expected to be adversely affected by the slack season of the industry and the shrinking market share of China’s local brands. As for the solar business, the loss incurred from this segment, though continuously reduced, will continue to bring some pressure to the growth of the Group’s overall operating results.

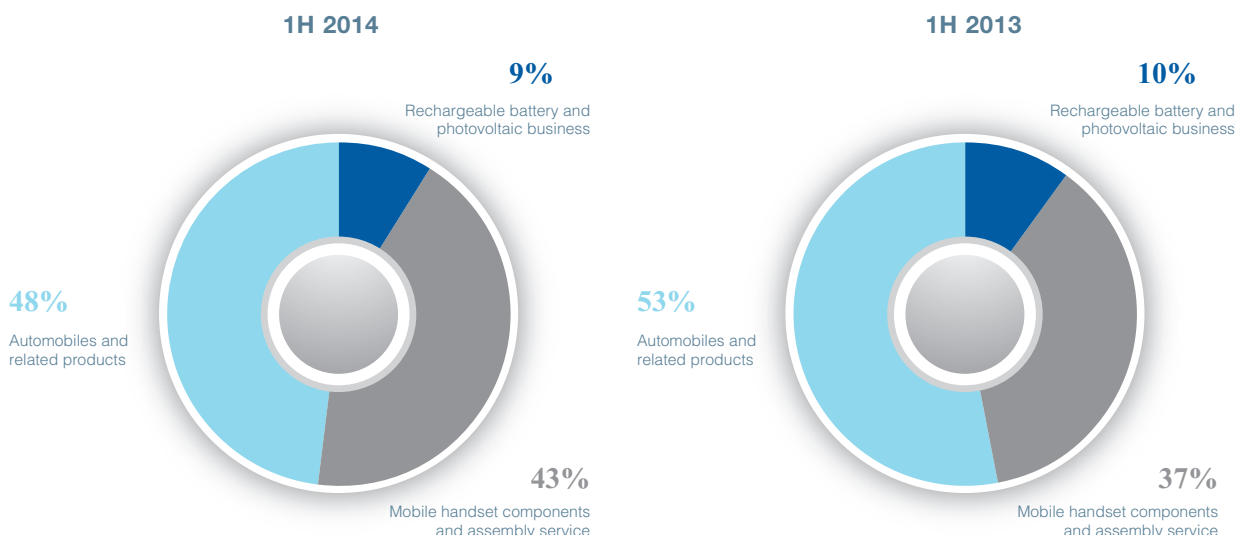
## FINANCIAL REVIEW

### Turnover and Profit Attributable to Owners of the Parent Company

During the period, turnover increased by 4.01% as compared to that of the first half of 2013, mainly attributable to the significant increase in sales of new energy vehicles and the increase in handset components and assembly business. Profit attributable to owners of the parent company decreased by 15.52% as compared to the same period last year, mainly due to the decrease in traditional automobile business.

### Segmental Information

The chart below sets out comparisons of the Group’s turnover by product category for the six months ended 30 June 2014 and 2013:





# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

During the period, the new energy vehicle business of the Group achieved notable growth. The proportion of traditional automobile business decreased while that of handset components and assembly business increased, and that of rechargeable battery and photovoltaic business remained relatively stable.

## Gross Profit and Margin

During the period, the Group's gross profit increased by approximately 14.32% to approximately RMB3,768 million. Gross profit margin increased from approximately 13.60% in the first half of 2013 to approximately 14.94% during the period. The increase in gross profit margin was attributable to an increase in the percentage of revenue from new energy vehicles which have higher gross profit margin and the increase in the gross profit margin of handset components and assembly business.

## Liquidity and Financial Resources

During the period, BYD recorded an operating cash outflow of approximately RMB544 million, compared with an operating cash inflow of approximately RMB2,301 million in the first half of last year. Total borrowings as at 30 June 2014, including all bank loans, bond payables and other secured loans, were approximately RMB30,152 million, compared with approximately RMB24,824 million as at 31 December 2013. The maturity profile of bank loans, bond payables and other settled loans spread over a period of ten years, with approximately RMB18,710 million repayable within one year and approximately RMB3,403 million in the second year, approximately RMB8,030 million within three to five years and approximately RMB9 million over five years. The Group maintained adequate cash to meet its daily liquidity management and capital expenditure requirements and control internal operating cash flows.

Turnover days of accounts and bills receivables increased to approximately 106 days for the six months ended 30 June 2014, compared to approximately 79 days for the same period in 2013. Increase in turnover days of trade and bills receivables was mainly due to increased in average balance of accounts and bills receivables. Inventory turnover days was approximately 76 days for the six months ended 30 June 2014, compared to approximately 72 days for the same period in 2013. The change in inventory turnover days was primarily due to the higher year-on-year increase in average inventory than the year-on-year increase in cost of sales.

## 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 at 30 June 2014, borrowings were primarily settled in Renminbi, while cash and cash equivalents were primarily held in Renminbi and US dollar. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the period. The loans remaining outstanding as at 30 June 2014 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

## Foreign Exchange Risk

Most of the Group's income and expenditure are settled in Renminbi and US dollar. During the period, the Group did not experience any significant difficulties in its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt applicable measures to prevent exposure to exchange rate risk.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## Employment, Training and Development

As at 30 June 2014, the Group had over 170 thousand employees. During the period, total staff cost accounted for approximately 20.20% of the Group's turnover. Employees' remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal development.

## Share Capital

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

	Number of shares issued	Percentage (%)
A shares	1,561,000,000	63.05
H shares	915,000,000	36.95
Total	2,476,000,000	100.00

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period from 1 January 2014 to 30 June 2014. During the period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

## CAPITAL COMMITMENTS

Please refer to note 15 to the financial statements for details of capital commitments.

## CONTINGENT LIABILITIES

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

## POST BALANCE SHEET EVENTS

Please refer to note 17 to the financial statements for details of post balance sheet events.



## SUPPLEMENTARY INFORMATION

### CORPORATE GOVERNANCE

#### Compliance with the Code on Corporate Governance Practices

The Board of Directors of the Company (the “Board”) is committed to maintaining and ensuring high standards of corporate governance practices.

The Board has emphasized on maintaining a quality Board with various expertise among directors, high transparency and an effective system for accountability, in order to enhance shareholders’ value. The Board is of the view that the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules during the reporting period except for the following deviation:

#### Code A.2.1

Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Chuan-fu is the Chairman and Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of rights and authorities between the Board and the management. The Board of the Company comprises experienced and high calibre individuals and meets regularly every three months to discuss issues affecting operations of the Group. Through the operation of the Board, a sufficient balance between rights and authorities is assured. The Board believes that this structure is conducive to a strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business development of the Company.

#### 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 Companies as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding directors’ securities transactions. After making specific enquiries to all directors, all directors have confirmed that they have complied with the required standard set out in the Model Code during the reporting period.



## SUPPLEMENTARY INFORMATION

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

During the period from the date of publication of the latest annual report of the Company to 30 June 2014, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2014, the Company or any of its subsidiaries has not purchased, sold or redeemed any listed securities of the Company.

### **The Board's Diversity Policy**

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

### **Audit Committee**

The Audit Committee consists of three independent non-executive directors and one non-executive director. A meeting was convened by the Company's Audit Committee on 22 August 2014 to review the accounting policies and practices adopted by the Group and to discuss matters of auditing, internal control, risk management and financial reporting (including the financial statements for the six months ended 30 June 2014) before making recommendations to the Board for approval of the relevant matters.

### **Interim Dividend**

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



## SUPPLEMENTARY INFORMATION

### DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2014, the interests of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange Company Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which are taken or deemed to be owned under the relevant provisions of the SFO), or which were required to be recorded in the register specified in section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as applicable to the supervisors) were as follows:–

#### A Shares of RMB1.00 each

Name	Number of A Shares	Approximate percentage of shareholding in the total number of issued A Shares (%)	Approximate percentage of shareholding in the total issued share capital (%)
Wang Chuan-fu (Director)	570,642,580 (L)	36.56%	23.05%
Lv Xiang-yang (Director)	401,810,480 (L)	25.74%	16.23%
	<i>(Note 1)</i>		
Xia Zuo-quan (Director)	118,977,060	7.62%	4.81%

*(L) – Long Position*

*Notes:*

- Of the 401,810,480 A Shares, 239,228,620 A shares were held by Mr. Lv in his personal capacity and 162,581,860 A Shares were held by Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) ("Youngy Investment", formerly known as Guangzhou Youngy Management & Investment Group Company Limited). Youngy Investment was in turn held by Mr. Lv and his spouse as to 89.5% and 10.5% equity interests, respectively. Mr. Lu was therefore deemed to be interested in 162,581,860 A Shares under the SFO.

Saved as disclosed above, as at 30 June 2014, none of the directors, supervisors or chief executive officers of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



## SUPPLEMENTARY INFORMATION

### SHAREHOLDERS WITH NOTIFIABLE INTERESTS

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

#### 1. A Shares of RMB1.00 each

<b>Name</b>	<b>Number of A Shares</b>	<b>Approximate percentage of shareholding in the total number of issued A Shares (%)</b>	<b>Approximate percentage of shareholding in the total issued share capital (%)</b>
Youngy Investment ( <i>Note 1</i> )	162,581,860 (L)	10.42%	6.57%

(L) – Long Position

*Note:*

1. Youngy Investment was owned by Mr. Lv Xiang-yang, a non-executive director of the Company as to 89.5% equity interest. Therefore, pursuant to the SFO, Mr. Lv was also deemed to be interested in 162,581,860 A Shares held by Youngy Investment.



## SUPPLEMENTARY INFORMATION

### 2. H Shares of RMB1.00 each

Name	Number of H Shares	Approximate percentage of shareholding in the total number of issued H Shares (%)	Approximate percentage of shareholding in the total issued share capital (%)
Berkshire Hathaway Inc. (Note 1)	225,000,000 (L)	24.59%	9.09%
MidAmerican Energy Holdings Company (Note 1)	225,000,000 (L)	24.59%	9.09%
Li Lu (Note 2)	55,511,200 (L)	6.07%	2.24%
LL Group, LLC (Note 2)	55,511,200 (L)	6.07%	2.24%
FIL Limited (Note 3)	39,711,986 (L)	4.34%	1.60%

(L) – Long Position

*Notes:*

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, MidAmerican Energy Holdings Company, for the 225,000,000 H shares directly held by it.
2. LL Group, LLC was deemed to be interested in 55,511,200 H shares (L) through its controlled corporation, LL Investment Partners, L.P. Li Lu, being the controlling shareholder of LL Group, LLC, was also deemed to be interested in 55,511,200 H shares.
3. FIL Limited was interested in 39,711,986 H shares (L) in the capacity of investment manager.

As at 30 June 2014, the total issued share capital of the Company was RMB2,476,000,000, divided into 1,561,000,000 A Shares of RMB1.00 each and 915,000,000 H shares of RMB1.00 each, all were fully paid up.



# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>25,215,183</b>	24,243,277
Cost of sales		<b>(21,446,810)</b>	(20,946,889)
Gross profit		<b>3,768,373</b>	3,296,388
Other income and gains	5	<b>237,684</b>	209,265
Government grants and subsidies		<b>327,984</b>	321,886
Selling and distribution costs		<b>(985,814)</b>	(991,114)
Research and development costs		<b>(769,525)</b>	(616,231)
Administrative expenses		<b>(1,181,572)</b>	(982,386)
Other expenses		<b>(56,138)</b>	(144,959)
Finance costs	6	<b>(680,615)</b>	(439,523)
Share of profits and losses of:			
Joint ventures		<b>(9,716)</b>	(21,390)
Associates		<b>(1,730)</b>	(13,544)
<b>PROFIT BEFORE TAX</b>	7	<b>648,931</b>	618,392
Income tax expense	8	<b>(87,349)</b>	(82,134)
<b>PROFIT FOR THE PERIOD</b>		<b>561,582</b>	536,258
Attributable to:			
Owners of the parent		<b>360,691</b>	426,938
Non-controlling interests		<b>200,891</b>	109,320
		<b>561,582</b>	536,258
Earnings per share attributable to ordinary equity holders of the parent			
– basic and diluted for the period	9	<b>RMB0.15</b>	RMB0.18



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<b>For the six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>561,582</b>	536,258
<b>OTHER COMPREHENSIVE INCOME</b>		
Available-for-sale investments:		
Changes in fair value	(226)	(580)
Reclassification adjustments for gain included in the interim condensed consolidated income statement-gain on disposal	(4,261)	-
	(4,487)	(580)
Exchange differences on translation of foreign operations	43,455	(48,561)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS</b>	<b>38,968</b>	(49,141)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>600,550</b>	487,117
Attributable to:		
Owners of the parent	407,956	395,715
Non-controlling interests	192,594	91,402
	<b>600,550</b>	487,117

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	34,718,898	34,147,121
Prepaid land lease payments		4,591,585	4,628,295
Goodwill		65,914	65,914
Other intangible assets		5,592,316	4,929,267
Non-current prepayment		1,312,183	1,463,810
Long-term receivable		19,840	34,679
Investments in joint ventures		1,089,257	809,388
Investments in associate		272,387	274,117
Available-for-sale investments		35,000	9,487
Deferred tax assets		923,591	899,699
Property under development		809,273	787,404
Total non-current assets		49,430,244	48,049,181
<b>CURRENT ASSETS</b>			
Inventories	11	9,115,431	8,220,552
Trade and bills receivables	12	15,792,829	13,135,007
Prepayments, deposits and other receivables		2,744,207	2,425,717
Due from the joint ventures		624,161	250,009
Completed property held for sale		175,000	555,540
Pledged deposits		427,600	667,886
Short term deposits		312,851	200,000
Cash and cash equivalents		8,057,172	4,510,942
Total current assets		37,249,251	29,965,653
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	21,442,158	22,292,736
Other payables		2,963,699	2,942,148
Advances from customers		1,580,379	1,272,407
Deferred income		148,144	199,439
Interest-bearing bank and other borrowings		18,710,545	16,172,161
Current portion of obligations under finance leases		1,044	–
Due to the joint ventures		13,221	–
Tax payable		145,210	165,734
Provision		406,434	299,352
Dividend payable		123,800	–
Total current liabilities		45,534,634	43,343,977
<b>NET CURRENT LIABILITIES</b>		<b>(8,285,383)</b>	<b>(13,378,324)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>41,144,861</b>	<b>34,670,857</b>



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		11,441,511	8,652,259
Obligations under finance leases		1,427	–
Deferred income		1,046,077	1,158,565
Other liabilities		2,785	3,592
<b>Total non-current liabilities</b>		<b>12,491,800</b>	9,814,416
<b>Net assets</b>		<b>28,653,061</b>	24,856,441
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital		2,476,000	2,354,100
Reserves		22,860,009	19,237,959
Proposed Final Dividend		–	117,705
		<b>25,336,009</b>	21,709,764
<b>Non-controlling interests</b>		<b>3,317,052</b>	3,146,677
<b>Total equity</b>		<b>28,653,061</b>	24,856,441

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the parent								
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory	Exchange	Retained profits (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
				surplus	fluctuation				
				reserve fund (Unaudited) RMB'000	reserve (Unaudited) RMB'000				
At 1 January 2013	2,354,100	2,643,425	4,372,397	1,821,136	(120,400)	10,126,326	21,196,984	2,947,387	24,144,371
Profit for the period	-	-	-	-	-	426,938	426,938	109,320	536,258
Other comprehensive income for the period:									
Change in fair value of available-for-sale investments, net of tax	-	-	(580)	-	-	-	(580)	-	(580)
Exchange differences on translation of foreign operations	-	-	-	-	(30,643)	-	(30,643)	(17,918)	(48,561)
Total comprehensive income for the period	-	-	(580)	-	(30,643)	426,938	395,715	91,402	487,117
The government subsidies designated to increase the capital reserve	-	-	4,743	-	-	(4,743)	-	-	-
At 30 June 2013	2,354,100	2,643,425*	4,376,560*	1,821,136*	(151,043)*	10,548,521*	21,592,699	3,038,789	24,631,488

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory		Retained profits (Unaudited) RMB'000	Proposed final dividend (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
				surplus	Exchange					
				reserve fund (Unaudited) RMB'000	fluctuation reserve (Unaudited) RMB'000					
At 1 January 2014	2,354,100	2,643,425	4,398,830	1,965,745	(162,181)	10,392,140	117,705	21,709,764	3,146,677	24,856,441
Profit for the period	-	-	-	-	-	360,691	-	360,691	200,891	561,582
Other comprehensive income for the period:										
Changes in fair value of available-for-sale investments, net of tax	-	-	(226)	-	-	-	-	(226)	-	(226)
Reclassification adjustments for gain included in the interim condensed consolidated income statement on disposal	-	-	(4,261)	-	-	-	-	(4,261)	-	(4,261)
Exchange differences on translation of foreign operations	-	-	-	-	51,753	-	-	51,753	(8,297)	43,456
Total comprehensive income for the period	-	-	(4,487)	-	51,753	360,691	-	407,957	192,594	600,551
Issue of shares	121,900	3,220,188	-	-	-	-	-	3,342,088	-	3,342,088
2013 dividend declared	-	-	-	-	-	(6,095)	(117,705)	(123,800)	(22,219)	(146,019)
The government subsidies designated to increase the capital reserve	-	-	4,234	-	-	(4,234)	-	-	-	-
At 30 June 2014	2,476,000	5,863,613*	4,398,577*	1,965,745*	(110,428)*	10,742,502*	-	25,336,009	3,317,052	28,653,061

\* These reserve amounts comprise the consolidated reserves of RMB22,860,009,000 in the interim condensed consolidated statement of financial position as at 30 June 2014.

\*\* On 25 June 2014 the shareholders approved the distribution of a dividend of RMB0.05 per share for the year ended 31 December 2013 which has been subsequently paid on 13 August 2014.

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>648,931</b>	618,392
Adjustments for:			
Finance costs	6	<b>680,615</b>	439,523
Share of profits and losses of joint ventures and an associate		<b>11,446</b>	34,934
Bank interest income	5	<b>(58,358)</b>	(26,153)
Government grants and subsidies		<b>(169,873)</b>	(150,352)
Loss/(gain) on disposal of items of non-current assets		<b>16,384</b>	(10,513)
Gains on settlement of available-for-sale investments		<b>(4,261)</b>	–
Depreciation	7	<b>1,777,259</b>	1,558,671
Write-down of inventories to net realisable value	7	<b>98,719</b>	75,295
Impairment of trade receivables	7	<b>53,166</b>	10,433
Impairment losses of trade receivables reversed	7	<b>(44,130)</b>	(9,426)
Impairment of prepayments, deposits and other receivables		–	18,954
Recognition of prepaid land lease payments		<b>51,620</b>	44,678
Amortisation of other intangible assets		<b>215,275</b>	150,109
		<b>3,276,793</b>	2,754,545
Increase in inventories		<b>(993,598)</b>	(1,323,953)
Increase in trade and bills receivables		<b>(2,397,855)</b>	(691,764)
Increase in prepayments, deposits and other receivables		<b>(220,780)</b>	(261,691)
(Increase)/decrease in amounts due from joint ventures		<b>(374,152)</b>	365
Decrease/(increase) in long term receivable		<b>14,839</b>	(29,679)
(Increase)/decrease in property under development		<b>(1,030)</b>	1,039,854
Decrease/(increase) in completed property held for sale		<b>380,541</b>	(624,274)
(Decrease)/Increase in trade and bills payables		<b>(583,232)</b>	2,449,130
Increase in other payables		<b>59,568</b>	19,191
Increase/(decrease) in advances from customers		<b>227,972</b>	(992,037)
Increase in amounts due to joint ventures		<b>13,221</b>	51,612
Increase in provision for warranties		<b>107,082</b>	48,056
Cash (used in)/generated from operations		<b>(490,631)</b>	2,439,355
Interest received	5	<b>58,358</b>	26,153
Taxes paid		<b>(111,396)</b>	(164,170)
Net cash flows (used in)/from operating activities		<b>(543,669)</b>	2,301,338

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	For the six months ended 30 June	
		2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(2,680,378)	(1,751,699)
Decrease in non-current prepayments		208,610	199,546
Additions to prepaid land lease payments		(35,797)	(192,520)
Increase in short term deposits		(112,851)	–
Receipt of government grants		6,087	62,882
Additions to other intangible assets		(981,472)	(607,316)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		53,999	101,354
Proceeds from disposal of a subsidiary	17	80,000	–
Proceeds from settlement of available-for-sale investments		4,261	–
Purchases of available-for-sale investments		(30,000)	–
Capital contributions to joint ventures		(315,000)	–
Net cash flows used in investing activities		(3,802,541)	(2,187,753)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		3,342,088	–
New bank loans		15,200,234	6,443,784
Repayment of bank loans		(10,170,335)	(4,620,823)
Interest paid		(774,816)	(682,312)
Decrease/(increase) in pledged deposits		240,286	(384,502)
Net cash flows from financing activities		7,837,457	756,147
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,491,247</b>	<b>869,732</b>
Cash and cash equivalents at beginning of period		4,510,942	3,486,561
Effect of foreign exchange rate changes, net		54,983	(45,213)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>8,057,172</b>	<b>4,311,080</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		7,593,893	4,277,106
Non-pledged time deposits with original maturity of less than three months when acquired		1,203,730	615,881
Short term deposits		(312,851)	–
Pledged deposits		(427,600)	(581,907)
Cash and cash equivalents as stated in the statement of financial position		8,057,172	4,311,080





# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 1. CORPORATE INFORMATION

BYD Company Limited (the “Company”) is a joint stock limited liability company registered in the People’s Republic of China (the “PRC”). The Company’s H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and Shenzhen Stock Exchange since 31 July 2002 and 30 June 2011, respectively. The registered office of the Company is located at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the research, development, manufacture and sale of rechargeable battery and photovoltaic business, automobiles and related products, handset components, LCD and other electronic products.

On 30 May 2014, the Company completed placement of 121,900,000 new H Shares of the Company to certain independent places (“Placing”). The aggregate net proceeds (after deduction of the commissions and estimated expenses) from the Placing amount to approximately HK\$4.2 billion.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

Despite the Group’s net current liabilities of approximately RMB8,285,383,000 as at 30 June 2014, the interim condensed consolidated financial statements have been prepared on a going concern basis on the basis of the directors’ contention that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

## 3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain available-for-sale investments, which are measured at fair values. Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

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

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

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

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

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

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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the rechargeable battery and photovoltaic business segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries principally for mobile phones, electric tools and other portable electronic instruments and photovoltaic products;
- (b) the mobile handset components and assembly service segment comprises the manufacture and sale of mobile handset components such as housings, keypads and the provision of assembly services; and
- (c) the automobiles and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, government grants and subsidies, finance costs, as well as head office and corporate expenses and gains are excluded from such measurement.

Segment assets exclude deferred tax assets, goodwill, available-for-sale investments, tax to be deductible in the future and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, dividend payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 4. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue and profit information regarding the Group's reportable operating segments for the six months ended 30 June 2014 and 2013, respectively.

### Six months ended 30 June 2014

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	2,364,034	10,913,277	11,937,872	-	25,215,183
Intersegment sales	1,275,136	436,543	134,615	-	1,846,294
Others including other gross income from sales of raw materials, property and disposal of scrap materials	211,041	123,178	324,106	378,121	1,036,446
Taxes and surcharges	7,439	49,290	384,918	22,430	464,077
	<b>3,857,650</b>	<b>11,522,288</b>	<b>12,781,511</b>	<b>400,551</b>	<b>28,562,000</b>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(1,846,294)
Elimination of other gross income					(1,036,446)
Elimination of taxes and surcharges					(464,077)
Revenue – sales to external customers					<b>25,215,183</b>
<b>Segment results</b>	<b>114,058</b>	<b>865,730</b>	<b>414,639</b>	<b>2,456</b>	<b>1,396,883</b>
<i>Reconciliation:</i>					
Elimination of intersegment results					(205,520)
Interest income					58,359
Government grants and subsidies and unallocated gains					355,588
Corporate and other unallocated expenses					(275,764)
Finance costs					(680,615)
Profit before tax					<b>648,931</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 4. SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2013

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	2,460,717	9,017,498	12,765,062	-	24,243,277
Intersegment sales	507,155	343,271	63,148	-	913,574
Others including other gross income from sales of raw materials and disposal of scrap materials	137,092	172,701	353,149	501,622	1,164,564
Taxes and surcharges	7,909	49,417	546,008	29,758	633,092
	3,112,873	9,582,887	13,727,367	531,380	26,954,507
<i>Reconciliation:</i>					
Elimination of intersegment sales					(913,574)
Elimination of other gross income					(1,164,564)
Elimination of taxes and surcharges					(633,092)
Revenue – sales to external customers					24,243,277
<b>Segment results</b>	148,033	552,350	538,554	8,237	1,247,174
<i>Reconciliation:</i>					
Elimination of intersegment results					(188,635)
Interest income					26,153
Government grants and subsidies and unallocated gains					333,126
Corporate and other unallocated expenses					(359,903)
Finance costs					(439,523)
Profit before tax					618,392

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 4. SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 30 June 2014 and 31 December 2013:

### Year ended 30 June 2014

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
<b>Segment assets</b>	14,571,207	19,252,479	49,118,636	82,942,322
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,695)
Elimination of unrealised profit of intersegment sales				(125,805)
Corporate and other unallocated assets				3,865,673
<b>Total assets</b>				<b>86,679,495</b>
<b>Segment liabilities</b>	2,761,561	6,304,269	18,187,568	27,253,398
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,695)
Corporate and other unallocated liabilities				30,775,731
<b>Total liabilities</b>				<b>58,026,434</b>
<b>Other segment information:</b>				
Impairment losses recognized in the statement of profit or loss	6,550	100,666	539	107,755
Depreciation and amortisation	322,606	604,845	1,116,703	2,044,154
Capital expenditure	403,655	451,293	2,347,897	3,202,845

\* Capital expenditure consists of additions to other intangible assets, property, plant and equipment, prepaid land lease payments and prepayment for equipment.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 4. SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 30 June 2014 and 31 December 2013 (continued):

Year ended 31 December 2013

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
<b>Segment assets</b>	14,352,431	19,833,630	41,867,687	76,053,748
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,883,887)
Elimination of unrealised profit of intersegment sales				(52,555)
Corporate and other unallocated assets				3,897,528
<b>Total assets</b>				<b>78,014,834</b>
<b>Segment liabilities</b>	2,677,454	5,127,041	21,789,329	29,593,824
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,883,887)
Corporate and other unallocated liabilities				25,448,456
<b>Total liabilities</b>				<b>53,158,393</b>
<b>Other segment information:</b>				
Impairment losses recognized in the statement of profit or loss	150,542	89,435	32,326	272,303
Depreciation and amortisation	805,019	805,821	2,016,190	3,627,030
Capital expenditure	846,730	901,645	4,484,289	6,232,664

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 5. REVENUE, OTHER INCOME AND GAINS

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

	<u>For the six months ended 30 June</u>	
	2014	2013
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Revenue</b>		
Sales of goods	<b>20,242,597</b>	20,621,126
Assembly services income	<b>4,972,586</b>	3,622,151
	<b>25,215,183</b>	24,243,277

	<u>For the six months ended 30 June</u>	
	2014	2013
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Other income and gains</b>		
Gain on disposal of scrap and materials	<b>105,730</b>	111,960
Gain on sales of properties (i)	<b>2,455</b>	8,237
Bank interest income	<b>58,358</b>	26,153
Others	<b>71,141</b>	62,915
	<b>237,684</b>	209,265

Note:

- (i) The Group develops properties for sale to its employees. The gain on sales of properties related to the sales of properties with the property cost of RMB375,661,000 (six months ended 30 June 2013: RMB493,385,000) and business tax of RMB22,431,000 (six months ended 30 June 2013: RMB29,757,000) to the employees during the period. The sales amount has been fully paid by the employees as at the period ends.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Interest on bank and other borrowings	726,721	553,235
Bank charges for discounted bills receivables	77,600	50,236
	<b>804,321</b>	603,471
Less: Interest capitalised	<b>(123,706)</b>	(163,948)
	<b>680,615</b>	439,523

The average capitalisation rate for the period used to determine the amount of borrowing costs eligible for capitalisation was 5.76% (six months ended 30 June 2013: 5.92%).

## 7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Cost of inventories sold	16,727,672	17,420,507
Cost of services provided	4,620,419	3,451,087
Depreciation	1,777,259	1,558,671
Amortisation of other intangible assets other than development costs*	19,403	16,363
Impairment of trade receivables	53,166	10,433
Impairment losses of trade receivables reversed	(44,130)	(9,426)
Write-down of inventories to net realisable value	98,719	75,295
Loss on disposal of items of property, plant and equipment	9,608	2,148

\* The amortisation of other intangible assets other than development costs for the period is included in "Administrative expenses" in the interim condensed consolidated income statement.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current-Mainland China	110,220	120,162
Current-Hong Kong	1,021	1,162
Deferred	(23,892)	(39,190)
Total tax charge for the period	87,349	82,134

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,364,258,000 (2013: 2,354,100,000) in issue during the period.

	For the six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	360,691	426,938

	For the six months ended 30 June	
	2014	2013
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,364,258,000	2,354,100,000

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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB2,217,328,000 (six months ended 30 June 2013: RMB1,815,843,000) on additions to property, plant and equipment.

Assets with a net book value of RMB70,381,000 were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB77,096,000), resulting in a net loss on disposal of RMB9,608,000 (six months ended 30 June 2013: loss of RMB2,148,000).

## 11. INVENTORIES

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Raw materials	<b>2,280,353</b>	2,172,721
Work-in-progress	<b>3,904,212</b>	3,345,397
Finished goods	<b>2,525,776</b>	2,280,419
Mould held for production	<b>405,090</b>	422,015
	<b>9,115,431</b>	8,220,552

At 30 June 2014, the Group's inventories with a carrying amount of RMB351,741,000 (2013: RMB242,330,000) were pledged as security for the Group's bank loans.

## 12. TRADE AND BILLS RECEIVABLES

For sales under traditional fuel-engined automobiles and related products within automobile segment, payment in advance, mainly in the form of bank bills, and commercial bills, are normally required. For sales under new energy automobiles and related products within automobile segment, the Group's trading terms with its customers are mainly on credit. For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months except for new energy automobiles customers which the Group may allow to make instalment payments within one to two years.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Within three months	<b>11,419,059</b>	10,361,380
Four to six months	<b>2,581,611</b>	1,851,722
Seven months to one year	<b>1,013,118</b>	364,240
One to two years	<b>680,901</b>	377,939
Two to three years	<b>44,280</b>	179,726
Over three year	<b>53,860</b>	–
	<b>15,792,829</b>	13,135,007

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

## 13. TRADE AND BILLS PAYABLES

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

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Within three months	<b>15,813,848</b>	15,993,449
Four to six months	<b>5,362,999</b>	5,915,036
Seven months to one year	<b>93,137</b>	96,230
One to two years	<b>76,630</b>	80,970
Two to three years	<b>46,985</b>	164,485
Over three years	<b>48,559</b>	42,566
	<b>21,442,158</b>	22,292,736

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days. The directors are of the opinion that the carrying amounts of trade and bills payables approximate their fair values.

The directors consider that the sales of products to Xi'an Northern Qinchuan Company LTD ("Northern Qinchuan") were made according to the published prices. The outstanding balance owing by the Company as at 30 June 2014 was RMB44,000 (2013: RMB13,000). Details are disclosed in note 16(a) to the financial statements.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. CONTINGENT LIABILITIES

### (a) Action against Foxconn

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

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

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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. CONTINGENT LIABILITIES (CONTINUED)

### (a) Action against Foxconn (Continued)

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

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

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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. CONTINGENT LIABILITIES (CONTINUED)

### (a) Action against Foxconn (Continued)

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

Based on legal opinions issued by the Group's litigation legal counsels in 2014, the ultimate outcome of the litigation is not yet determinable given the early stage of the proceedings. Accordingly, whether the litigation may lead to compensation obligations on the part of the Group is uncertain. Moreover, if the litigation may lead to compensation obligations, the amount cannot be measured reliably and no estimated liabilities have been recorded by the Group.

### (b) The Maritime Compensation Disputes between the Company and other parties including HLL Atlantic Schiffahrts GmbH and David Peyser Sportswear, Inc.

#### (i) The third-party litigation (No. 08 civ 9352(AKH))

On 10 September 2008, the Company exported to Spectrum Brands, Inc. 360 cartons of Ni-MH batteries with the trademark of "Rayovac", which were loaded in a container (No. APLU9087454) (the "Container") in No. 5 cargo hold of the M/V APL PERU (the "Vessel"). The shipowner is HLL Atlantic Schiffahrts GmbH ("HLL Atlantic") and the ship operator is Hanseatic Lloyd Schiffahrt GmbH & Co. KG ("Lloyd"). On 5 October 2008, a fire occurred in the Container and resulted in the damages to the Vessel and other cargos aboard.

On 31 October 2008, six companies including Chris Sports North America, Inc. (the "08 Civ. 09352 Plaintiffs"), represents a variety of cargo interests aboard the ship, launched a lawsuit (the "08 Civ. 09352 Case") to the United States District Court of Southern District of New York, against the four defendants, including the HLL Atlantic, Lloyd and a carrier named Laufer Group International Ltd. (the "08 Civ. 09352 Defendants"), on the facts of the maritime transport. The 08 Civ. 09352 Plaintiffs alleged that the 08 Civ. 09352 Defendants violated the carriage obligations. On 2 March 2009, the 08 Civ. 09352 Plaintiffs added another carrier named Hyundai Merchant Marine Co. as defendant and demanded that all 08 Civ. 09352 Defendants liable for a loss that amounted to US\$428,328.50.

On 10 September 2009, a third-party lawsuit was initiated by two of the 08 Civ. 09352 Defendants, HLL Atlantic and Lloyd, against the Company and Spectrum Brands, Inc. ("SPC"), demanding that the Company and Spectrum Brands, Inc., liable for losses and expenses totaling US\$250,000, as well as indemnity, cost of litigation and general average.

On 8 October 2010, the Company was duly served with the third-party complaint and the summons.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. CONTINGENT LIABILITIES (CONTINUED)

### (b) The Maritime Compensation Disputes between the Company and other parties including HLL Atlantic Schifffahrts GmbH and David Peyser Sportswear, Inc. (Continued)

#### (ii) The maritime case (No. 10-CV-06108)

On 7 May 2010, a lawsuit numbered CV 09-00169-RAJ was commenced by 41 plaintiffs including David Peyser Sportswear, Inc. and National Liability and Fire Company (the "Plaintiffs") against 5 defendants including the Company and SPC (the "Defendants"), to the United States District Court for Western District of Washington in Seattle. The Plaintiffs requested that the Defendants liable for the loss of approximately US\$6,000,000, general average and the cost of litigation.

The case was based on the same facts as the aforementioned 08 Civ. 09352 Case. On 17 August 2010, the case has been transferred to the United States District Court for the Southern District of New York. The number of the case was changed to 10-CV-06108.

On 4 November 2010, the Company was duly served with the plaintiffs' complaint and the summons. BYD received the request of relevant evidence by Spectrum Brands in March 2012, and submitted the relevant documents according to the request in May 2012. BYD submitted the relevant documents according to Spectrum Brands' request in May 2012. The parties took testimony from BYD's witnesses in early November 2012 and mid-June 2013. On 2 December 2013, the Plaintiffs submitted an expert report. On 21 March 2014, as the Plaintiffs were in the process of negotiating settlement with the carrier, which is one of the defendants, the carrier made an application to the Court to postpone the submission of the expert report. Therefore, the Company postponed the expert report accordingly. The new schedule is yet to be determined.

### (c) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	-	-	44,851,263	30,863,214

As at 30 June 2014, the banking facilities guaranteed to subsidiaries subject to guarantees given to banks by the Company were utilized to the extent of approximately RMB12,047,362,000 (2013: RMB9,755,100,000).



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 14. CONTINGENT LIABILITIES (CONTINUED)

### (d) Financial guarantee issued

The Group entered into tri-lateral finance lease arrangement contracts with certain end-user customers and a third-party leasing company. Under the joint leasing arrangement, the Group provides a buy back guarantee to the third-party leasing company that in the event of customer default, the Group is required to make payment to the leasing company for its share of the outstanding lease payments due from the customer. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of buy back payments. At the same time, the Group is entitled to repossess and sell the leased new energy vehicle, and retain any net proceeds in excess of the buy back payments made to the leasing company. As at 30 June 2014, the Group's maximum exposure to such buy back arrangement was RMB403,543,000. The term of these buy back arrangement coincides with the tenure of the lease contracts. For the six months ended 30 June 2014, there was no default of payments from end-user customers which required the Group to make buy back payments to the third-party leasing company.

## 15. COMMITMENTS

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

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Contracted but not provided for		
Land and buildings (i)	<b>839,243</b>	856,404
Plant and machinery (ii)	<b>1,453,903</b>	1,177,611
	<b>2,293,146</b>	2,034,015
Authorised but not contracted for	<b>1,951,350</b>	2,512,825
	<b>4,244,496</b>	4,546,840

Notes:

- (i) Included in the above capital commitment is a commitment with regard to the under-mentioned BYD Automobile Plant II Project with the amount of RMB208,537,000 (2013: RMB199,049,000);
- (ii) Included in the above capital commitment is a commitment with regard to the under-mentioned BYD Automobile Plant II project with the amount of RMB4,947,000 (2013: RMB5,232,000);



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 15. COMMITMENTS (CONTINUED)

### (a) BYD Automobile Plant II Project

BYD Auto Company Limited (“BYD Auto”), a subsidiary of the Company, will invest in construction of the “BYD Automobile Plant II Project” in the Xi’an High-Tech Zone, with an investment amount of RMB4.46 billion, the project is the production of vehicles and automobile components. After completion of the project, the annual production capacity will reach 200,000 vehicles and automobile components.

### (b) Long-term purchase commitments for polysilicon materials

- (i) In October 2010, Shangluo BYD (the “Purchaser”) entered into an irrevocable silicon supply contract (“Supply Contract”) with Jiangxi LDK PV Silicon Technology Co., Ltd. (“LDKPV” or the “Vendor”) and Jiangxi LDK Solar Hi-Tech Co., Ltd. (“LDK Solar” or the “Guarantor”), both of which are silicon material suppliers. The Supply Contract provides that during the contract term from January 2011 to December 2012, the Purchaser shall purchase 3,000 tonnes of polysilicon materials from the Vendor at a price of RMB650,000/tonne (“Initial Purchase Price”) for a total contract value of RMB1.95 billion. The agreed prepayment amounts to RMB97,500,000, equivalent to 5% of the total consideration. The Supply Contract also provides that if the prevailing market price fluctuates more than 5% over the Initial Purchase Price, the parties shall negotiate about adjusting the purchase price by reference to the market price. The parties complied with the provisions of the contract in 2012.

In December 2012, Shangluo BYD entered into a supplemental agreement to the Supply Contract with LDKPV and LDK Solar. The supplemental agreement provides that the three parties agree to extend the performance period under the original Supply Contract for a period of one year, i.e. the supplemental agreement shall be valid from 1 January 2013 to 31 December 2013. It is agreed that the Vendor shall not be required to make deliveries should it fail to fulfil its monthly delivery obligation of 125 tonnes for the period from January 2011 to December 2012 by 31 December 2012. None of the parties shall pursue a claim against each other during the valid term of the agreement. Furthermore, defaults on overdue payment and unfulfilled deliveries by both parties are waived during the valid term. As at 30 June 2014, there was an outstanding purchase commitment amounting to 2,446.36 tonnes under the contract.

- (ii) On 30 December 2010, Shangluo BYD (“Purchaser”) signed a polysilicon wafer supply contract with Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司) (“Vendor”) and Changzhou GCL-Photovoltaic Technology Co., Ltd. (常州協鑫光伏科技有限公司) (“Guarantor”). The contract provides that during the valid term from January 2011 to December 2015, the Purchaser shall purchase from the Vendor 31 million polysilicon wafers at a price of not more than RMB25 per wafer in 2011 and 350 million polysilicon wafers at prices to be renegotiated between 2012 and 2015. The agreed prepayment amounts to RMB100,000,000. Both of the Purchaser and the Vendor complied with the provisions of the contract in 2011 and 2012. Besides, both parties agreed that the annual purchase amounts and price between 2012 and 2015 will be negotiated separately prior to 10 December of preceding year in each year, the purchase amounts will be used as per the aggregate purchase amounts of preceding year if both parties fail to negotiate the annual purchase amounts between 2012 and 2015. As at 30 June 2014, there was an outstanding transaction amounts amounting to 28,925 ten thousand wafers under the contract.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 15. COMMITMENTS (CONTINUED)

In addition, the Group's share of the joint ventures' own capital commitments, which are not included in the above, is as follows:

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
Contracted but not provided for	<b>107,483</b>	109,965

## 16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed financial statements, the Group had the following transactions with related parties during the period:

		<b>For the six months ended 30 June</b>	
		<b>2014 (Unaudited) RMB'000</b>	2013 (Unaudited) RMB'000
Joint ventures			
Sales of products and raw materials	(i)	<b>340,929</b>	18,968
Service income	(ii)	<b>70,172</b>	45,936
Purchase of products and raw materials	(iii)	<b>13,256</b>	-
Purchase of products and service from Northern Qinchuan, a company in which a supervisor of the Company is the chairman of the board	(iv)	<b>3,941</b>	-

Notes:

- (i) The sales of products and raw materials to the joint ventures entities were made according to the published prices;
- (ii) The service income from joint ventures were made according to the published prices.
- (iii) The purchase of products and raw materials to the joint ventures entities were made according to the published prices;
- (iv) The directors consider that the sales of products to Xi'an Northern Qinchuan Company LTD ("Northern Qinchuan") were made according to the published prices. The outstanding balance owing by the Company as at 30 June 2014 was RMB44,000 (2013: RMB13,000). Details are disclosed in note 13 to the financial statements.

(b) Commitments with related parties:

In 2011, the Group entered into a series of cooperate agreements (the "Agreements") with BDNT, including a Service Agreement on Development of New Electronic Vehicles In China and a Framework Agreement on Product and Distribute of New Electronic Vehicles. According to the Agreements, the Group will provide services to BDNT on design and development of new electric vehicles (the "Vehicles"), manufacture and sell the Vehicles to BDNT. The transactions occurred under the Agreements in the six months ended 30 June 2014 is in note 16(a) to the financial statements.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 16. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	<b>30 June 2014 (Unaudited) RMB'000</b>	31 December 2013 (Audited) RMB'000
The amount due from joint ventures:		
Shenzhen Pengcheng	<b>1,910</b>	10,797
BDNT	<b>294,635</b>	210,444
Tianjin BYD	<b>254,532</b>	–
Nanjing Jiangnan	<b>73,084</b>	28,768
	<b>624,161</b>	250,009
The amount due to joint ventures:		
Tianjin BYD	<b>13,221</b>	–

Balances are unsecured, interest-free and repayable on demand.

(d) Others

Compensation of key management personnel of the Group:

	<b>For the six months ended 30 June</b>	
	<b>2014 (Unaudited) RMB'000</b>	2013 (Unaudited) RMB'000
Short term employee benefits	<b>16,155</b>	18,571
Pension scheme contributions	<b>111</b>	122
	<b>16,266</b>	18,693



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2014

## 17. POST BALANCE SHEET EVENTS

On 7 July 2014, the Company entered into an agreement with an independent third party and its affiliate companies (“Purchaser”) pursuant to which the Purchaser has agreed to acquire the entire equity interest of a wholly-owned subsidiary Yulin City BYD New Energy Co., Ltd. (“Yulin BYD”) at the consideration of RMB204,000,000 of which RMB18,360,000 will be payable upon completion of power plant construction in Yulin BYD. The Company has not completed the registration process of the equity transfer with relevant government authority up to date. On the same day, the Company has agreed to provide certain consultancy service to Yulin BYD for development of power plant at total consideration of RMB60,000,000.

## 18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Shenzhen, PRC, 22 August 2014

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wang Chuan-fu being the executive Director; Mr. Lv Xiang-yang and Mr. Xia Zuo-quan being the non-executive Directors, and Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he being the independent non-executive Directors.*