比亞迪股份有限公司
BYD COMPANY LIMITED

Stock code 股份代號: 1211

PROMOTE GREEN
PRACTICE THEORY

2015 INTERIM REPORT
年中期報告

Interim Results for the Six Months Ended 30 June 2015

Turnover	20.70%	to RMB30,435 million
Gross profit	21.41%	to RMB4,575 million
Profit attributable to owners of the parent	29.38%	to RMB467 million
Earnings per share	26.67%	to RMB0.19

Highlights

– New energy vehicle business developed rapidly, and the sales income increased significantly by approximately 1.2 times year-on-year to approximately RMB5,870 million

– The product mix of handset components and assembly business has improved, while the metal components business grew rapidly

– Rechargeable battery and photovoltaic business recorded a slight decrease, with sales income of approximately RMB2,198 million

Management Discussion & Analysis

Industry Analysis and Review

Automobile Business

Looking back to the first half of this year, there can hardly be any real ground for optimism about the global economy, which was characterized by the volatile debt crisis in Greece, weak recoveries of developed countries and a widening gap between the emerging markets with better and worse performance. Meanwhile, the Chinese government pressed on with reforms and economic restructuring, but China still faced severe downward pressure on its economy, which grew by 7% in the first half of this year, hitting its lowest level in recent years. Against the backdrop of the complicated domestic and international economic situation, China's automobile market shifted down a gear to slower growth from the rapid one that had lasted for a decade. The first half of this year could mark the beginning of an era of slight growth in that market.

According to the statistics released by China Association of Automobile Manufacturers, in the first half of 2015, the country produced 12.10 million automobiles and sold 11.85 million units, representing year-on-year increases of 2.6% and 1.4%, respectively. The growths were approximately seven percentage points lower than those for the same period last year. Among which, sport utility vehicles ("SUV") maintained its enormous sales and bucked the overall market downtrend, which made it an important growth engine of China's automobile market. In the first half of this year, sales of Chinese brand passenger vehicles rose by 14.6% year on year to 4.18 million units, accounting for 41.5% (up by 3.5 percentage points) of total sales of passenger vehicles in the country, reversing the downward trend in the past four consecutive years. However, during the period, joint venture brands successively announced to slash the official prices of their products in an attempt to gain more market share by lowering their prices, thus intensifying the competition of China's automobile market.

On the other hand, new energy automobile was the highlight of the market in the first half of this year which achieved flourishing development. According to the statistics of China Association of Automobile Manufacturers, sales of new energy automobiles in the country surged by 2.6 times year on year to 73,000 units in the first half of this year, which equaled the sales volume for the whole of last year. In particular, pure electric vehicle sales increased by 2.9 times year on year to 46,000 units while plug-in hybrid vehicle sales rose by 2.0 times year on year to 26,000 units.

As the major solution for global shortage of energy resources and environmental pollution problem, as well as an important mean to achieve corner overtaking in China's automobile industry and transformation and upgrade of the manufacturing sector, the new energy automobiles sector has developed rapidly as it has become a national strategy with strong support from the government. In April 2015, four departments including the Ministry of Finance and the National Development and Reform Commission, jointly issued the "Notice on 2016-2020 Financial Policy for Promoting the Application of New Energy Automobiles", which stated that the policy on promoting the application of new energy automobiles with subsidies will be implemented consistently from 2016 to 2020. The measure ensured policy continuity with an aim to accelerate the development of new energy automobile industry. In addition, the State Council announced the strategy for national development, "Made in China 2025", which marks energy saving and new energy automobile as tasks of strategic importance. The Ministry of Industry and Information Technology specified the annual sales target of more than one million units of the country's local brand pure electric vehicles and plug-in new energy automobiles for the year 2020 which would also account for a more than 70% share of the domestic market.

Handset components and assembly business

According to statistics from IDC, an authoritative global market research institution, the smartphone shipments in the world grew by 14.1% year on year to 670 million units in the first half of 2015, indicating a slowdown. However, 4G mobile phones, which is still unfolding, has become the new growth engine of the market for mobile intelligent terminal products. One of the leading mobile phone manufacturers in Asia regained its top position in the global sales ranking by launching new high-end flagship models. The brand manufacturers in China also introduced new smartphone products of higher performance and growing brand influence which contributed to consistently rapid growth in sales. In the first half of the year, China's smartphone shipments grew by 7.5% year on year to 210 million units, maintaining the products' market penetration rate at a high level. Domestic local brands, such as Huawei, VIVO and OPPO, continuously launched new models with advanced and new performance, resulting in rapid growth in shipments and speedy enhancement of brand influence and market share. Leveraging the sound mechanic performance and outstanding appearance, metallic cases have seen increasing popularity among consumers. The application of metallic casings and metallic structural components has gradually extended from high-end models to mid-range models and the penetration rate of metal components in the domestic and overseas smartphone market was rising, indicating huge room for growth for suppliers who have comprehensive technologies and a diverse customer base.

Management Discussion & Analysis

Rechargeable Batteries and Photovoltaic Business

On the back of the continuous promotion and popularity of new energy automobiles, the demand for power batteries used in new energy automobiles has been increasing, further incentivizing the battery manufacturers around the world to put more efforts to develop that kind of batteries, from increasing the lifespan to enhancing safety and charging efficiency. They also expanded their production capacity to ease the shortage on the market. As to traditional batteries, the growth in demand for lithium and nickel batteries slackened during the period because global sales of electronic equipment started to slow down. In contrast, the country's photovoltaic industry recovered after a slump – thanks to a number of favorable policies. However, the market competition is still fierce and product prices remain low. It is still too early to be optimistic about the prospect of the photovoltaic industry.

Business Review

BYD Company Limited ("BYD" or the "Company" and its subsidiaries which are collectively referred to as the "Group") are principally engaged in the automobile business, including new energy automobiles and traditional fuel vehicles, and handset components and assembly business, as well as rechargeable battery and photovoltaic business. For the six months ended 30 June 2015 (the "Period"), the Group's revenue was approximately RMB30,435 million, representing a year on year increase of 20.70%. Among which, the business of automobiles and related products realized a revenue of approximately RMB16,962 million, up by 42.08% year on year. In particular, the revenue from the new energy automobile business was approximately RMB5,870 million, representing a year on year increase of about 1.2 times and its proportion in the Group's total revenue increased to 19.29%. The revenue of the handset components and assembly business was approximately RMB11,275 million, up by 3.32% year on year. The revenue of the rechargeable battery and photovoltaic businesses was about RMB2,198 million, down by 7.02% year on year. These three businesses accounted for 55.73%, 37.05% and 7.22%, respectively, of the Group's total revenue.

Automobile Business

New energy automobile industry has flourished. Against this backdrop, BYD actively seized the valuable opportunity to enhance R&D and investment in this business. As a pioneer in the innovation of and commercial promotion for new energy automobiles, BYD continued to reinforce its technological advantages, introduce superior new models, expand its battery production capacity to meet the strong market demand for its new energy automobiles during the Period, and consolidated its leading position in the new energy automobile industry. During the Period, with the launch of new battery production capacity, the sales of its new energy automobiles surged by about 2.6 times year on year. In particular, plug-in hybrid vehicle "Qin", a major product of the Company, topped the new energy vehicle sales chart in China again. According to information released by the China Association of Automobile Manufacturers, BYD's share of the new energy automobile market was 29.8% in the first half of 2015, while its share of the market for plug-in hybrid vehicles continued to grow. BYD continued to dominate the market for private new energy automobiles. According to the statistics announced by d1ev.com, BYD surpassed its domestic and overseas competitors in sales of new energy automobiles and became the No. 1 brand in the world for the first time in May 2015.

As for passenger vehicles, "Qin" maintained its popularity amongst consumers with the demand of the product exceeding the supply. In May 2015, the Group launched "Qin" crown version, which is superior in terms of appearance and interior design and surpassed the previous model in terms of configuration and function. This newly launched model is the first model to be equipped with BYD's self-developed mobile energy storage station technology which the in-car electricity can be used for load outside the vehicles to meet the various needs of power usage, giving consumers more convenient and more user-friendly driving experience. In addition, during the Period, the Group also launched a new dual-mode hybrid SUV called "Tang" with 2.0Ti engine and motors at both front and rear of the car, acceleration to one hundred miles per hour in just 4.9 seconds, a maximum speed of 180 km per hour and the longest mileage of 80 km by pure electric mode. Since its launch, the new SUV has received overwhelming response from consumers. It is expected to provide growth momentum for the Company's new energy automobile business in term of sales and profits. On the other hand, the sales volume of "DENZA", a pure electric vehicle which is jointly launched by the Group and Daimler, continued to rise during the Period by leveraging both parties' technological strengths and brand influence. The sales performance is in line with the Group's expectations.

Management Discussion & Analysis

In the market of public transport, BYD continued to spearhead the pure electrification of the global public transportation system. During the Period, the Group continued to promote the use of pure electric buses and electric taxis in both domestic and foreign markets. The sales of K9 pure electric buses and e6 pure electric taxi grew steadily. By the end of June 2015, the accumulated mileage of pure electric buses and electric taxis in Shenzhen reached 75.25 million kilometers and 313 million kilometers respectively, while the highest mileage of an individual vehicle from each of the two categories reached 260,000 km and 700,000 km respectively, which are currently the highest records in the world. In addition, the market coverage of Group's new energy automobiles has been extended to more than 10 cities in China, including Nanjing, Hangzhou, Zhuhai, Dalian, Tianjin, Guangzhou, Xi'an and Changsha. The Group also expanded its overseas markets to include more than 36 countries and regions in the five continents, namely North America, South America, Europe, Australia and Asia. The Group achieved a breakthrough in the Asian market in February this year by providing five K9 electric buses to Japan, becoming China's first Chinese automobile brand formally establishing its footprint in the Japanese market. This underlines BYD's advantages of high technological standards and product quality. In addition, the Group received orders for 60 K9 pure electric buses from Long Beach Transit, the bus operators in California, in April this year, breaking a record in terms of the volume of orders for electric buses in the United States.

The Company has been investing in the expansion of the production capacity for new energy automobile batteries since last year. Its current production capacity has been gradually put into operation. The completion of the new power battery factory will lay a solid foundations for the growth of the sales of new energy vehicles. The Company will closely examine the market situation over the next few years, and will steadily expand its battery production capacity to match the rapidly increasing downstream demand.

In the first half of 2015, the total automobile sales of BYD amounted to approximately 210,000 units, representing an increase of 13.98% as compared with that of last year. As for the traditional fuel vehicle business, the sales of BYD vehicles rose 6 percent year on year to approximately 190,000 units. The Group actively tapped the strong demand in the domestic SUV market, and put efforts to promote its high-end SUV model S7. S7 was launched in the second half of 2014, and has recorded a continuous increase in sales due to its superior performance in terms of power, fuel consumption, comfort, interior design and performance-to-price ratio. The new F3 models drove the sales of BYD's passenger vehicles in this business segment, and BYD's 3 Series models (L3 and F3) remained hot, providing continuous growth momentum to the sales of the Group's traditional fuel vehicles.

With the rapid development of internet technology, the automobile and the Internet are getting deeply integrated. Connecting vehicle to the Internet will be an important direction of future development of the automobile computerization. In view of this, BYD has been actively developing a cloud platform for vehicles, including a front-loading vehicle infotainment system which is both safe and available to enable access to cloud-based service platform through multiple terminals, and will be operated with high-speed, economical and stable network transmission channels and protocols in order to meet consumers' needs for vehicle safety, comfort and automobile computerization.

In 2014, the Group was approved to establish a joint venture, BYD Auto Finance Company Limited (比亞迪汽車金融有限公司) ("BYD Auto Finance"), with Bank of Xi'an to provide relevant services, including granting financial loans to car dealers and consumers. This will help boost the sales of BYD automobiles and bring meaningful contribution to the Group's income and profit. On 2 February 2015, the Group received the approval from the Shaanxi office of the China Banking Regulatory Commission for the commencement of operations of BYD Auto Finance, a subsidiary of the Group. The registered capital of BYD Auto Finance is RMB500 million, of which BYD has contributed RMB400 million, representing 80% equity interest, and Bank of Xi'an has contributed RMB100 million, representing 20% equity interest.

Management Discussion & Analysis

Handset Components and Assembly Business

The Group is one of the most competitive handset component and assembly service suppliers in the world. It provides complete handset design, component manufacturing and assembly services for both domestic and overseas handset manufacturers through a one-stop business model which features vertical integration. With the rising requirements for handset appearance by the consumers, the application of components with better user experience have been broadened in mid-to-high-end smart phone market. Metal components have become a focus of the development of the Group's handset components and assembly business. The revenue from the handset components and assembly business of the Group during the Period amounted to approximately RMB11,275 million, up by approximately 3.32% year on year.

As for metal components business, the Group possesses advanced technologies and mature and comprehensive manufacturing techniques, which has satisfactorily met different consumers' requirements for performance and design of mobile phones in all aspects and has been well received by smart phone manufacturers at home and abroad. This has become an important development trend in the mid-to-high-end smartphone market. During the Period, the Group won contracts from international leading mobile manufacturers to produce high-end flagship models. The Group provided metal cases and other handset components for these manufacturers, driving up the revenue from sales of metal components by more than 100%. The Group's assembly business continued to cooperate with internationally renowned brands in driving the development of the businesses of smart phones, tablet PCs and other mobile intelligent terminals. However, the revenue from the business segment was affected by the sluggish demand in the industry to a certain extent during the Period.

Rechargeable Battery and Photovoltaic Businesses

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries, which are widely used in mobile phones, digital cameras, power tools, electric toys, and other portable electronic devices. In addition, the Group also actively developed lithium-iron-phosphate batteries ("Ferrous battery") and solar cells, which are used in the new energy automobiles, energy storage stations and solar farms, etc. During the Period, the Group's rechargeable batteries and photovoltaic businesses generated revenue of approximately RMB2,198 million, down by 7.02% year on year.

Facing the slowdown in global consumer electronic device market and falling commodity prices, the Group actively consolidated and strengthened its cooperation with clients and broadened the scope of product application during the Period in order to alleviate the pressure on the Group's revenue that resulted from weak demand. For Ferrous batteries, the Group continued to strengthen research and development, increase energy density, optimize the work flow and expand production capacity at the same time in order to reduce unit production cost through economies of scale and further enhance the overall competitive edge of BYD's new energy automobiles.

BYD continued to step up its efforts in its energy storage business to develop overseas markets for accelerating the growth of new energy market during the Period. In May this year, the Group won a contract of a 31.5 MW commercial energy storage project of Invenergy LLC, a world-renowned clean energy enterprise in Illinois. This represented the largest volume of orders of the same kind placed by an energy storage project in the United States. In addition, the Group obtained orders for its energy storage systems from a power transmission system firm in Italy and also succeeded in developing other overseas markets such as Germany and Australia.

Optimization of Business Structure and Capital Structure

With a view to sharpen the Group's strategic focus, accelerate its business transformation and upgrade, optimize asset structure and resource allocation and motivate the Group to concentrate resources on the development of its core businesses, the Group entered into "the strategic cooperation, asset transfer in consideration of non-public offering shares and cash framework agreement" with Holitech Technology Co., Ltd. (合力泰科技股份有限公司) in February 2015. According to the agreement, the Group shall sell its entire equity interest in Shenzhen BYD Electronic Components Co., Ltd. under the Group to dispose of three major businesses, namely flexible circuit boards, LCD modules and webcam products. The Consideration for the disposal will be RMB2,300 million and the Group expects to record profit before taxation of approximately RMB1,629 million from the transaction, which is calculated with reference to the difference between the consideration and the carrying amount of the target company attributable to the Group. The actual gain as a result of the disposal to be recorded by the Group is subject to audit and will be assessed after completion of the disposal. It is expected that the equity transfer under the strategic restructuring will be completed during the year. Further details of the transaction are set out in, amongst others, the circular of the Company dated 21 March 2015 and the announcements of the Company dated 3 April 2015, 7 April 2015 and 9 July 2015.

Management Discussion & Analysis

In June 2015, the shareholders of the Company approved an employee shareholding scheme, under which 96 participants (including some senior management personnel, supervisors and key employees) may borrow interest-free capital from Mr. Wang Chuan-fu, the Chairman of the Group, to purchase approximately 32.59 million A shares from Mr. Wang Chuan-fu by way of subscription of interests in the employee shareholding scheme, with a lockup period of one year, commencing from the date of the last acquisition of A shares under the scheme to the date of the relevant announcement published by the Company (ie. 23 June 2015) in order to share the benefits brought by the Company's long-term growth. The scheme aims to establish and perfect the system of benefits sharing between labour and owners, with a view to achieve the same level of benefits among the Company, shareholders and employees, attract and retain outstanding management talents and core members in business and improve the bonds among employees as well as the Company's competitiveness. This can help driving the Company's long-term, continuous and healthy development, and deliver more efficient and sustainable returns for shareholders. Further details of the scheme are set out in, amongst others, the circular of the Company dated 26 May 2015 and the announcements of the Company dated 17 June 2015 and 23 June 2015.

In June 2015, the Group announced its intention of a non-public offering of not more than about 261.32 million A shares with an aim to raise funding of up to RMB15 billion, which will be used for projects such as expanding production capacity for lithium ferrous phosphate ("LFP") batteries and for research and development of new energy vehicles, so as to improve the Group's production capacity of power batteries, eliminate the bottleneck in the production capacity of power batteries and safeguard the Group's supply of power batteries for new energy vehicles for the time being and in the future. Meanwhile, it can also serviced accelerate the research and development of basic technologies and new models, enrich product lines and improve technological level of new energy vehicles, as well as to drive the rapid development of new energy vehicles business. The completion of the non-public offering will also significantly improve the Group's capital strength and optimize the capital structure, thereby laying a solid foundation for the Company's strategic objectives. Further details of the scheme are set out in, amongst others, the circular of the Company dated 3 July 2015 and the announcements of the Company dated 21 July 2015.

Prospect and Strategy

Looking ahead to the second half of the year, China's economy will maintain a steady growth, which will also be reflected on a number of economic indicators due to the transformation of China's economy and the deepening of its restructuring and the government measures to stabilize growth and expand investment yield results. Being the best solution for energy safety and air pollution problem in China, it is expected that the new energy automobiles sector will receive continuous and strong support from the government and maintain its rapid growth. The Group will continue to uphold the development philosophy of "Technology, Quality and Responsibility" and will focus on the development of new energy-related businesses with its leading technological advantages in the industries of automobiles and batteries and its three core technologies, namely new energy automobile batteries, motors and electrical control. The Group will strive to develop its new energy automobile business and leverage its breakthrough to achieve corner overtaking of self-developed brands in China's automobile industry, at the same time promote the reform of the global automobile industry towards a green and environmentally-friendly industry.

Management Discussion & Analysis

Automobile Business

The Central Government has put the development of new energy automobiles on the agenda of the national development strategy. As such, the Central Government and all provincial and municipal governments have proposed various solutions in respect of the procurement and promotion of new energy automobiles, development of the value chain of the industry, and construction of auxiliary facilities. This certainly will give full support to the development in all aspects of the new energy automobile industry. On the other hand, as new energy automobiles' performance is being enhanced and their economic efficiency manifests, the development of new energy automobiles will be driven more by the industry's fundamentals than government policies and will enter a phase of acceleration in full force. In particular, plug-in hybrid vehicles effectively solved the problem of the power system and mileage, becoming a more suitable choice for the private car consumers. The Group is confident about the prospect of its new energy automobile business.

According to its new energy vehicle strategy, BYD will conduct an all-out market deployment to replace its dual drivers of private cars and public transports in the future. The Company will expand the scope of application of its new energy automobiles. For its private car business, the Group expects that its highly sought-after model "Qin" will continue to be the bestseller, especially on the back of the steady expansion of production capacity. "Tang", a SUV model launched in the first half of this year also received a great popularity in the market. The Group will successively speed up the delivery of these SUVs in the second half of this year, which is expected to effectively boost the sales of the Group's new energy vehicles. By leveraging the advantages of new energy automobiles and the rise of self-developed brands in the SUV market, the Group will launch a medium-sized plug-in hybrid SUV called "Song" and a compact plug-in hybrid SUV called "Yuan" in order to further enrich the product lines of the Group's new energy automobiles.

In the area of public transportation, the Group will strive to increase market penetration and market share, and at the same time will expedite its market expansion into other domestic and foreign cities so as to improve the overall sales volumes. In addition, the Group will actively implement its "7 + 4" strategy, with the seven regular areas being sanitation trucks, vehicles for urban commodity logistics, automobiles for passenger transportation on roads and vehicles for logistics of urban construction in addition to conventional private cars, taxis and buses, and the other four special areas being vehicles for warehousing, mining, ports and airports. The Group has laid the good foundations for the overall development of its new energy automobiles business. Moreover, mini pure electric vehicles and mini plug-in hybrid vehicles which are targeted at the market of urban commodity logistics will also be launched successively.

Growth in China's automobile market for traditional fuel vehicles is decelerating, and this has become a trend. The overall operating environment for the automobile industry becomes more challenging. However, self-developed SUV brands still enjoy significant advantages in terms of versatility, driving experience and performance-price ratio, and it will add impetus to China's automobile market. The Group will seize the opportunity in the SUV market and will actively develop new SUV models, position its products accurately for different consumer groups and enhance market segmentation in order to boost the development of its traditional fuel vehicle business. In addition, the Group will continue to pursue "Smart Strategy" to provide an integrated smart solution to driving which will bring convenient, comfortable and safe driving experience to the consumers.

Handset Components and Assembly Business

An IDC report estimates that, in 2018, one third of the world's consumers will be smartphone users, and that technological upgrade will drive growth in demand for mobile communication terminals. Leveraging improving quality and technology, it is expected that the handset manufacturers of local brands in China will continue to enhance its the brand recognition and product sales. In the future, the Group will proactively expand its cooperation with local leading brand manufacturers and work aggressively to secure more orders of mid-to-high-end models, so as to drive the continuous growth of the Group's handset components and assembly business.

With the increasing recognition of metal casing amongst consumers and higher requirements for product quality amongst the mobile phone manufacturers, more domestic and overseas mobile phone brands will adopt metal cases in their products to improve their mechanical performance, appearance, texture and signal reception, and the market penetration of metal components will continue to increase. The Group will enhance product quality through technical innovation, actively develop its businesses in the relevant markets, and continue to secure cooperation with new and old customers, and thus enhance its comprehensive competitiveness.

Management Discussion & Analysis

Rechargeable Battery and Photovoltaic Business

For the business of rechargeable batteries, the Group will, on the one hand, continue to expand the scope of application of lithium-ion batteries and nickel batteries in order to consolidate its market position; on the other hand it will endeavor to strengthen the research and development of LFP batteries with the aim of improving their performance and will steadily expand the production capacity for LFP batteries to cater for the huge demand that arises from the booming development of the Group's new energy automobile business. BYD, the world's leading power storage solution provider, will put efforts to promote the application of storage system in more countries and regions across the globe. For the photovoltaic business, the domestic and international operating environment is still complicated and volatile, but the value chain of the industry has begun to show signs of improvement. The Group will continue to expand into new overseas markets, enrich product types, expand the scope of application and enhance the revenue and profitability of this business.

Estimated Operating Results from January to September 2015

Change of net profit attributable to owners of the parent from January to September 2015	388.54%	to	434.83%
Change (in range) of net profit attributable to owners of the parent (RMB10,000) from January to September 2015	190,000	to	208,000
Net profit attributable to owners of the parent (RMB10,000) from January to September 2014	38,891		

Reasons for changes in results	The aforesaid net profit includes the profit before taxation of approximately RMB1,629 million brought by the Group's disposal of three businesses, namely flexible circuit boards, LCD modules and webcam products, to Holitech, which will be included in the net profit of the third quarter after deducting the relevant income tax expense. It is expected that the equity transfer under this business restructuring will be completed in the third quarter, which will drive a significant growth in net profit in the third quarter. (For details, please refer to the circular dated 21 March 2015 and the subsequent related announcements published by the Group) Looking forward to the third quarter, the Group expects that its highly sought-after plug-in hybrid vehicle model, "Qin", will continue to be the bestseller, and the sales of "Tang", a newly-launched plug-in hybrid SUV model, will also increase steadily driven by the steady expansion of production capacity and the strengthened efforts on promotion. Meanwhile, the Group will expedite the delivery of orders for the markets of public transport and special vehicles. The Group's new energy automobile business will continue to maintain the positive momentum of rapid growth. However, the competition in the traditional vehicle market is still fierce, exerting pressure on the Group's traditional vehicle business to a certain extent. With the continuous development of the metal component business, it is expected that the handset components and assembly business will achieve sound development in the third quarter. In respect of the solar power business, as product prices remained low, it is expected that it will have certain adverse impact on the Group's overall results.

Management Discussion & Analysis

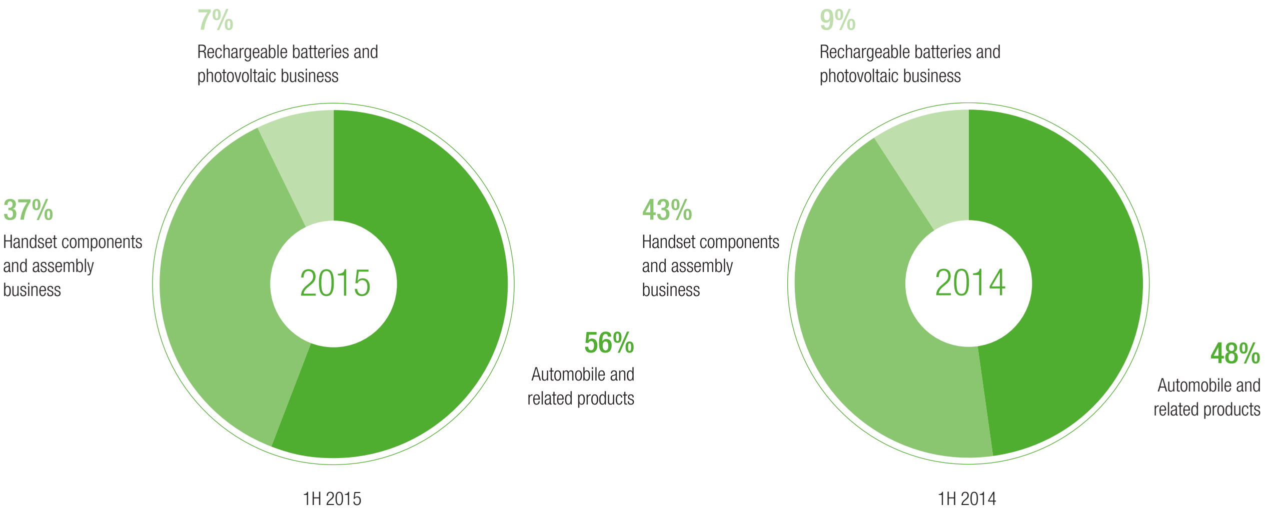
Financial Review

Turnover and Profit Attributable to Owners of the Parent

During the Period, turnover increased by 20.70% as compared to that of the first half of 2014, mainly driven by the growth in automobile and related products. Profit attributable to owners of the parent increased by 29.38% as compared to the same period last year, mainly due to the increase in 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 2015 and 2014:



During the Period, the new energy vehicle business of the Group grew significantly, driving an increase in the proportion of automobile and related products, while the proportion of handset components and assembly business decreased, and the proportion of rechargeable batteries and photovoltaic business decreased.

Gross Profit and Margin

During the Period, the Group's gross profit increased by approximately 21.41% to approximately RMB4,575 million. Gross profit margin increased from approximately 14.94% in the first half of 2014 to approximately 15.03% during the Period. The increase in gross profit margin was attributable to the increase in proportion of revenue from new energy automobile business which has a higher gross profit margin.

Liquidity and Financial Resources

During the Period, BYD recorded an operating cash inflow of approximately RMB3,022 million, compared with an operating cash outflow of approximately RMB544 million in the first half of last year. Total borrowings as at 30 June 2015, including all bank loans, bond payables and other secured loans, were approximately RMB31,857 million, compared with approximately RMB30,152 million as at 31 December 2014. The maturity profile of bank loans, bond payables and other secured loans spread over a period of ten years, with approximately RMB18,746 million repayable within one year and approximately RMB7,405 million repayable in the second year, approximately RMB5,706 million repayable within three to five years. The Group maintained adequate cash to meet its daily liquidity management and capital expenditure requirements and controlled its internal operating cash flows.

Management Discussion & Analysis

Turnover days of trade and bills receivables increased to approximately 124 days for the six months ended 30 June 2015, compared to approximately 106 days for the same period in 2014. Increase in turnover days of trade and bills receivables was mainly due to the increase in average balance of trade and bills receivables. Inventory turnover days were approximately 84 days for the six months ended 30 June 2015, compared to approximately 76 days for the same period in 2014. 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 the senior management. As at 30 June 2015, borrowings were primarily settled in Renminbi, while cash and cash equivalents were primarily held in Renminbi and US dollars. The Group plans to maintain an appropriate mix of share capital and debt to ensure an efficient capital structure during the Period. The loans remaining outstanding as at 30 June 2015 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

The Group monitors its capital by using gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Equity represents equity attributable to owners of the parent. Therefore, the gearing ratios of the Group was 111% and 103% as at 30 June 2015 and 31 December 2014, respectively.

Foreign Exchange Risk

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

Employment, Training and Development

As at 30 June 2015, the Group had approximately 200,000 employees. During the Period, total staff cost accounted for approximately 20.57% of the Group's turnover. Employees' remuneration was determined based on performance, qualification and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on their annual performance appraisal. Incentives were offered to encourage personal development.

Share Capital

As at 30 June 2015, 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 2015 to 30 June 2015. During the Period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Management Discussion & Analysis

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 12 February 2015, the Company and Holitech Technology Co., Ltd.* (合力泰科技股份有限公司) ("Holitech") entered into the strategic cooperation, asset transfer in consideration of non-public offering shares and cash framework agreement (戰略合作暨非公開發行股份及支付現金購買資產框架協議), pursuant to which the Company intended to sell 100% equity interest (the "Subject Assets") of Shenzhen BYD Electronic Components Co., Ltd. ("Electronic Components") to Holitech. Electronic Components was originally engaged in the research and development, production and sales of flexible circuit board products. After the integration by the Company, Electronic Components will form three complete business systems, namely flexible circuit boards, LCD display and modules, and webcam products. On 3 April 2015, the Company and Holitech entered into the agreement for strategic cooperation, asset transfer in consideration of non-public offering shares and cash (戰略合作暨非公開發行股份及支付現金購買資產協議). Pursuant to the agreement, based on the appraised value of the Subject Assets determined in the asset appraisal report issued by an asset appraisal institution with relevant qualification in the securities business, the parties negotiated and agreed that the final consideration for the transaction of the 100% equity interest in Electronic Components was RMB2,300 million. Holitech shall conduct the acquisition by way of a combination of offering shares and cash, of which RMB1,725 million of the consideration would be satisfied by issuing 178,941,908 shares and RMB575 million of the consideration would be satisfied in cash. It is expected that the disposal will be completed during the year.

Details of the above transaction were set out in the circular dated 21 March 2015 in relation to the Company's disposal of 100% equity interest in Electronic Components in return for cash and consideration shares, which was subject to shareholders' approval. Details of the final consideration of the above transaction were set out in the voluntary announcement dated 3 April 2015. The transaction was considered and approved at the 2015 first extraordinary general meeting held on 7 April 2015. On 9 July 2015, the above transaction was reviewed and conditionally approved by the Listed Companies Merger and Reorganization Approval Committee of the China Securities Regulatory Commission ("CSRC") at its 58th work meeting in 2015.

Saved as disclosed in this report, the Group did not have any other material investment, acquisition and disposal of subsidiaries, joint ventures and associates during the Period.

Capital Commitments

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

Contingent Liabilities

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

Post Balance Sheet Events

Please refer to note 18 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 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 Period.

Supplementary Information

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

Since the publication of the latest annual report of the Company, Mr. Wang Zi-dong was appointed as an independent non-executive director of Beijing Easpring Material Technology Co., Ltd. (Stock Code: 300073) on 16 April 2015. This company is listed on the Shenzhen Stock Exchange.

Saved as disclosed above, 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 2015, neither the Company nor any of its subsidiaries 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 26 August 2015 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 2015) 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 2014: Nil).

Supplementary Information

Directors', Supervisors' and Chief Executives' Interests

As at 30 June 2015, 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 Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong 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 Issuers 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)	512,393,520 (L)	32.82%	20.69%
Lv Xiang-yang (Director)	401,810,480 (L) *(Note 1)*	25.74%	16.23%
Xia Zuo-quan (Director)	118,977,060	7.62%	4.81%

(L) – Long Position

Note:

1. 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. Lv was therefore deemed to be interested in 162,581,860 A Shares under the SFO.

Supplementary Information

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 (%)
Wang Chuan-fu (Director)	1,000,000 (L)	0.11%	0.04%
Xia Zuo-quan (Director)	500,000 (L) *(Note 2)*	0.05%	0.02%

(L) – Long Position

Note:

2. Of the 500,000 H Shares, 195,000 H shares were held by Mr. Xia as a beneficial owner and 305,000 H shares were held by Sign Investments Limited,which was wholly-owned by Mr. Xia.

Saved as disclosed above, as at 30 June 2015, none of the directors, supervisors or chief executives 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 Issuers.

Supplementary Information

Shareholders with Notifiable Interests

As at 30 June 2015, to the best knowledge of the Directors of the Company, the following persons (other than the directors, supervisors and chief executives 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

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 (%)
Youngy Investment *(Note 1)*	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%. Mr.Lv was therefore, deemed to be interested in 162,581,860 A Shares held by Youngy Investment under the SFO.

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%
Berkshire Hathaway Energy *(Note 1)*	225,000,000 (L)	24.59%	9.09%
Li Lu *(Note 2)*	57,404,700 (L)	6.27%	2.32%
LL Group, LLC *(Note 2)*	57,404,700 (L)	6.27%	2.32%
BlackRock Inc,. *(Note 3)*	50,511,367 (L)	5.52%	2.04%
	359,500 (S)	0.04%	0.01%

(L) – Long Position (S) – Short Position

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, Berkshire Hathaway Energy (formerly known as 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 57,404,700 H shares (L) through its controlled corporation, Himalaya Capital Investors, L.P. (formerly known as LL Investment Partners, L.P.). Li Lu, being the controlling shareholder of Capital Investors, L.P. (formerly known as LL Group, LLC), was also deemed to be interested in 57,404,700 H shares.

3. BlackRock, Inc. was deemed to be interested in 50,511,367 H shares (L) and had a short position in 359,500 H shares through its controlled corporations. Of these shares, 264,000 H shares (L) were held by BlackRock Investment Management LLC; 471,500 H shares (L) were held by BlackRock Financial Management Inc.; 9,505,800 H shares (L) and 359,500 H shares (S) were held by BlackRock Institutional Trust Company, National Association; 17,542,500 H shares (L) were held by BlackRock Fund Advisors; 27,500 H shares (L) were held by BlackRock Advisors, LLC; 663,500 H shares (L) were held by BlackRock Japan Co., Ltd.; 76,500 H shares (L) were held by BlackRock Asset Management Canada Limited; 74,000 H shares (L) were held by BlackRock Investment Management (Australia) Limited; 448,635 H shares (L) were held by BlackRock Asset Management North Asia Limited; 154,000 H shares (L) were held by BlackRock (Netherlands) B.V.; 14,724,130 H shares (L) were held by Blackrock Advisors (UK) Limited; 397,000 H shares (L) were held by BlackRock International Limited; 4,014,000 H shares (L) were held by BlackRock Asset Management Ireland Limited; 125,000 H shares (L) were held by BlackRock (Luxembourg) S.A.; 1,720,702 H Shares (L) were held by BlackRock Investment Management (UK) Ltd.; 299,600 H shares (L) were held by BlackRock Fund Managers Ltd.; and 3,000 H shares (L) were held by BlackRock Asset Management (Schweiz) AG. All of these entities are either controlled or indirectly controlled by BlackRock, Inc. Among the 50,511,367 H shares (L) held by BlackRock, Inc., 349,000 H shares (L) were held through derivatives.

As at 30 June 2015, 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 have been fully paid up.

Interim Condensed Consolidated Statement of Profit or Loss

For the Six Months ended 30 June 2015

		For the six months ended	
	Notes	**30 June 2015 (Unaudited) RMB'000**	30 June 2014 (Unaudited) RMB'000
REVENUE	5	30,434,774	25,215,183
Cost of sales		(25,859,539)	(21,446,810)
Gross profit		4,575,235	3,768,373
Other income and gains	5	254,408	237,684
Government grants and subsidies		329,309	327,984
Selling and distribution costs		(1,201,130)	(985,814)
Research and development costs		(743,982)	(769,525)
Administrative expenses		(1,513,757)	(1,181,572)
Other expenses		(91,044)	(56,138)
Finance costs	6	(687,696)	(680,615)
Share of profits and losses of:			
Joint ventures		(90,474)	(9,716)
Associates		(331)	(1,730)
PROFIT BEFORE TAX	7	830,538	648,931
Income tax expense	8	(206,342)	(87,349)
PROFIT FOR THE PERIOD		624,196	561,582
Attributable to:			
Owners of the parent		466,660	360,691
Non-controlling interests		157,536	200,891
		624,196	561,582
Earnings per share attributable to ordinary equity holders of the parent – basic and diluted for the period	9	RMB0.19	RMB0.15

Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2015

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	624,196	561,582
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	–	(226)
Reclassification adjustments for gain included in the interim condensed consolidated statement of profit or loss-gain on disposal	–	(4,261)
	–	(4,487)
Exchange differences on translation of foreign operations	5,997	43,455
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,997	38,968
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	630,193	600,550
Attributable to:		
Owners of the parent	473,772	407,956
Non-controlling interests	156,421	192,594
	630,193	600,550

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	36,957,275	36,379,422
Prepaid land lease payments		4,510,050	4,448,034
Goodwill		65,914	65,914
Other intangible assets		6,819,202	6,306,965
Non-current prepayments		3,258,288	2,411,053
Long-term receivable		405,148	315,311
Investments in joint ventures		1,528,855	1,074,435
Investments in associates		354,714	339,118
Available-for-sale investments		35,000	35,000
Deferred tax assets		1,084,497	965,486
Property under development		855,953	833,875
Total non-current assets		55,874,896	53,174,613
CURRENT ASSETS			
Inventories	11	13,250,603	9,978,317
Trade and bills receivables	12	18,703,314	22,434,973
Prepayments, deposits and other receivables		2,986,285	2,923,167
Due from the joint ventures and associates		504,935	976,892
Completed property held for sale		61,822	67,729
Pledged deposits		317,716	363,698
Short-term deposits		362,211	139,051
Cash and cash equivalents		3,196,585	3,950,415
Total current assets		39,383,471	40,834,242
CURRENT LIABILITIES			
Trade and bills payables	13	25,959,581	25,851,020
Other payables		3,693,278	3,632,713
Advances from customers		2,117,358	3,582,610
Deferred income		187,780	146,406
Interest-bearing bank and other borrowings		18,746,347	19,172,635
Due to joint ventures and associates		132,769	23,948
Due to related parties		29,385	61,533
Tax payable		342,241	142,878
Provision		407,989	408,381
Total current liabilities		51,616,728	53,022,124
NET CURRENT LIABILITIES		(12,233,257)	(12,187,882)
TOTAL ASSETS LESS CURRENT LIABILITIES		43,641,639	40,986,731

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Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	**30 June 2015 (Unaudited) RMB'000**	31 December 2014 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		13,110,992	10,979,299
Deferred income		1,101,293	1,110,021
Other liabilities		4,724	2,974
Total non-current liabilities		14,217,009	12,092,294
Net assets		29,424,630	28,894,437
EQUITY			
Equity attributable to owners of the parent			
Issued capital		2,476,000	2,476,000
Reserves		23,363,369	22,889,597
		25,839,369	25,365,597
Non-controlling interests		3,585,261	3,528,840
Total equity		29,424,630	28,894,437

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2015

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve fund (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	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
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 statement of profit or loss-gain on disposal of available-for-sale investments	–	–	(4,261)	–	–	–	–	(4,261)	–	(4,261)
Exchange differences on translation of foreign operations	–	–	–	–	51,752	–	–	51,752	(8,297)	43,455
Total comprehensive income for the period	–	–	(4,487)	–	51,752	360,691	–	407,956	192,594	600,550
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*	(110,429)*	10,742,502*	–	25,336,008	3,317,052	28,653,060

continued/…

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2015

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve fund (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	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
At 1 January 2015	2,476,000	5,863,563	4,432,638	2,109,406	(153,624)	10,637,614	–	25,365,597	3,528,840	28,894,437
Profit for the period	–	–	–	–	–	466,660	–	466,660	157,536	624,196
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	7,112	–	–	7,112	(1,115)	5,997
Total comprehensive income for the period	–	–	–	–	7,112	466,660	–	473,772	156,421	630,193
Reduction of equity interests in of subsidiaries	–	–	–	–	–	–	–	–	(100,000)	(100,000)
The government subsidies designated to increase the capital reserve	–	–	2,076	–	–	(2,076)	–	–	–	–
At 30 June 2015	2,476,000	5,863,563*	4,434,714*	2,109,406*	(146,512)*	11,102,198*	–	25,839,369	3,585,261	29,424,630

* These reserve amounts comprise the consolidated reserves of RMB23,363,369,000 in the interim condensed consolidated statement of financial position as at 30 June 2015.

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2015

	Note	For the six months ended 30 June 2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		830,538	648,931
Adjustments for:			
Finance costs	6	687,696	680,615
Share of profits and losses of joint ventures and associates		90,805	11,446
Bank interest income	5	(37,994)	(58,358)
Government grants and subsidies		(23,894)	(169,873)
Loss on disposal of items of non-current assets		3,763	16,384
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)		–	(4,261)
Dividend received from available-for-sale investments		(1,466)	–
Depreciation	7	1,942,665	1,777,259
Impairment of inventories	7	115,243	98,719
Impairment of trade receivables	7	60,572	53,166
Impairment losses of trade receivables reversed	7	(14,068)	(44,130)
Recognition of prepaid land lease payments		50,778	51,620
Amortisation of other intangible assets		348,129	215,275
		4,052,767	3,276,793
Increase in inventories		(3,387,529)	(993,598)
Decrease/(increase) in trade and bills receivables		3,685,005	(2,397,855)
Increase in prepayments, deposits and other receivables		(153,923)	(220,780)
Decrease/(increase) in amounts due from joint ventures and associates		471,957	(374,152)
(Increase)/decrease in long term receivable		(89,837)	14,839
Increase in property under development		(1,799)	(1,030)
Decrease in completed property held for sale		24,736	380,541
Decrease in trade and bills payables		(85,693)	(583,232)
(Decrease)/increase in other payables		(6,558)	59,568
(Decrease)/increase in advances from customers		(1,465,252)	227,972
Increase in amounts due to joint ventures and associates		108,821	13,221
Decrease in amount due to the related parties		(32,148)	–
(Decrease)/increase in provision for warranties		(392)	107,082
Cash generated from/(used in) operations		3,120,155	(490,631)
Interest received	5	37,994	58,358
Taxes paid		(136,108)	(111,396)
Net cash flows from/(used in) operating activities		3,022,041	(543,669)

continued/...

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2015

	Note	For the six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,325,677)	(2,680,378)
(Increase)/decrease in non-current prepayments		(108,234)	208,610
Increase in prepaid land lease payments		(114,304)	(35,797)
Investment in short-term deposits		(262,699)	(403,617)
Withdrawal of short-term deposits		39,539	290,766
Receipt of government grants		56,540	6,087
Additions to other intangible assets		(804,240)	(981,472)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		1,499,354	53,999
Disposal of a subsidiary		–	80,000
Proceeds from settlement of available-for-sale investments		–	4,261
Dividend received from available-for-sale investments		1,466	–
Purchases of available-for-sale investments		–	(30,000)
Capital contributions to an associate		(16,000)	–
Capital contributions to joint ventures		(676,780)	(315,000)
Net cash flows used in investing activities		(4,711,035)	(3,802,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	3,342,088
New bank loans		11,276,295	15,200,234
Repayment of bank loans		(9,569,412)	(10,170,335)
Interest paid		(831,898)	(774,816)
Increase in pledged deposits		45,982	240,286
Net cash flows from financing activities		920,967	7,837,457
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(768,027)	3,491,247
Cash and cash equivalents at beginning of period		3,950,415	4,510,942
Effect of foreign exchange rate changes, net		14,197	54,983
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,196,585	8,057,172

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

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.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 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 Group's annual financial statements for the year ended 31 December 2014.

Despite the Group's net current liabilities of approximately RMB12,233,257,000 as at 30 June 2015, 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 2014, 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. Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

Amendments to HKAS 19	*Defined benefit plans: Employee contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

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 2015

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 2015

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 2015 and 2014, respectively.

Six months ended 30 June 2015 (Unaudited)

	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
Segment revenue					
Sales to external customers	2,198,136	11,275,068	16,961,570	–	30,434,774
Intersegment sales	2,205,139	847,359	309,560	–	3,362,058
Others including other gross income from sales of raw materials, properties and disposal of scrap materials	152,678	143,100	186,031	4,854	486,663
Taxes and surcharges	12,869	66,239	581,534	288	660,930
	4,568,822	12,331,766	18,038,695	5,142	34,944,425
Reconciliation:					
Elimination of intersegment sales					(3,362,058)
Elimination of other gross income					(486,663)
Elimination of taxes and surcharges					(660,930)
Revenue – sales to external customers					30,434,774
Segment results	106,824	658,208	1,289,975	150	2,055,157
Reconciliation:					
Elimination of intersegment results					(622,599)
Interest income					37,994
Government grants and subsidies and unallocated gains					299,709
Corporate and other unallocated expenses					(252,027)
Finance costs					(687,696)
Profit before tax					830,538

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

4. Segment information (continued)

Six months ended 30 June 2014 (Unaudited)

	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
Segment revenue					
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, properties 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
	3,857,650	11,522,288	12,781,511	400,551	28,562,000
Reconciliation:					
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					25,215,183
Segment results	114,058	865,730	414,639	2,456	1,396,883
Reconciliation:					
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					648,931

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

4. Segment information (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2015 and 31 December 2014:

Six months ended 30 June 2015 (Unaudited)

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Segment assets	14,932,288	22,072,546	55,364,170	92,369,004
Reconciliation:				
Elimination of intersegment receivables				(1,710,084)
Elimination of unrealised profit of intersegment sales				(157,609)
Corporate and other unallocated assets				4,757,056
Total assets				95,258,367
Segment liabilities	4,379,356	8,667,697	22,057,814	35,104,867
Reconciliation:				
Elimination of intersegment payables				(1,710,084)
Corporate and other unallocated liabilities				32,438,954
Total liabilities				65,833,737
Other segment information:				
Impairment losses recognized in the statement of profit or loss	67,632	91,079	3,036	161,747
Depreciation and amortization	127,600	844,478	1,369,494	2,341,572
Capital expenditure	898,525	2,072,433	2,521,182	5,492,140

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

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For the Six Months ended 30 June 2015

4. Segment information (continued)

Year ended 31 December 2014 (Audited)

	Rechargeable battery and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Segment assets	14,580,188	21,343,303	55,658,767	91,582,258
Reconciliation:				
Elimination of intersegment receivables				(1,755,722)
Elimination of unrealised profit of intersegment sales				12,269
Corporate and other unallocated assets				4,170,050
Total assets				94,008,855
Segment liabilities	4,066,268	8,563,595	23,613,540	36,243,403
Reconciliation:				
Elimination of intersegment payables				(1,755,722)
Corporate and other unallocated liabilities				30,626,737
Total liabilities				65,114,418
Other segment information:				
Impairment losses recognised in the statement of profit or loss	41,492	195,545	56,847	293,884
Depreciation and amortisation	736,954	1,158,304	2,419,588	4,314,846
Capital expenditure	1,937,252	2,328,433	5,061,181	9,326,866

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.

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

	For the six months ended	
	30 June 2015	30 June 2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	25,958,570	20,242,597
Assembly services income	4,469,950	4,972,586
Others	6,254	–
	30,434,774	25,215,183

	For the six months ended	
	30 June 2015	30 June 2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income and gains		
Gain on disposal of scrap and materials	105,886	105,730
Gain on sales of properties (i)	151	2,455
Bank interest income	37,994	58,358
Others	110,377	71,141
	254,408	237,684

Notes:

(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 RMB4,702,000 (six months ended 30 June 2014: RMB375,661,000) and business tax of RMB288,000 (six months ended 30 June 2014: RMB22,431,000) 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 2015

6. Finance costs

	For the six months ended 30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Interest on bank and other borrowings	804,919	726,721
Bank expenses for discounted bills receivables	27,784	77,600
	832,703	804,321
Less: Interest capitalised	(145,007)	(123,706)
	687,696	680,615

The average capitalisation rate for the period used to determine the amount of borrowing costs eligible for capitalisation was 5.81% (six months ended 30 June 2014: 5.76%).

7. Profit before tax

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

	For the six months ended 30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Cost of inventories sold	21,431,891	16,727,672
Cost of services provided	4,312,405	4,620,419
Depreciation	1,942,665	1,777,259
Amortisation of other intangible assets	348,129	215,275
Impairment of trade receivables	60,572	53,166
Impairment losses of trade receivables reversed	(14,068)	(44,130)
Write-down of inventories to net realisable value	115,243	98,719
Loss on disposal of items of property, plant and equipment	3,763	9,608

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

8. Income tax expense

	For the six months ended 30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Current – Mainland China	325,353	110,220
Current – Hong Kong	–	1,021
Deferred	(119,011)	(23,892)
Total tax charge for the period	206,342	87,349

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 2,476,000,000 (six months ended 30 June 2014: 2,364,258,000) in issue during the period.

	For the six months ended 30 June 2015 RMB'000	30 June 2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	466,660	360,691

	For the six months ended 30 June 2015	30 June 2014
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,476,000,000	2,364,258,000

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 2015

10. Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired assets with a cost of RMB4,040,223,000 (six months ended 30 June 2014: RMB2,217,328,000) on additions to property, plant and equipment.

Assets with a net book value of RMB1,509,332,000 were disposed of by the group during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB70,381,000), resulting in a net loss on disposal of RMB3,763,000 (six months ended 30 June 2014: loss of RMB9,608,000). Of which, the Group has entered into a sales and leaseback agreement (the "Agreement") with a third party lease company and Shenzhen BYD International Financial Lease Co., Ltd. (the "Lessor"). Pursuant to the Agreement, the Group sold the fixed assets with a net carrying amount of RMB1,444,053,000 (the "Subject Assets") to the Lessor and subsequently leased back the Subject Assets for a term of three years during which the Group is requested to pay a rental fee of RMB402,208,000 per annum.

11. Inventories

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Raw materials	2,917,277	2,490,569
Work-in-progress	5,613,801	4,147,742
Finished goods	4,050,915	2,789,720
Mould held for production	668,610	550,286
	13,250,603	9,978,317

As at 30 June 2015, the Group's inventories with a carrying amount of RMB459,718,000 (2014: RMB238,212,000) 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.

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:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within three months	8,748,892	17,220,962
Four to six months	4,954,723	2,388,325
Seven months to one year	3,493,541	1,843,477
Over one year	1,506,158	982,209
	18,703,314	22,434,973

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

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13. Trade and bills payables

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within three months	19,064,098	18,673,577
Four to six months	6,622,914	6,903,766
Seven months to one year	118,270	88,615
One to two years	45,465	70,532
Two to three years	43,298	52,162
Over three years	65,536	62,368
	25,959,581	25,851,020

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

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 included 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.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

14. Contingent liabilities (continued)

(a) Action against Foxconn (continued)

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 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiffs is to be borne by the Company and BYD Hong Kong. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff.

On 2 October 2009 the Defendants instituted a counter-action against Hon Hai Precision Industry Co., Ltd., Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. for their intervention, by means of illegal measures, in the operations involving the Company and certain of its subsidiaries, 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 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 Hong Kong 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 Jiuzhoushichu Intellectual Property Rights Forensic Center, requesting the aforesaid authorities or units to assist in the transfer or disclosure of evidence materials such as computers, copies of mobile hard disks and case files of parties closely related to this case. On 11 October 2012, the Hong Kong High Court decided to postpone the hearing for the above application originally scheduled to be held on 18 October 2012 to a time to be further decided.

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

The ultimate outcome of the litigation is not yet determinable given the preliminary stage of the legal 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 related estimated liabilities have been recorded by the Group.

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14. Contingent liabilities (continued)

(b) As at the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	**30 June 2015 RMB'000 (Unaudited)**	31 December 2014 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	45,600,336	43,942,046

As at 30 June 2015, the banking facilities granted to subsidiaries and BDNT subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB12,290,139,000 (31 December 2014: RMB11,789,796,000) and RMB586,955,000 (31 December 2014: RMB102,370,000) respectively.

(c) The Group entered into tri-lateral finance lease cooperation contracts ("Lease Cooperation Contracts") with certain end-user customers and a third-party leasing company (the "Third-party Leasing Company"). Under the joint leasing arrangement, the Group provides a leaseback guarantee to the Third-party Leasing Company that in the event of customer default, the Company is entitled to repossess and sell the subject leased new energy vehicle. At the same time, the Company will be required to compensate to the leasing company for its share of the outstanding lease payments due from the end-user customer, and retain any proceeds in excess of the repayments made to the leasing company. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the outstanding lease payments due from the end-user customer. As at 30 June 2015, the Company's maximum exposure to the arrangement was RMB844,643,000. The term of these leaseback guarantees is in line with the tenure of the lease contracts. For the six months ended 30 June 2015, there was no default of payments from end-user customers which required the Company to make payments.

15. Commitments

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted but not provided for		
Land and buildings	904,165	696,758
Plant and machinery	3,296,392	3,108,465
	4,200,557	3,805,223
Authorised but not contracted for	1,506,001	1,816,656
	5,706,558	5,621,879

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For the Six Months ended 30 June 2015

15. Commitments (continued)

(a) BYD Automobile Plant II Project

BYD Auto Company Limited ("BYD Auto"), a subsidiary of the Company, will invest in the construction of the "BYD Automobile Plant II Project" in the Xi'an High-Tech Zone. The investment amount of the project, which is for the production of vehicles and automobile components, is RMB4.46 billion.

(b) Long-term purchase commitments for polysilicon materials

In October 2010, Shangluo BYD entered into an irrevocable silicon supply contract (the "Supply Contract") with Jiangxi LDK PV Silicon Technology Co., Ltd. ("LDKPV") and Jiangxi LDK Solar Hi-Tech Co., Ltd. ("LDK Solar"), 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 $650,000/tonne (the "Initial Purchase Price") for a total contract value of RMB1.95 billion. The agreed prepayment amounts was RMB97,500,000, equivalent to 5% of the 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 the Supplemental Agreement I to the Supply Contract with LDKPV and LDK Solar. The Supplemental Agreement I 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 I 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.

In February 2015, Shangluo BYD, BYD Lithium Batteries Co., Ltd. and BYD Supply Chain Management Co., Ltd. entered into the Supplemental Agreement II to the Supply Contract with LDKPV and LDK Solar. The Supplemental Agreement II provides that the three parties agree to extend the performance period under the original Supply Contract for a period of five years to 31 December 2018. It is agreed that the both parties guarantee not to pursue related default claims against the Vendors (for unfulfilled and unfinished delivery obligations) and the Purchaser (for unfinished purchases and payment obligations) under the original Supply Contract. As at 30 June 2015, the prepayment balance related to the Supply Contract amounted to RMB65,462,000.

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

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted but not provided for	80,624	66,035
Capital contribution payable to joint ventures	48,020	175,800
	128,644	241,835

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16. Related party transactions

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

		For the six months ended	
		30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Joint ventures and associates			
Sales of products and raw materials	(i)	441,356	340,929
Sales of machinery and equipment	(ii)	171,149	–
Service income	(iii)	108,238	70,172
Purchase of products and raw materials	(iv)	313	13,256
Rental expense	(v)	86,754	–
Purchase of products and service from Northern Qinchuan	(vi)	75	3,941
Purchase of products and service from Cangzhou Mingzhu	(vii)	26,881	–

Notes:

(i) The sales of products and raw materials to the joint ventures and associates were charged at prices mutually agreed between the Group and the joint ventures and associates;

(ii) The sales of machinery and equipment to an associate were charged at prices mutually agreed between the Group and the associate;

(iii) The service income was charged at prices mutually agreed between the Group and the joint ventures and associates;

(iv) The purchase of products and raw materials from the joint ventures and associates were charged at prices mutually agreed between the Group and the joint ventures and associates;

(v) The rental expense was charged at prices mutually agreed between the Group and the associate;

(vi) The purchase of products from Xi'an Northern Qinchuan Company Ltd. ("Northern Qinchuan"), a company of which a supervisor of the Company is the chairman of the board, were charged at prices mutually agreed between the Group and the Northern Qinchuan;

(vii) The purchase of products from Cangzhou Mingzhu Company Ltd. ("Cangzhou Mingzhu"), a company of which an independent non-executive director of the Company is the independent director of the board, were charged at prices mutually agreed between the Group and the Cangzhou Mingzhu.

(b) Commitments with related parties:

In 2011, the Group entered into a series of agreements (the "Agreements") with BDNT, including a Service Agreement on Development of New Electronic Vehicles In China and a Framework Agreement on the Production and Distribution 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 2015 were detailed in note 16(a) to the financial statements.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

16. Related party transactions (continued)

(c) Outstanding balances with related parties:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
The amount due from joint ventures and associates:		
Shenzhen BYD Daimler New Technology Co., Ltd. ("BDNT")	219,816	663,956
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	127,175	182,919
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	63	65,426
Hangzhou Xihu New Energy Auto Operation Co.,Ltd. ("Hangzhou Xihu Operation")	43,185	44,866
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	7,611	6,968
Shan Mei Ling Qiu Bi Xing Industry Development Co.,Ltd. ("Shan Mei Ling Qiu Bi Xing")	10,000	10,000
Shenzhen Qianhai Green transportation Co.,Ltd. ("Qianhai Green transport")	–	1,828
Shenzhen BYD Electric Car Investment Co. Ltd. ("BYD Electric Car")	6,255	914
Tibet Changdu Region Tianhui New Energy Technology Development Co.,Ltd. ("Tibet Changdu Tianhui")	15	15
Shenzhen BYD International Financial Lease Co.,Ltd. ("International Financial Lease")	90,815	–
	504,935	976,892
The amount due to joint ventures and associates:		
BDNT	130,443	14,705
Tianjin BYD	129	8,713
International Financial Lease	2,197	530
	132,769	23,948

The balances are unsecured, interest-free and have no fixed terms of repayment.

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
The amount due to other related parties:		
Northern Qinchuan	11	–
Cangzhou Mingzhu	29,374	61,533
	29,385	61,533

16. Related party transactions (continued)

(d) Other transactions with related parties:

As at 30 June 2015, the Company has guaranteed certain bank loans made to BDNT of up to RMB586,955,000 (31 December 2014: RMB102,370,000).

(e) Others

Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Short term employee benefits	18,461	16,155
Pension scheme contributions	163	111
	18,624	16,266

17. Fair value of financial instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Financial assets				
Long-term receivable	405,148	315,311	405,148	315,311

	Carrying amounts		Fair values	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings	31,857,339	30,151,934	31,857,339	30,151,934

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

17. Fair value of financial instruments (continued)

Management has assessed that the fair values of short term deposits, cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables, amounts due from/to the joint ventures and associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2015 was assessed to be insignificant.

18. Post balance sheet events

On 12 February 2015, the board of directors resolved to dispose of the entire equity interest of Shenzhen BYD Electronic Components Co., Ltd.. The Company has entered into "The strategic cooperation, asset purchase in consideration of non-public offering shares and cash framework agreement" with Holitech Technology Co., Ltd. ("Holitech"), an unrelated third party, to dispose of the entire equity interest of Shenzhen BYD Electronic Components Co., Ltd. ("Electronic Components" or "Target Company") to Holitech. On 3 April 2015, the Company entered into "The strategic cooperation, asset transfer in consideration of non-public offering shares and cash agreement" with Holitech. Pursuant to the aforesaid agreements, the Company and Holitech negotiated the consideration for the transfer based on the appraised value of the entire equity interest of the Target Company in an asset report issued by an appraisal institution with qualifications in the securities business and agreed that the aggregate consideration for the disposal was RMB2,300,000,000, of which (i) 75% of the consideration shall be satisfied by the allotment and issue, credited as fully paid, of 178,941,908 consideration shares at an issue price of RMB9.64 per share to the Company by Holitech and (ii) the remaining 25% of the consideration shall be satisfied in cash.

On 9 July 2015, the Listed Companies Merger and Reorganisation Approval Committee of the CSRC held its 58th work meeting in 2015 during which it conditionally approved the transactions, including the subscription of shares issued by Holitech and the acquisition of the 100% equity interests of the Target Company by way of cash payment. Currently, the Company has not yet received the official approval document from the CSRC for the transactions.

On 30 June 2015, the CSRC issued the "Approval on the Public Issuance of Corporate Bonds by BYD Company Limited to Eligible Investors" (《關於核准比亞迪股份有限公司向合格投資者公開發行公司債券的批覆》) (Zheng Jian Xu Ke [2015] No. 1461), granting the approval to the Company to issue corporate bonds publicly in an aggregate nominal value of not more than RMB3 billion to eligible investors. These Corporate Bonds would be issued in multiple tranches, with the first tranche to be issued within twelve months from the date of approval of the issue and the other tranches to be issued within 24 months from the date of approval of the issue. On 10 August 2015, the Company published an announcement on the issuance of the 2015 corporate bonds (first tranche) (hereinafter referred to as the "Bonds"). The total issuing amount of the Bonds was RMB1.5 billion, which are three-year unsecured fixed rate bonds. The interest of the Bonds shall be calculated per annum by adopting the simple interest method and the compound interest shall not be calculated. From 12 August 2015 to 14 August 2015, the Company issued the Bonds offline at a coupon rate of 4.10% to eligible investors. On 14 August 2015, the issuance of the Bonds had been completed.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2015

19. Interim Dividend

The Board does not recommend the payment of interim dividend for the reporting period (For the six months ended 30 June 2014: Nil).

20. 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 26 August 2015.


比亞迪股份有限公司
BYD COMPANY LIMITED