



比亞迪股份有限公司  
BYD COMPANY LIMITED

Stock code 股份代號: 1211

INTERIM REPORT  
2016 年中期報告

A perspective view of a road stretching into the distance, flanked by green fields. In the background, a modern city skyline is visible under a blue sky with white clouds. The road has white lane markings and a small white triangle pointing forward in the center.

*TOWARDS  
A NEW ERA*



## Interim Results for the Six Months Ended 30 June 2016 (the “Period”)

Turnover	43.74%	to RMB43,745 million
Gross Profit	86.28%	to RMB8,523 million
Profit attributable to owners of the parent	384.23%	to RMB2,260 million
Earning per share	359.90%	to RMB0.87

### Highlights

- New energy vehicle business developed rapidly, and the sales income increased significantly by approximately 1.61 times year on year to approximately RMB15,316 million.
- The metal components and assembly business grew rapidly, and profit from rechargeable battery and photovoltaic business improved significantly
- The Board recommended the payment of interim cash dividend of RMB0.367 per share (including tax)

# Management Discussion & Analysis

## Industry Analysis and Review

### Automobiles Business

In the first half of the year, expectation of the Federal Reserve System's move to raise the prime interest rate unsettled the market while Brexit affected the economy of European Union or even that of the world. Developed economies' overall demand remained sluggish, and emerging markets' economic growth decelerated. Overall, global economic recovery was weak. China's economic growth continued to decelerate as the country recorded a gross domestic product growth of 6.7% in the first half of 2016. To cope with the complicated economic situations at home and abroad and on-going economic downward pressure, the Chinese government stepped up the supply-side reforms and strengthened the cultivation of strategic emerging industries while moderately stimulating the overall demand. As a result, the national economy grew steadily.

According to statistics from China Association of Automobile Manufacturers, in the first half of 2016, the production and sales of automobiles in China reached 12,892,200 units and 12,829,800 units respectively, up by 6.5% and 8.1% year on year correspondingly. Specifically, sport utility vehicle ("SUV") kept the momentum of rapid growth, the sales of which rose by 44.3% year on year to 3,850,100 units in the first half of the year, and it remained an important growth engine of China's automobile market. Meanwhile, the market for sedans continued to shrink year on year and was intensely competitive. During the Period, Chinese brand passenger vehicles kept gaining market share, which grew by 1.4 percentage points year on year to 42.9%, which was a new high since 2010.

Sales of new energy automobiles continued to skyrocket in the first half of 2016, and remained as a highlight of China's automobile market. According to statistics from China Association of Automobile Manufacturers, sales of new energy automobiles surged by 126.9% year on year to 170,000 units in the first half of this year. Sales of pure electric vehicles increased by 161.6% year on year to 126,000 units while plug-in hybrid vehicle sales rose by 64.2% year on year to 44,000 units.

New energy automobile plays a strategic role in the transformation of China's automobile industry and is in the crucial period of rapid development. In the first half of 2016, governments at the national, provincial and municipal levels adopted various supportive policies on the development of new energy automobiles while enhancing supervision and management to promote the healthy development of new energy automobile industry. At the national level, China's central government took various measures to proactively support the development of new energy automobile. For instance, it provided fiscal subsidies and tax exemption, and encouraged construction of charging facilities. Meanwhile, provincial and municipal governments all over the country actively launched policies to subsidize the application of new energy automobiles and to grant preferential treatments that exempted new energy automobile users from restrictions on vehicle purchase and traffic control. Some municipal governments which imposed restrictions on issue of vehicle licences even issued such licences to new energy automobile users free of charge. All these measures were aimed at popularizing new energy automobiles at local markets. In the first half of 2016, over 10 provinces and cities such as Beijing, Shanghai, Shenzhen, Wuhan and Xi'an have formulated the criteria for granting subsidies to new energy automobile users.

Pursuant to the Notice on the 13th Five-year Plan in relation to the Incentive Policies on New Energy Vehicle Charging Infrastructure and the Promotion of Application of New Energy Vehicles (《關於“十三五”新能源汽車充電基礎設施獎勵政策及加強新能源汽車推廣應用的通知》) jointly released by the Ministry of Finance and other four ministries in January 2016, subsidies in the amount ranging from RMB30 million to RMB200 million will be allocated to the construction and operation of charging facilities and battery charging or swap network based on the progress in promotion of new energy automobiles in each city. To better promote development of new energy automobiles and implement policies on differentiated traffic management, the Ministry of Public Security intended to have license plates specially issued for new energy automobiles and published the "Plate Style and Design Specifications of New Energy Automobiles" (《新能源汽車號牌式樣和設計說明》) in April 2016, and consulted the public about the style of the licence plate for the new energy automobile. Such policies have improved the policy environment and led to enhanced infrastructure for the new energy automobile industry, which will add impetus to the industry's development.

# Management Discussion & Analysis

## Mobile Handset Components and Assembly Business

According to statistics from IDC, an authoritative global market research institution, the global smartphone shipments grew by 0.2% year on year to 678 million units in the first half of 2016, representing the slowest year on year growth over the years and indicating a significant slowdown. However, China's smartphone brands maintained stronger sales despite the downturn of the global smartphone market. According to statistics from the China Academy of Information and Communication Technology, domestic smartphone shipments grew by 13.0% year on year to 235 million units in the first half of 2016, accounting for over 30% of the global market. Meanwhile, China remained the biggest smartphone market in the world.

In addition, with sound mechanic performance and outstanding appearance, metal casings have gained wide popularity among consumers. The penetration of metal components in the markets for smartphones and other mobile intelligent terminals kept growing rapidly. The expanding market for the metal components means huge potential for growth for suppliers who have comprehensive technologies and a diverse customer base.

## Rechargeable Batteries and Photovoltaic Business

As to traditional batteries, the persistently weak growth in sales of global consumer electronic products, coupled with the fierce market competition, resulted in weak demand for lithium batteries and nickel batteries during the Period. In the year to date, the world's installed photovoltaic power capacity grew consistently. Meanwhile, China's photovoltaic industry reduced the costs of production quickly because it attained economies of scale and innovated in technologies, which lifted its global standing quickly against the background of industry recovery.

## Business Review

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the automobile business (including the production and sales of new energy automobiles and conventional fuel vehicles), the handset components and assembly business and the rechargeable battery and photovoltaic business. For the six months ended 30 June 2016, the Group's revenue was approximately RMB43,745 million, representing a year on year increase of 43.74%. The business of automobiles and related products realized a revenue of approximately RMB23,392 million, up by 37.91% year on year. In particular, the revenue from the new energy automobile business was approximately RMB15,316 million, representing a year on year increase of approximately 1.61 times and its proportion in the Group's total revenue increased to 35.01%. The revenue from the handset components and assembly business was approximately RMB16,293 million, up by 44.50% year on year. The revenue from the rechargeable battery and photovoltaic business was about RMB4,060 million, up by 84.74% year on year. These three business segments accounted for 53.47%, 37.25% and 9.28% respectively of the Group's total revenue.

## Automobiles Business

BYD seized the opportunities arising from the surging growth in the new energy automobile industry by strategically strengthening the research and development of and the investment in the business of new energy automobiles to satisfy the strong demand for new energy automobiles, further reinforced its technological advantages and introduced superior new models and enhanced its battery production capacity. As a company which spearheaded the innovation in and commercialization of new energy automobiles, sales of the Group's new energy automobile surged by 130.74% year on year to approximately 49,000 units during the Period. In particular, pure electric vehicle sales increased by 310.82% year on year to approximately 22,000 units. According to statistics from China Association of Automobile Manufacturers, BYD's share of the new energy automobile market was approximately 27% in the first half of 2016, while its market share for new energy passenger vehicles was approximately 36%, thus accounting for over one third of the sales volume of new energy passenger vehicles in China in the first half of the year. BYD continued to dominate the market for plug-in hybrid vehicles with a 65% share of the market in the first half of the year. This reinforced the Group's leading position in the new energy automobile industry.

# Management Discussion & Analysis

In the first half of the year, the plug-in hybrid SUV model of the Group, “Tang”, maintained its popularity amongst consumers and ranked the No. 1 model in China’s new energy automobile market. The plug-in hybrid vehicle model, “Qin”, and the “e6” pure electric passenger vehicles continued to be the bestsellers and ranked among the top five in the sales charts of new energy automobiles in the first half of the year. In the pure electric passenger vehicles market, the Group launched “Qin EV300” and “e5” models at the end of March, which enriched the product portfolio of the Group’s passenger vehicle business and added impetus to its business expansion in Beijing. The Group also published its new energy model, mini-SUV “Yuan” under the 542 strategy in April with outstanding performances, namely the all-wheel drive, oil consumption of less than two liters per 100 kilometers and acceleration to 100 km/h in just 4.9 seconds. The model, together with the other two models, “Tang” and “Song”, formed a complete product range that covered three mainstream niche markets for medium-sized, compact and mini SUVs.

In the market of public transport, the Group steadily pushed forward with the applications of pure electric buses and electric taxis in markets at home and abroad. Currently, BYD’s pure electric buses have been put into operation in various cities of China, including Shenzhen, Changsha, Wuhan, Nanjing and Hangzhou. By the end of June 2016, the accumulated mileage of e6 electric taxis and K9 pure electric buses in Shenzhen reached 390 million kilometers and 120 million kilometers respectively, while the highest mileage of an individual vehicle from each of the two categories reached 860,000 km and 340,000 km respectively, which are currently the highest records in the world in public transport market. Based on the Group’s advantages of high technological standards and product quality, BYD received orders for over 8,000 units of electric buses in total from three bus operators in Shenzhen in April and July 2016, which surpassed the sales volume of the Group’s electric buses in 2015.

In overseas markets, the Group received orders from all around the world in the first half of the year. In February, the Group obtained orders for 85 units of pure electric buses from AVTA (加州羚羊穀交通運輸局). In May, BYD signed a contract to supply 200 units of pure electric buses to Canada, and that represented the country’s biggest order for pure electric buses up to now. Meanwhile, BYD signed a cooperation memorandum with Indonesian companies Smart Group and Infiniti Wahana Group to introduce 500 units of pure electric buses into the Indonesian market. As a leader in new energy automobile industry in the world, BYD’s new energy automobiles have been successfully operated in over 200 cities of more than 48 countries and regions in six continents, including Japan, America, United Kingdom, Germany, The Netherlands and Australia.

The Group’s sales of conventional automobiles dropped by 29.61% year on year to approximately 131,000 units in the first half of the year due to the fierce market competition in the conventional automobile market. However, the Group actively tapped the strong demand in the domestic SUV market brought about by its rapid growth during the Period, and put efforts to promote its profitable mid-range and high-end SUV models, on top of the launch of the conventional fuel compact model of “Yuan” in April, thus boosting the Group’s SUV sales. The improved product mix also resulted in consistent growth in the average selling price of conventional automobiles for the Period.

To tap the market for smart cars, the Group has established a strong R&D team which has already developed leading proprietary technologies with intellectual properties for smart cars’ sensing, control and execution by the deep research and development of basic and applied technology of smart driving. Currently, the Group has significantly improved the smart level of its automobiles by remote control and Cloud services. Many smart driving technologies such as automatic parking and adaptive cruise control also will be gradually applied, which drives the progress of automobile’s manual driving to smart driving.

In the first half of 2016, the Group’s auto finance business has also achieved rapid growth and made considerable contributions to the Group’s profit. In the Period, BYD Auto Finance Company Limited (比亞迪汽車金融有限公司) (“BYD Auto Finance”), extended credit of approximately RMB1,472 million to BYD car owners, and provided finance services that cover approximately 20,000 units of cars with penetration rate up to 13.58% of the sales volume of BYD’s automobiles, and the rate continued to rise. At the end of June 2016, the Group and Bank of Xi’an Co., Ltd., another shareholder of BYD Auto Finance, decided to inject RMB800 million and RMB200 million respectively into BYD Auto Finance. The injection of capital will help BYD Auto Finance to grasp the opportunities on the market, ensure smooth execution of its strategic planning and achieve sustainable growth.

# Management Discussion & Analysis

## Mobile Handset Components and Assembly Business

As one of the most competitive handset component and assembly service suppliers in the world, BYD 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. The revenue from the handset components and assembly business of the Group in the first half of 2016 amounted to approximately RMB16,293 million, up by approximately 44.50% year on year.

As consumers have ever higher requirements for the feel and appearance of handsets' casings, mobile phones that feature metallic casings and light weight become increasingly popular. Leveraging on its rich experience, leading technology and well-developed techniques accumulated in metal components market, the Group continued to maintain close cooperation with leading handset manufacturers at home and abroad and actively sought business from new clients to build a base of diverse customers. During the Period, the Group received orders for mid-range and high-end flagship models of handsets from leading handset manufacturers in Korea and Mainland China. As a result, the metal components business improved significantly. As to the assembly business, the Group continued to receive orders for assembling smartphones in the form of electronics manufacturing services ("EMS") from manufacturers with renowned brands. This led to significant growth of the assembly business. The active expansion of the Group's assembly business will also enhance its close relationships with clients, stimulate customers' demand for other component products and will be conducive to a sustainable development of its handset components and assembly business.

## Rechargeable Battery and Photovoltaic Business

BYD's rechargeable batteries mainly include lithium-ion batteries and nickel batteries, which are widely used in portable electronic devices, including handsets, digital cameras, power tools and electrical toys. The Group is also actively researching on and developing power batteries, energy storage batteries and solar battery products, and is committed to applying such products to new energy vehicles, energy storage stations and solar power stations, etc. In the first half of 2016, the Group's rechargeable battery and photovoltaic business recorded revenue of approximately RMB4,060 million, representing a year on year increase of 84.74%.

The Group was facing the slowdown in global consumer electronic device market and fierce competition in the industry which led to substantial year on year decreases in sales volume of its nickel batteries. In the area of lithium-ion batteries, the Group has actively sought the battery orders from globally leading mobile handset manufacturers, achieving a rapid growth in sales. For power batteries, the Group continued to strengthen research and development, 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 improve the comprehensive performance of power batteries. These measures are aimed at enhancing the overall competitiveness of BYD's new energy automobiles.

BYD's energy storage business continued to step up efforts to develop overseas markets and to accelerate the growth of new energy market in the first half of the year. As its capacity utilization rate increased and the products' selling prices gradually stabilized, the Company's solar energy business improved its profitability significantly and turned around with a profit in the period.

## Optimization of Business Structure and Capital Structure

In June 2016, the Group signed a "Cooperative Framework Agreement on the Exploitation of Lithium Resources in Salt Lake" with Qinghai Salt Lake Industry Co., Ltd.\* (青海鹽湖工業股份有限公司) and Shenzhen Hongdatong Industry Co., Ltd.\* (深圳市宏達同實業有限公司), pursuant to which, the parties have agreed to jointly set up a joint venture in Qinghai specializing in the development, processing and sales of products with the comprehensive utilization of resources (including Lithium resources) in the Salt Lake. Through such cooperation, BYD achieved its strategic planning for upstream core resources in new energy automobile industry and optimized its new energy automobile industry chain, thus securing an abundant supply of lithium resources for the Group's new energy automobiles in the future and enhancing its ability to control the cost of raw materials.

# Management Discussion & Analysis

In July 2016, the Group has completed the non-public A shares offering and has issued 252,142,855 A shares at an issue price of RMB57.40 per A share to six subscribers, raising net proceeds of approximately RMB14,369 million (being the balance of the total proceeds of approximately RMB14,473 million after the deduction of expenses of approximately RMB104 million). The A shares issued have been listed on the Shenzhen Stock Exchange since 25 July 2016 and are subject to a lock-up of one year. Following the completion of the non-public offering, the registered capital of the Company was increased by approximately RMB252 million (being the aggregate nominal value of the A shares issued under the non-public offering) to approximately RMB2,728 million, with all the new capital being monetary capital contribution. Further details of the non-public offering 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 and 21 July 2016.

The proceeds raised from such offering will be used for projects such as expansion of production capacity for lithium ferrous phosphate batteries and for research and development of new energy vehicles. The completion of this non-public offering will improve the Group's financial strength, achieve capacity expansion for its new energy automobile batteries and accelerate the research and development of basic technologies for the new energy vehicles and new models of such vehicles, help to grasp huge historic opportunities brought by dramatic rise in new energy vehicles industry, provide abundant fund support for rapid development of its new energy automobile business and lay a solid foundation for fulfilling the Group's strategic goals. This non-public offering has successfully attracted investments from Guotou Advanced Manufacturing Industry Investment Fund and Samsung Group, which demonstrated the nation's and business circles' recognition to BYD's technical capabilities and leading position in the industry and will promote the future communications and cooperation with each other in new energy vehicles market. Meanwhile, it optimized the Group's capital structure, thereby effectively reducing our debt ratio and finance costs as well as making remarkable contributions to relieving our financial burdens.

## Prospect and Strategy

Looking ahead to the second half of the year, global economy is expected to remain complicated and downward pressure on China's economy will remain high. Nevertheless, the country has been pressing ahead with the supply-side reforms and moderately stimulating the overall demand to maintain steady economic growth. As a result, the country's 13th Five-year Plan has got off to a good start. As an emerging industry of strategic importance, the new energy vehicle industry will not only make China an automobile-manufacturing powerhouse but also will play a significant role in the country's economic restructuring, industrial upgrading and sustainable development for the long term. As a pioneer and practitioner in the new energy industry, BYD 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, electric motor and electric control. The Group will strive to develop its new energy automobile business and make breakthroughs in its new energy vehicle business with the aim of promoting the global automobile industry's transformation into an environmentally-friendly industry.

### Automobiles Business

As a direction of automobile industry's development, new energy vehicle industry will obtain full policies support in all aspects. The Office of National Development and Reform Commission published the "Measures to Manage Quota on New Energy Vehicles' Carbon Dioxide Emission" (Consultation Document) (《新能源汽车碳配额管理办法》征求意见稿) in August 2016 to seek comments from other government departments and industry associations on legislating for and promoting the healthy development of the market for and industry of new energy vehicles while reinforcing control and management of carbon dioxide emissions from vehicles. In the future, the carbon emission quota regime will be imposed on new energy vehicles, and this will significantly improve the profitability of new energy vehicle industry and accelerate its development. As a leader in new energy vehicles industry, BYD will grasp the opportunities for development and will make additional investments to expand production capacity, improve product competitiveness, accelerate research and development and launch more new models with the aim of satisfying the market's growing demand.

# Management Discussion & Analysis

In the field of passenger vehicles, the Group will launch “Qin 100” and “Tang 100” in the future, which are the upgraded version of plug-in hybrid vehicles “Qin” and “Tang”, with emphasis on improved performance of power system, mileage and electronic equipment to make them the models preferred by private car consumers. Such move is expected to make significant contribution to the Group’s sales. Leveraging its advantages in new energy automobile development and the strong sales performance of local brands SUVs, the Group will also launch the plug-in hybrid vehicle models “Song” and “Yuan”. With the launch of new models in the future, the Group will be able to further enhance its product portfolio and improve the sales of its new energy vehicles. This in turn will also enlarge the economies of scale and improve revenue and profitability of its new energy vehicles. The Group is very confident about the prospect of the new energy vehicle industry.

In the field of public transportation, BYD will increase its market penetration and market share by leveraging on its leading advantages such as technologies and products. It will also seek to enhance its brand awareness in the international markets and continue to accelerate the expansion of both the domestic and overseas markets in the second half of the year, thus laying solid foundations for the overall development of its new energy automobile business.

To further explore the city public transportation business, the Group makes full use of its accumulated technologies in new energy automobile batteries, electric motor and electric control to develop low-carbon and green straddle monorail. This will help to cope with the increasingly severe traffic jam in large and medium-sized cities. Straddle monorail, as part of the multilevel transportation, has an exclusive road right similar to metro and is capable for high-speed, mass transit. Such means of transport will play a significant role in improving cities’ traffic situation. Cost of construction of straddle monorail is significantly lower than that of subway due to fewer construction limitations and good economic and social effects and is an important solution for urban public transportation.

The industry of conventional fuel vehicles will continue to face a slowdown. Specifically, the growth in sales of passenger vehicles is expected to continue to decelerate. However, SUVs under local brands will still enjoy significant advantages in terms of versatility, driving experience and performance-price ratio, and they will continue to add impetus to the development of China’s automobile market. The Group will actively promote sales of new SUV models in the second half of the year to boost the development of its conventional fuel vehicle business.

Moreover, in the field of smart driving, with the launch of new models in the future, the Group will provide users with more smart cars technologies, such as lane keeping, fixed-distance cruise, collision warning and pedestrian recognition, to bring a more convenient, comfortable and safer driving experience to consumers.

## Mobile Handset Components and Assembly Business

An IDC report estimates that the growth in smartphone shipments will gradually decelerate in next five years. The slowdown will lead to more intense market competition. Handset manufacturers will tend to launch new models with metallic casings to make the products more appealing. As a leading manufacturer in the handset components and assembly industry, the Group will continue to make effort to develop its metal component business and widen the range of applications of metallic casings and metallic structural components in the second half of the year to satisfy the market’s increasing demand. The Group will also actively seek business from new customers at home and abroad to establish a base of more diverse customers and a broader client network with the aim of achieving sustainable development of its handset component and assembly business.

## Rechargeable Battery and Photovoltaic Business

For the business of rechargeable batteries, the Group will, continue to widen the range of applications of lithium-ion batteries and nickel batteries in order to consolidate its market position. For the photovoltaic businesses, the Group will continue to expand both the domestic and overseas markets in the second half of the year, improve capacity utilization and sales volume, actively control costs and enhance the revenue and profitability of this business. At the same time, as the world’s leading power storage solution provider, the Group will put efforts to promote the application of storage system in more countries and regions across the world.



# Management Discussion & Analysis

## Estimated Operating Results from January to September 2016

Change of net profit attributable to owners of the parent from January to September 2016	82.51%	to	90.67%
Change (in range) of net profit attributable to owners of the parent (RMB10,000) from January to September 2016	357,970	to	373,970
Net profit attributable to owners of the parent (RMB10,000) from January to September 2015	196,136		
Reasons for changes in results	In the third quarter, the demand of new energy automobiles is expected to remain strong and the Group's new energy automobiles will remain popular. In the market of public transport, delivery of the huge block of orders of the Group is expected to begin and sales of electric buses will promote rapidly and new energy automobile business will maintain a sound momentum of growth. For the traditional vehicle business, the rising of SUV market of local brands and the continuous good sale of the Group's SUV models are expected to drive the sales growth and improvement of product mix of the Group's traditional vehicle. For handset components and assembly business, with the mass production of new models by major customers, such business is expected to remain a good momentum in the third quarter. For the solar energy business, influenced by policies at home and abroad and decrease in product price, the solar energy business will face intensified pressure in the third quarter.		

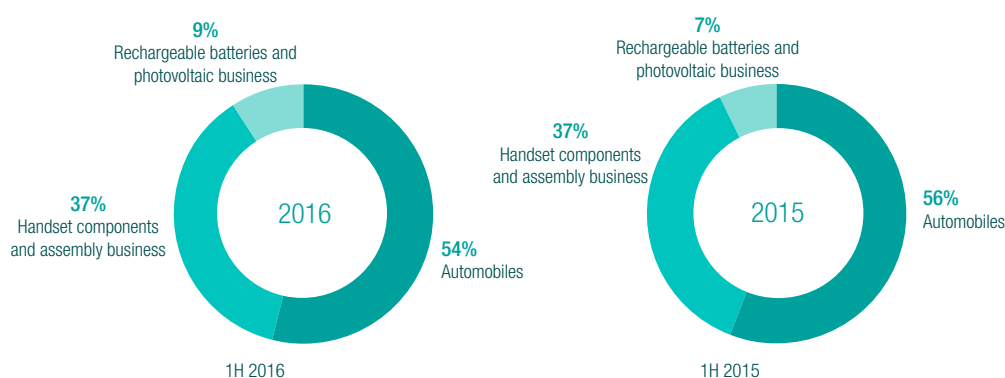
## Financial Review

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

During the Period, turnover increased by 43.74% as compared to that of the first half of 2015, mainly driven by the increase in turnover from business of automobiles and related products from RMB16,962 million to RMB23,392 million as compared with the corresponding period of last year, representing a year on year increase of 37.91%. Profit attributable to owners of the parent increased by 384.23% as compared to the same period last year, mainly due to the increase in new energy vehicle business.

### Segment Information

The chart below sets out comparisons of the Group's turnover by product category for the six months ended 30 June 2016 and 2015:



During the Period, the new energy vehicle business of the Group grew significantly, while proportion of automobiles and related products decreased due to the impact of sales of traditional automobiles, and the proportions of handset components and assembly business remained unchanged while rechargeable batteries and photovoltaic business increased.

### Gross Profit and Margin

During the Period, the Group's gross profit increased by approximately 86.28% to approximately RMB8,523 million. Gross profit margin increased from approximately 15.03% in the first half of 2015 to approximately 19.48% during the Period. The increase in gross profit margin was attributable to the increase in proportion of revenue from new energy automobile business.

# Management Discussion & Analysis

## Liquidity and Financial Resources

During the Period, BYD recorded an operating cash outflow of approximately RMB1,428 million, compared with an operating cash inflow of approximately RMB3,022 million in the first half of last year. The cash outflow of the Group recorded during the Period was mainly due to the increases in goods purchased and services received in its operating activities. Total borrowings as at 30 June 2016, including all bank loans, bond payables and other secured loans, were approximately RMB44,262 million, compared with approximately RMB37,643 million as at 31 December 2015. The maturity profile of bank loans, bond payables and other secured loans spread over a period of fourteen years, with approximately RMB36,575 million repayable within one year and approximately RMB3,712 million repayable in the second year, approximately RMB3,975 million repayable within the third to the fourteenth years. The Group maintained adequate cash to meet its daily liquidity management and capital expenditure requirements and controlled its internal operating cash flows.

Turnover days of trade and bills receivables were approximately 123 days for the six months ended 30 June 2016, compared to approximately 124 days for the same period in 2015. There was no obvious change in turnover days of trade and bills receivables. Inventory turnover days were approximately 83 days for the six months ended 30 June 2016, compared to approximately 84 days for the same period in 2015. Inventory turnover days had no obvious change.

## Capital Structure

The Group's Financial Division is responsible for the Group's financial risk management which operates according to policies implemented and approved by the senior management. As at 30 June 2016, 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. As at 30 June 2016, the Group's outstanding loans included Renminbi loans and foreign currency loans and approximately 58% (31 December 2015: 52%) of such outstanding loans were at fixed interest rates, with the remaining at floating interest rates.

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 127% and 109% as at 30 June 2016 and 31 December 2015, respectively.

The Group completed the issue of 2016 Tranche I Medium Term Notes ("Tranche I Notes") and 2016 Tranche II Medium Term Notes ("Tranche II Notes") on 24 February 2016 and 26 February 2016, respectively. The tranche I Notes and Tranche II Notes were issued at par of RMB100 each for a term of 5+N years (due upon redemption by the Company pursuant to the terms of the issue) to raise RMB200 million and RMB400 million, respectively. The coupon interest rate for the first 5 years for which interest is accruable is 5.1% per annum. Starting from the 6th year for which interest is accruable, the coupon interest rate is reset every 5 years.

As at 30 June 2016, machinery, equipment and buildings with carrying amount value of RMB76,555,000 (31 December 2015: RMB75,506,000) and projects under construction of RMB 9,347,000 (31 December 2015: RMB9,153,000) have been pledged as securities for the long term loans of RMB51,253,000 (31 December 2015: RMB51,693,000) granted to the Group, of which RMB26,506,000 (31 December 2015: RMB26,731,000) was long term loans due within a year.

# Management Discussion & Analysis

## 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 2016, the Group had employed approximately 210,000 employees. During the Period, total staff cost accounted for approximately 15.86% 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 2016, 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 2016 to 30 June 2016. During the Period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

## Capital Commitments

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

## Contingent Liabilities

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

## Post Balance Sheet Events

Except the issue of 252,142,855 A shares under the non-public offering in July 2016 and the recommendation of the payment of the Interim Dividend (as defined hereafter), there are no other material post balance sheet events.

# Supplementary Information

## Corporate Governance

### Compliance with Corporate Governance Code (the “Code”)

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 Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the 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 and up to 30 June 2016, 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 2016, 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 benefits 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 2016 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 2016) before making recommendations to the Board for approval of the relevant matters.

The Audit Committee has reviewed the results of the Group for the six months ended 30 June 2016.

## Interim Dividend

The Board resolved on 26 August 2016 to recommend the payment of interim cash dividend (the "Interim Dividend") for the six months ended 30 June 2016 of RMB0.367 per share (including tax) (For the six months ended 30 June 2015: Nil), with a total amount of approximately RMB1,001,228,000 in aggregate based on the total share capital of 2,728,142,855 shares of the Company as at 26 August 2016. The proposal of the Interim Dividend is subject to consideration and approval at the Company's forthcoming extraordinary general meeting (the "EGM").

The Company will issue announcement, circular and notice of general meeting regarding the EGM in accordance with the Listing Rules and the articles of association of the Company. The Company will also make separate announcement regarding the record date and date of closure of register of members for the payment of the Interim Dividend to the holders of H shares. It is expected that the Interim Dividend will be distributed before 30 December 2016.

# Supplementary Information

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

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, will be deemed as shares held by non-resident enterprise shareholders. Therefore, enterprise income tax will be withheld from dividends payable to such shareholders. If holders of H shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares as at the record date of the Interim Dividend.

In accordance with the "Circular on Certain Issues Concerning the Policies of Individual Income Tax" (Cai Shui Zi [1994] No.020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividend or bonuses received from foreign-invested enterprises. In accordance with the "Letter of the State Administration of Taxation concerning Taxation Issues of Dividends Received by Foreign Individuals Holding Shares of Companies Listed in China" (Guo Shui Han Fa [1994] No. 440) (《外籍個人持有中國境內上市公司股票所取得的股息有關稅收問題的函》(國稅函發[1994]440號)) as promulgated by the State Administration of Taxation on 26 July 1994, dividends (capital bonuses) received by foreign individuals holding B shares or overseas shares (including H shares) from Chinese enterprises issuing such B shares or overseas shares are temporarily exempted from individual income tax. Accordingly, in the payment of Interim Dividend, the Company will not withhold and pay the individual income tax on behalf of individual Shareholders when the Company distributes the Interim Dividend to individual Shareholders whose names appear on the register of members of H shares of the Company.

Shareholders are recommended to consult their tax advisor regarding the ownership and disposal of H shares of the Company in the PRC and in Hong Kong and other tax effects.

# Supplementary Information

## Directors', Supervisors' and Chief Executives' Interests

As at 30 June 2016, 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 were 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)	512,623,820 (L) (Note 1)	32.84%	20.70 %
Lv Xiang-yang (Director)	401,910,480 (L) (Note 2)	25.75%	16.23%
Xia Zuo-quan (Director)	118,977,060	7.62%	4.81%

(L) – Long Position

Notes:

- The 512,623,820 A shares does not comprise the 3,727,700 A shares held by Mr. Wang through E Fund Asset BYD Zengchi No.1 Assets Management Plan.
- Of the 401,910,480 A shares, 239,228,620 A shares were held by Mr. Lv in his personal capacity and 162,681,860 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%, respectively. Mr. Lv was therefore deemed to be interested in 162,681,860 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) <i>(Note 1)</i>	0.05%	0.02%

*(L) – Long Position*

*Note:*

- 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 2016, 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 2016, 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)	162,681,860 (L)	10.42%	6.57%

(L) – Long Position

Note:

- 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 the 162,681,860 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)	75,387,200 (L)	8.24%	3.04%
LL Group, LLC (Note 2)	75,387,200 (L)	8.24%	3.04%

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

Notes:

- 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) which directly held 225,000,000 H shares.
- LL Group, LLC was deemed to be interested in 75,387,200 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 75,387,200 H shares (L).

As at 30 June 2016, 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 of which have been fully paid up.

# Interim Condensed Consolidated Statement of Profit or Loss

For the Six Months ended 30 June 2016

	Notes	For the six months ended	
		30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>43,745,486</b>	30,434,774
Cost of sales		<b>(35,222,516)</b>	(25,859,539)
Gross profit		<b>8,522,970</b>	4,575,235
Other income and gains	5	<b>383,466</b>	254,408
Government grants and subsidies		<b>211,739</b>	329,309
Selling and distribution costs		<b>(1,804,047)</b>	(1,201,130)
Research and development costs		<b>(1,153,577)</b>	(743,982)
Administrative expenses		<b>(1,870,659)</b>	(1,513,757)
Other expenses		<b>(265,295)</b>	(91,044)
Finance costs	6	<b>(900,723)</b>	(687,696)
Share of profits and losses of:			
Joint ventures		<b>(123,374)</b>	(90,474)
Associates		<b>8,575</b>	(331)
<b>PROFIT BEFORE TAX</b>	7	<b>3,009,075</b>	830,538
Income tax expense	8	<b>(540,008)</b>	(206,342)
<b>PROFIT FOR THE PERIOD</b>		<b>2,469,067</b>	624,196
Attributable to:			
Owners of the parent		<b>2,259,696</b>	466,660
Non-controlling interests		<b>209,371</b>	157,536
		<b>2,469,067</b>	624,196
Earnings per share attributable to ordinary equity holders of the parent			
– basic and diluted for the period	9	<b>RMB 0.87</b>	RMB 0.19

# Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2016

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>2,469,067</b>	<b>624,196</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(295,561)	–
Income tax effect	73,891	–
Exchange differences on translation of foreign operations	13,017	5,997
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(208,653)</b>	<b>5,997</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,260,414</b>	<b>630,193</b>
Attributable to:		
Owners of the parent	2,037,343	473,772
Non-controlling interests	223,071	156,421
	<b>2,260,414</b>	<b>630,193</b>

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	<i>Notes</i>	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	40,451,389	38,126,333
Prepaid land lease payments		4,790,528	4,655,610
Goodwill		65,914	65,914
Other intangible assets		7,083,499	7,102,816
Non-current prepayments		3,718,087	3,997,044
Long-term receivable		41,279	65,773
Investments in joint ventures		1,377,436	1,522,017
Investments in associates		426,509	366,698
Available-for-sale investments		2,775,796	3,071,357
Deferred tax assets		1,127,898	1,080,416
Property under development		914,307	912,635
<b>Total non-current assets</b>		<b>62,772,642</b>	<b>60,966,613</b>
<b>CURRENT ASSETS</b>			
Inventories	11	16,044,181	15,750,550
Trade and bills receivables	12	32,287,059	26,678,639
Prepayments, deposits and other receivables		3,481,305	3,280,091
Due from the joint ventures and associates		1,479,683	1,800,859
Due from the related parties		154,441	338,332
Completed property held for sale		41,734	56,038
Derivative financial instruments		5,045	18,207
Pledged deposits		277,420	316,895
Short-term deposits		240,700	268,600
Cash and cash equivalents		4,950,627	6,010,931
<b>Total current assets</b>		<b>58,962,195</b>	<b>54,519,142</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	28,291,687	30,655,830
Other payables		4,402,911	4,557,156
Advances from customers		1,629,643	2,438,009
Deferred income		193,162	155,629
Interest-bearing bank and other borrowings		36,575,133	26,412,860
Due to joint ventures and associates		352,830	393,428
Due to related parties		480,591	429,429
Tax payable		263,729	289,206
Provision		1,030,170	778,577
<b>Total current liabilities</b>		<b>73,219,856</b>	<b>66,110,124</b>
<b>NET CURRENT LIABILITIES</b>		<b>(14,257,661)</b>	<b>(11,590,982)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>48,514,981</b>	<b>49,375,631</b>

continued/...

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	7,686,967	11,229,901
Deferred tax liabilities	464,658	568,149
Deferred income	1,575,157	1,546,108
Other liabilities	1,119	2,232
<b>Total non-current liabilities</b>	<b>9,727,901</b>	<b>13,346,390</b>
<b>Net assets</b>	<b>38,787,080</b>	<b>36,029,241</b>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Share capital	2,476,000	2,476,000
Reserves	28,557,372	26,618,404
Perpetual loans	3,795,800	3,200,000
	<b>34,829,172</b>	<b>32,294,404</b>
Non-controlling interests	3,957,908	3,734,837
<b>Total equity</b>	<b>38,787,080</b>	<b>36,029,241</b>

# Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2016

	Attributable to owners of the parent									
	Issued capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Statutory surplus reserve fund (Unaudited)	Exchange fluctuation reserve (Unaudited)	Retained profits (Unaudited)	Proposed final dividend (Unaudited)	Total (Unaudited)	Non-controlling interests (Unaudited)	Total equity (Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(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 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 reserves include the consolidated reserve of RMB23,363,369,000 in Interim Condensed Consolidated Statement of Financial Position as at 30 June 2015.

continued/...

# Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2016

	Attributable to owners of the parent										
	Issued capital	Share premium account	Capital reserve	Statutory surplus reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Perpetual loan	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	2,476,000	5,863,563	5,431,701	2,384,751	(164,455)	13,102,844	-	3,200,000	32,294,404	3,734,837	36,029,241
Profit for the period	-	-	-	-	-	2,259,696	-	-	2,259,696	209,371	2,469,067
Other comprehensive income for the period:	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments, net of tax	-	-	(221,670)	-	-	-	-	-	(221,670)	-	(221,670)
Exchange differences on translation of foreign operations	-	-	-	-	(683)	-	-	-	(683)	13,700	13,017
Total comprehensive income for the period	-	-	(221,670)	-	(683)	2,259,696	-	-	2,037,343	223,071	2,260,414
Issue of shares	-	-	-	-	-	-	-	-	-	-	-
Issue of perpetual loan	-	-	-	-	-	-	-	595,800	595,800	-	595,800
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Perpetual loan interest paid	-	-	-	-	-	(98,375)	-	-	(98,375)	-	(98,375)
The government subsidies designated to increase the capital reserve	-	-	1,137	-	-	(1,137)	-	-	-	-	-
At 30 June 2016	2,476,000	5,863,563*	5,211,168*	2,384,751*	(165,138)*	15,263,028*	-	3,795,800	34,829,172	3,957,908	38,787,080

\* These reserve amounts comprise the consolidated reserves of RMB28,557,372,000 in the interim condensed consolidated statement of financial position as at 30 June 2016.



# Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,009,075	830,538
Adjustments for:			
Finance costs	6	900,723	687,696
Share of profits and losses of joint ventures and associates		114,799	90,805
Bank interest income	5	(64,830)	(37,994)
Government grants and subsidies		(177,676)	(23,894)
Loss on disposal of items of non-current assets		22,398	3,763
Fair value gains, net:			
Derivative instruments		13,162	–
Loss on disposal of a joint venture		560	–
Gain on disposal of derivative financial instrument		(18,390)	–
Gain on disposal of financial product		(1,376)	–
Dividend received from available-for-sale investments		(2,388)	(1,466)
Depreciation	7	2,524,787	1,942,665
Impairment of inventories	7	155,954	115,243
Impairment of trade receivables	7	56,379	60,572
Impairment losses of trade receivables and other receivables reversed	7	(14,830)	(14,068)
Impairment of other intangible assets	7	169,856	–
Recognition of prepaid land lease payments		52,272	50,778
Amortisation of other intangible assets		570,433	348,129
		<b>7,310,908</b>	<b>4,052,767</b>
Increase in inventories		(449,585)	(3,387,529)
(Increase)/decrease in trade and bills receivables		(5,647,586)	3,685,005
Increase in prepayments, deposits and other receivables		(371,976)	(153,923)
Decrease in amounts due from joint ventures and associates		505,067	471,957
Decrease/(increase) in long term receivable		24,494	(89,837)
Increase in property under development		(1,672)	(1,799)
Decrease in completed property held for sale		14,304	24,736
Decrease in trade and bills payables		(2,301,312)	(85,693)
Increase/(decrease) in other payables		560,627	(6,558)
Decrease in advances from customers		(808,366)	(1,465,252)
(Decrease)/increase in amounts due to joint ventures and associates		(40,598)	108,821
Increase/(decrease) in amount due to the related parties		121,613	(32,148)
Increase/(decrease) in provision for warranties		251,593	(392)
Cash generated from/(used in) operations		(832,489)	3,120,155
Interest received	5	64,830	37,994
Taxes paid		(660,834)	(136,108)
Net cash flows (used in)/from operating activities		(1,428,493)	3,022,041

continued/...

# Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2016

	For the six months ended 30 June	
	2016	2015
	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Net cash flows (used in)/from operating activities</b>	<b>(1,428,493)</b>	<b>3,022,041</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(5,429,118)	(4,325,677)
Decrease/(increase) in non-current prepayments	217,463	(108,234)
Increase in prepaid land lease payments	(190,868)	(114,304)
Investment in short-term deposits	(124,305)	(262,699)
Withdrawal of short-term deposits	152,205	39,539
Receipt of government grants	32,993	56,540
Additions to other intangible assets	(698,300)	(804,240)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets	19,672	1,499,354
Receipt of disposal of financial product	1,376	–
Disposal of joint ventures and associates	3,120	–
Dividend received from available-for-sale investments	2,388	1,466
Decrease in prepayments, deposits and other receivables	200,000	–
Decrease in derivative financial instruments	18,390	–
Capital contributions to an associate	(13,681)	(16,000)
Capital contributions to joint ventures	(39,697)	(676,780)
<b>Net cash flows used in investing activities</b>	<b>(5,848,362)</b>	<b>(4,711,035)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of a perpetual loan	595,800	–
New bank loans	17,691,138	11,276,295
Repayment of bank loans	(11,120,076)	(9,569,412)
Interest paid	(924,415)	(831,898)
Perpetual loan interest paid	(98,375)	–
Increase in pledged deposits	39,475	45,982
<b>Net cash flows from financing activities</b>	<b>6,183,547</b>	<b>920,967</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,093,308)</b>	<b>(768,027)</b>
Cash and cash equivalents at beginning of period	6,010,931	3,950,415
Effect of foreign exchange rate changes, net	33,004	14,197
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,950,627</b>	<b>3,196,585</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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 and other electronic products.

## 2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 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 2015.

Despite the Group’s net current liabilities of approximately RMB14,257,661,000 as at 30 June 2016, 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 consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, 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 HKAS1	<i>Disclosure initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortizations</i>
<i>Annual Improvements 2012-2014 Cycle</i>	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 2016

## 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, photovoltaic products and iron batteries products (including energy storage stations and iron battery pack), principally for mobile phones, electric tools and other portable electronic instruments, photovoltaic products, energy storage stations and external electric vehicles;
- (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 2016

## 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 2016 and 2015, respectively.

### Six months ended 30 June 2016 (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
<b>Segment revenue</b>					
Sales to external customers	4,060,777	16,292,853	23,391,856	–	43,745,486
Intersegment sales	514,280	410,935	549,093	–	1,474,308
Others including other gross income from sales of raw materials, properties and disposal of scrap materials	100,247	191,538	279,134	16,830	587,749
Taxes and surcharges	12,591	80,106	522,905	727	616,329
	4,687,895	16,975,432	24,742,988	17,557	46,423,872
<i>Reconciliation:</i>					
Elimination of intersegment sales					(1,474,308)
Elimination of other gross income					(587,749)
Elimination of taxes and surcharges					(616,329)
Revenue – sales to external customers				–	43,745,486
<b>Segment results</b>	322,289	795,742	3,061,416	1,137	4,180,584
<i>Reconciliation:</i>					
Elimination of intersegment results					(277,485)
Interest income					64,830
Government grants and subsidies and unallocated gains					169,255
Corporate and other unallocated expenses					(227,386)
Finance costs					(900,723)
Profit before tax					3,009,075

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 4. Segment information (continued)

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
<b>Segment revenue</b>					
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
<i>Reconciliation:</i>					
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
<b>Segment results</b>	106,824	658,208	1,289,975	150	2,055,157
<i>Reconciliation:</i>					–
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 2016

## 4. Segment information (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2016 and 31 December 2015:

### Six months ended 30 June 2016 (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
<b>Segment assets</b>	19,244,492	22,708,271	73,708,539	115,661,302
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,615,669)
Elimination of unrealised profit of intersegment sales				(343,997)
Corporate and other unallocated assets				8,033,201
<b>Total assets</b>				<b>121,734,837</b>
<b>Segment liabilities</b>	7,072,521	9,597,847	22,223,066	38,893,434
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,615,669)
Corporate and other unallocated liabilities				45,669,992
<b>Total liabilities</b>				<b>82,947,757</b>

### Six months ended 30 June 2016 (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
<b>Other segment information:</b>				
Impairment losses recognized in the statement of profit or loss	35,154	42,779	289,426	367,359
Depreciation and amortization	484,018	895,354	1,768,120	3,147,492
Capital expenditure	1,484,562	709,777	3,648,859	5,843,198

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

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 4. Segment information (continued)

Year ended 31 December 2015 (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
<b>Segment assets</b>	16,768,931	25,953,481	67,188,915	109,911,327
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,203,526)
Elimination unrealised profit of intersegment sales				(457,475)
Corporate and other unallocated assets				7,235,429
<b>Total assets</b>				115,485,755
<b>Segment liabilities</b>	5,904,615	12,707,474	22,839,680	41,451,769
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,203,526)
Corporate and other unallocated liabilities				39,208,271
<b>Total liabilities</b>				79,456,514

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
<b>Other segment information:</b>				
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



# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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 2016	30 June 2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Revenue</b>		
Sales of goods	34,835,029	25,958,570
Assembly services income	8,901,709	4,469,950
Others	8,748	6,254
	<b>43,745,486</b>	<b>30,434,774</b>

	For the six months ended	
	30 June 2016	30 June 2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Other income and gains</b>		
Gain on disposal of scrap and materials	103,555	105,886
Gain on sales of properties (i)	1,137	151
Bank interest income	64,830	37,994
Others	213,944	110,377
	<b>383,466</b>	<b>254,408</b>

Note:

- (i) The Group develops properties for sale to its employees. The gain derived from sales of properties to the employees during the period, together with the property cost, amounted to RMB15,693,000 (six months ended 30 June 2015: RMB4,702,000) and business tax amounted to RMB727,000 (six months ended 30 June 2015: RMB288,000). The sales payments had been fully settled by the employees as at the period end.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 6. Finance costs

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Interest on bank and other borrowings	925,309	804,919
Bank charges for discounted bills receivables	38,241	27,784
	963,550	832,703
Less: Interest capitalised	(62,827)	(145,007)
	900,723	687,696

The average capitalization rate for the period used to determine the amount of borrowing costs eligible for capitalization was 5.17% (six months ended 30 June 2015: 5.81%).

## 7. Profit before tax

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

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Cost of inventories sold	26,258,850	21,431,891
Cost of services provided	8,807,712	4,312,405
Depreciation	2,524,787	1,942,665
Amortisation of other intangible assets	570,433	348,129
Impairment of trade receivables	56,379	60,572
Impairment of other intangible assets	169,855	–
Impairment losses of trade receivables reversed	(14,673)	(14,068)
Impairment losses of other receivables reversed	(157)	–
Write-down of inventories to net realisable value	155,954	115,243
Loss on disposal of items of property, plant and equipment	22,398	3,763

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 8. Income tax expense

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Current-Mainland China	610,765	325,353
Current-Hong Kong	6,326	–
Deferred	(77,083)	(119,011)
<b>Total tax charge for the period</b>	<b>540,008</b>	<b>206,342</b>

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 2015: 2,476,000,000) in issue during the period.

	For the six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	2,259,696	466,660
Interests paid for perpetual loans	(98,375)	–
Accumulated unpaid interests attributable to perpetual loans	(15,135)	–
<b>Profit used in the basic earnings per share calculation</b>	<b>2,146,186</b>	<b>466,660</b>

	For the six months ended	
	30 June 2016	30 June 2015
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,476,000,000	2,476,000,000

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 2016

## 10. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired assets with a cost of RMB4,868,924,000 (six months ended 30 June 2015: RMB4,040,223,000) on additions to property, plant and equipment.

Assets with a net book value of RMB42,612,000 were disposed of by the group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB1,509,332,000), resulting in a net loss on disposal of RMB22,398,000 (six months ended 30 June 2015: loss of RMB3,763,000).

As at 30 June 2016, the Group has entered into a sale and leaseback agreement (the "Agreement") with a third party leasing 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 RMB1,281,969,000 (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 RMB286,531,000 per annum.

## 11. Inventories

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Raw materials	4,016,722	3,694,244
Work-in-progress	6,999,196	5,935,112
Finished goods	4,305,355	5,264,831
Mould held for production	722,908	856,363
	<b>16,044,181</b>	<b>15,750,550</b>

As at 30 June 2016, the Group's inventories with a carrying amount: nil (2015: RMB89,878,000) were pledged as security for the Group's bank loans.

## 12. Trade and bills receivables

For sales of traditional automobiles, payment in advance, mainly in the form of bank bills, is normally required. For sales of new energy automobiles, the Group generally provides the customers with a credit period of one to twelve months or allow the customers to make instalment payment in twelve to twenty-four months. For retention receivables, the due date usually ranges from one to five years after acceptance of the vehicles by the customers.

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 one to three months. Each customer has a maximum credit limit.

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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within three months	18,642,015	22,185,206
Four to six months	3,402,164	2,268,121
Seven months to one year	8,796,446	1,320,239
Over one year	1,446,434	905,073
	<b>32,287,059</b>	<b>26,678,639</b>

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

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within three months	21,028,852	23,008,789
Four to six months	6,694,211	7,353,079
Seven months to one year	379,711	114,698
One to two years	79,677	67,591
Two to three years	22,651	36,156
Over three years	86,585	75,517
	<b>28,291,687</b>	30,655,830

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

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

As at reporting date, the case remains in the process of legal proceedings. After consulting the Company's legal counsel representing the Company for the case, the directors are of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably at this stage.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	33,563,643	54,088,970

As at 30 June 2016, the banking facilities granted to subsidiaries and Shenzhen BYD Daimler New Technology Co., Ltd. subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB21,973,091,000 (31 December 2015: RMB16,047,517,000) and RMB750,000,000 (31 December 2015: RMB662,080,000) respectively.

### (c) Financial guarantee issued

The Group entered into tri-lateral finance lease arrangement contracts with certain end-user customers and third-party or related leasing companies. Under the joint leasing arrangement, the Group provides a guarantee to the third-party or related leasing company that in the event of end-user customer default, the Group is required to make payment to the leasing company for its share of the outstanding lease payments due from the end-user customer. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of guarantee payments. At the same time, the Group is entitled to repossess and sell the leased new energy vehicle, and retain any net proceeds in excess of the guarantee payments made to the leasing company. As at 30 June 2016, the Group's maximum exposure to this guarantee was RMB3,082,208,000 (2015: RMB1,561,754,000). The term of these guarantees coincides with the tenure of the lease contracts. For the six months ended 30 June 2016, there was no default of payments from end-user customers which required the Group to make guarantee payments to the third-party leasing company.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 14. Contingent liabilities (continued)

### (d) Contingent liabilities arising from the profit compensation agreement relating to Shenzhen BYD Electronic Components Co., Ltd (“Electronic Components”) and its financial impacts

The Company and Holitech Technology Co., Ltd. (“Holitech”) (the “transferee”) entered into the strategic cooperation, and non-public offering shares and cash consideration asset transport 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) on 3 April 2015, pursuant to which, the Company sold to the transferee 100% equity interests in Electronic Components, a subsidiary of the Company. On 30 September 2015, the transfer of 100% equity interests in Electronic Components has been duly registered with the industrial and commercial authorities.

Pursuant to the profit compensation agreement and its supplemental agreement entered into between the Company and Holitech in respect of Electronic Components, the terms of profit compensation mainly comprises two parts:

- (1) The Company guaranteed that the three-year accumulated profit of Electronic Components shall not be less than RMB714,066,600. Any shortfall of the three-year accumulated profit shall be compensated by the shares of Holitech held by the Company with any balance shortfall being compensated by cash at the end of the last accounting year.
- (2) After the expiry of the profit compensation period of 2015, 2016 and 2017 as agreed in the agreement, Holitech shall conduct impairment tests on the target assets. Where the impairment amount of the target assets as at the end of the profit compensation period exceeds the total amount of compensation, the Company shall provide further compensation.

As of the date of disposal and as at the end of current Period, the profit compensation agreement constitutes a contingent liability and the management considered the amount of fair value of financial liability arising from the contingent event is immaterial.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 15. Commitments

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted but not provided for		
Land and buildings (i)	1,038,220	788,022
Plant and machinery	3,643,257	3,418,080
	<b>4,681,477</b>	4,206,102
Authorised but not contracted for	1,062,243	900,207
	<b>5,743,720</b>	5,106,309

Note:

- (i) Included in the above capital commitment is a commitment with regard to the BYD Automobile Plant II Project mentioned below with the amount of RMB 170,683,000 (2015: RMB169,092,000):

### (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 Co., Ltd ("Shangluo BYD" or the "Purchaser") entered into an irrevocable silicon supply contract (the "Supply Contract") with Jiangxi LDK PV Silicon Technology Co., Ltd. ("LDKPV" or the "Vendor") and Jiangxi LDK Solar Hi-Tech Co., Ltd. ("LDK Solar" or the "Guarantor"), both of which are silicon material suppliers. The Supply Contract provides that during the contract term from January 2011 to December 2012, the Purchaser shall purchase 3,000 tonnes of polysilicon materials from the Vendor at a price of RMB650,000/tonne (the "Initial Purchase Price") for a total contract value of RMB1.95 billion. The agreed prepayment was RMB97,500,000, equivalent to 5% of the total contract value. 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.



# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 15. Commitments (continued)

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

In December 2012, Shangluo BYD entered into a supplemental agreement I to the Supply Contract with LDKPV and LDK Solar. The supplemental agreement I provides that LDK Solar acts as the second vendor together with LDKPV (collectively the "Vendors") and the three parties agreed to extend the performance period under the Supply Contract for a period of one year to 31 December 2013. In February 2015, Shangluo BYD, BYD Lithium Batteries Co., Ltd. and BYD Supply Chain Management Co., Ltd. entered into a supplemental agreement II to the Supply Contract with the Vendors. The supplemental agreement II provides that the contracting parties agree to extend the performance period under the original Supply Contract for a period of five years to 31 December 2018. According to both supplemental agreement I and the supplemental agreement II, the Purchaser, BYD Lithium Batteries and BYD Supply Chain Management shall not pursue a claim against the Vendors for unfulfilled and unfinished delivery obligations and the Vendors shall not pursue a claim against the Purchaser for unfinished purchases or payment obligations during the term of the agreement. As at 30 June 2016, the prepayment balance related to the Supply Contract amounted to RMB54,861,700.

In November 2015, LDK PV and LDK Solar commenced restructuring procedures. The Company has filed claims (Amount claimed: RMB54,861,700) under the restructuring procedures of the two companies in accordance with law. The two companies convened their respective first meeting of creditors on 1 March 2016, and their respective second meeting of creditors on 15 August 2016 and 16 August 2016, respectively. The Company attended both the first and second meetings of creditors and voted on the restructuring proposals at the meetings. Currently, the voting results of the restructuring proposals are yet to be announced. As at 30 June 2016, purchase agreements of LDK PV and LDK Solar are valid and legal.

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 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted but not provided for	–	47,395
Capital contribution payable to joint ventures*	800,000	162,520
	<b>800,000</b>	<b>209,915</b>

\* At the end of June 2016, as resolved by the Board, the Group decided to inject RMB800,000,000 to BYD Auto Finance.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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 2016	30 June 2015
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Joint ventures and associates			
Sales of products and raw materials	(i)	1,033,639	441,356
Sales of machinery and equipment	(ii)	–	171,149
Service income	(iii)	24,891	108,238
Purchase of products and raw materials	(iv)	25,557	313
Rental expense	(v)	131,715	86,754
Sales of products to Ramos Digital	(vi)	4,378	–
Sales of products and service to Electronic Component	(vii)	199,825	–
Sales of products and service to Zhongbei Didj	(viii)	4,982	–
Purchase of products and service from Northern Qinchuan	(ix)	214	75
Purchase of products and service from Cangzhou Mingzhu	(x)	65,070	26,881
Purchase of products and service from Electronic Components	(vii)	408,065	–
Purchase of products and service from Easpring Technology	(xi)	1,839	–
Purchase of products and service from Saidi New Energy	(xii)	2,081	–
Purchase of products and service from Mingzhu Plastic	(xiii)	73,629	–

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 16. Related party transactions (continued)

### (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: (continued)

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 made according to the published prices offered by the joint ventures to their other customers;
- (v) The rental expense was charged at prices mutually agreed between the Group and the associate;
- (vi) The sale of products to Shenzhen Ramos Digital Technology Co., LTD ("Ramos Digital"), a company of which an non-executive director of the Company was the chairman of the board in the last twelve months, were made according to the published prices offered to the other customers by the Group.
- (vii) The sale of products and services to Shenzhen BYD Electronic Components Co., Ltd. ("Electronic Components"), a company of which executives of the Company is the chairman and director of the board in the last twelve month, were made according to the published prices offered to the other customers by the Group; the purchase of products and services from Electronic Components were made according to the published prices offered by Electronic Components to its other customers;
- (viii) The sale of products and services to Nanjing Zhongbei Didi New Energy Leasing Co., Ltd. ("Zhongbei Didi"), a company of which an executive of the Company is the chairman of the board, were made according to the published prices offered to the other customers by the Group;
- (ix) The purchase of products and services 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 made according to the published prices offered by Northern Qinchuan to its other customers;
- (x) The purchase of products and services from Cangzhou Mingzhu Company Ltd. ("Cangzhou Mingzhu"), whose parent company Mingzhu Plastic is a related party of the Group, were made according to the published prices offered by Cangzhou Mingzhu to its other customers.
- (xi) The purchase of products and services from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology"), a company of which an independent non-executive director of the Company is the independent director of the board, were made according to the published prices offered by Easpring Technology to its other customers;
- (xii) The purchase of products and services from Shenzhen Saidi New Energy Logistics Co., Ltd. ("Saidi New Energy"), a company of which an executive of the Company is the director of the board, were made according to the published prices offered by Saidi New Energy to its other customers;
- (xiii) The purchase of products and services from Cangzhou Mingzhu Plastic Co., Ltd. ("Mingzhu Plastic"), a company of which an independent non-executive executive of the Company is an independent director of the board, were made according to the published prices offered by Mingzhu Plastic to its other customers;

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 16. Related party transactions (continued)

### (b) Outstanding balances with related parties:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
The amount due from joint ventures and associates:		
Shenzhen BYD Daimler New Technology Co., Ltd. ("BDNT")	537,749	440,280
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	187,751	581,269
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	–	71
Hangzhou Xihu New Energy Auto Operation Co., Ltd. ("Hangzhou Xihu Operation")	–	4,247
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	4,919	–
Shan Mei Ling Qiu Bi Xing Industry Development Co., Ltd. ("Shan Mei Ling Qiu Bi Xing")	10,000	10,000
Shenzhen BYD Electric Car Investment Co. Ltd. ("BYD Electric Car")	7,290	6,083
International Financial Lease	366,671	89,992
BYD Auto Finance Company Limited ("BYD Auto Finance")	24	56
Hangzhou BYD New Energy Xihu Auto Co., Ltd. ("Hangzhou BYD Xihu Auto")	4,896	629,356
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. ("Guang Qi BYD")	110,904	19,985
Shenzhen Didi New Energy Auto Lease Co., Ltd. ("Shenzhen Didi")	240,896	1,850
Beijing Hualin Loading Co., Ltd ("Beijing Hualin")	2,200	17,670
Adrastea Cars Ltd. ("Adrastea")	3,132	–
Shanghai Li Gang Huan Tai New Energy Auto Sales Co., Ltd. ("Li Gang Huan Tai")	3,251	–
	<b>1,479,683</b>	<b>1,800,859</b>
The amount due to joint ventures and associates:		
BDNT	345,254	296,097
Tianjin BYD	–	63,956
International Financial Lease	4,962	28,424
Shenzhen Electric Power Sales Co., Ltd. ("Shenzhen Electric Power Sales")	1,862	4,740
Guang Qi BYD	200	199
Shenzhen Qianhai Green Transportation Co., Ltd. ("Qianhai Green Transportation")	12	12
Jiangnan Chuzu	100	–
Li Gang Huan Tai	440	–
	<b>352,830</b>	<b>393,428</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 16. Related party transactions (continued)

### (b) Outstanding balances with related parties (continued):

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
The amount due from other related parties:		
Electronic Components	154,423	308,749
Ramos Digital	–	8,165
Jiangxi Holitech Technology Co., Ltd. (“Jiangxi Holitech”)	–	21,418
Zhongbei Didi	18	–
	<b>154,441</b>	<b>338,332</b>
The amount due to other related parties:		
Cangzhou Mingzhu	111,823	77,927
Electronic Components	276,472	315,464
Easpring Technology	8,624	36,038
Ramos Digital	142	–
Mingzhu Plastic	83,126	–
Saidi New Energy	404	–
	<b>480,591</b>	<b>429,429</b>

### (c) Other transactions with related parties:

As at 30 June 2016, the Company has guaranteed certain bank loans made to BDNT of RMB750,000,000 (31 December 2015: RMB662,080,000).

### (d) Others

Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Short term employee benefits	19,905	18,461
Pension scheme contributions	164	163
	<b>20,069</b>	<b>18,624</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Financial assets</b>				
Long-term receivable	41,279	65,773	41,279	65,773
Derivative financial instruments	5,045	18,207	5,045	18,207
Available-for-sale investments				
– listed equity investments	2,775,796	3,071,357	2,775,796	3,071,357
	Carrying amounts		Fair values	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	44,262,100	37,642,761	44,262,100	37,642,761

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.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 17. Fair value of financial instruments (continued)

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 2016 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's and the Company's financial instruments:

#### *Assets measured at fair value:*

As at 30 June 2016

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments				
– listed equity investments	2,740,654	–	–	2,740,654
Derivative financial instruments	–	5,045	–	5,045
	2,740,654	5,045	–	2,745,699

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 17. Fair value of financial instruments (continued)

### Fair value hierarchy (continued)

#### Assets measured at fair value: (continued)

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments				
– listed equity investments	3,036,215	–	–	3,036,215
Derivative financial instruments	–	18,207	–	18,207
	3,036,215	18,207	–	3,054,422

During the six months ended 30 June 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

#### Assets for which fair values are disclosed:

As at 30 June 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long-term receivable	–	–	41,279	41,279
Interest-bearing bank and other borrowings	–	44,262,100	–	44,262,100
	–	44,262,100	41,279	44,303,379



# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2016

## 17. Fair value of financial instruments (continued)

### Fair value hierarchy (continued)

#### Assets for which fair values are disclosed: (continued)

As at 31 December 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long-term receivable	–	–	65,773	65,773
Interest-bearing bank and other borrowings	–	37,642,761	–	37,642,761
	–	37,642,761	65,773	37,708,534

## 18. Events after the reporting period

- In July 2016, 252,142,855 A shares which were issued at an issue price of RMB57.40 per share which have been listed on the Shenzhen Stock Exchange since 25 July 2016. The A shares were issued to six subscribers who were professional, institutional and/or other investors. The Company raised net proceeds of RMB14,369,070,026.11 (being the balance of the total proceeds of RMB14,472,999,877.00 after the deduction of issue expenses of RMB103,929,850.89) from the Non-public offering. The registered capital of the Company was increased by RMB252,142,855.00 (being the aggregate nominal value of the A shares issued under the Non-public offering) to RMB2,728,142,855.00 following the completion of the Non-public offering, with all the new capital being monetary capital contribution.
- An interim dividend in respect of the six months ended 30 June 2016 of RMB0.367 per share (tax inclusive) was proposed pursuant to a resolution passed by the Board of Directors on 26 August 2016. This intended to distribute cash dividends of RMB1,001,228,000 in aggregate based on the total share capital of 2,728,142,855 shares of the Company as at 26 August 2016. The proposal of the Interim Dividend is subject to consideration and approval at the Company's forthcoming extraordinary general meeting. This proposed dividend is not reflected as dividend payable in the consolidated financial statements.

## 19. 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 2016.



比亞迪股份有限公司  
BYD COMPANY LIMITED