比亞迪股份有限公司
BYD COMPANY LIMITED

Stock code 股份代號：1211

Interim Report 中期報告 2017

"Gearing up for our Future"

Interim Results for the Six Months Ended 30 June 2017 (the "Period")

Revenue	0.16%	to RMB43,817 million
Gross Profit	-4.15%	to RMB8,169 million
Profit attributable to owners of the parent	-23.75%	to RMB1,723 million
Earning per share	-32.18%	to RMB0.59

Highlights

– Due to the changes in polices and market competition, the revenue and gains of the Group's automobiles business decreased

– The skyrail businesses developed smoothly, and intended orders were received from certain cities

– The metal components business grew rapidly, and the profitability continued to improve

Management Discussion & Analysis

Industry Analysis and Review

Automobiles Business

In the first half of 2017, the economic prospects of global major economies and emerging markets have been improved, with the global economy showing signs of recovery after a lapse of eight years. During the Period, China's economy maintained solid growth and the positive effects of supply-side structural reforms have gradually become evident. China recorded an economic growth of 6.9% in the first half of 2017, which was better than the market expected at the beginning of the year. China has been constantly adjusting and optimizing its economic structure, the driver of economic development has been in progressive transformation, and consumption has become the main driving force of economic growth and further supported the economic growth.

According to the statistics from China Association of Automobile Manufacturers, in the first half of 2017, the production and sales of automobiles in China reached 13,526,000 units and 13,354,000 units, respectively, up by 4.6% and 3.8% year on year correspondingly, representing a slower growth as compared with the growth in the same period of the previous year. In particular, sport utility vehicle ("SUV") remained an important growth engine and maintained the robust momentum of growth, the production and sales of which amounted to 4,670,000 units and 4,527,000 units, respectively, up by 18.9% and 16.8% year on year correspondingly in the first half of the year.

Dramatic cuts in government subsidies and changes to official catalogue of recommended vehicle types that qualify for subsidies had material short-term effects on the new energy automobile industry. In the first quarter of 2017, affected by the aforementioned changes in policies, the sales of new energy vehicles in China amounted to 56,000 units, decreased by 4.7% as compared to the same period of the previous year, representing a significant slowdown in growth. With successive publish of official catalogue of new products and the rollout of various local government subsidy policies, the industry demonstrated a favorable recovery trend in the second quarter of 2017 and achieved positive growth year on year.

To improve the level of energy savings of automobiles and promote the healthy development of automobile industry, the Ministry of Industry and Information Technology issued the "Integrated Evaluation Method for Passenger Vehicles' Corporate Average Fuel Consumption and New Energy Automobiles' Credit Scores (Draft for Public Comment) "(《乘用車企業平均燃料消耗量與新能源汽車積分併行管理辦法（徵求意見稿)》) in June 2017, which is scheduled to be duly implemented in 2018. The policy sets requirements for calculation of passenger vehicles' corporate average fuel consumption and new energy automobiles' minimum credit scores, under which makers of traditional fuel vehicles that fail to meet the requirements would purchase credits from new energy automobile enterprises, which will help establish a long-term mechanism to facilitate the market-oriented development of new energy automobiles, improve the profitability of the new energy automobile enterprises, promote enterprises' investments in the research and development and marketing of new energy automobiles and finally achieve the long-term healthy development of new energy automobile industry.

Mobile Handset Components and Assembly Business

According to the statistical data from IDC (a research institution), in the first half of 2017, the growth rate of global smartphone shipments rebounded slightly as compared with that of the same period in 2016, up by 1.5% year-on-year to 689 million units. As for the domestic market, smartphone shipments recorded a negative growth for the first time. According to the data released by China Academy of Telecommunication Research, handset shipments in China were down by 5.9% year-on-year to 239 million units in the first half of 2017, including 226 million units of smartphones, which represented a year-on-year decrease of 3.9%, accounting for 94.8% of domestic handset shipments for the same period of last year. The smartphone market gradually becomes saturated.

Despite the increasingly fierce market competition, domestic handset manufacturers have continuously improved the brand competitiveness through precise understanding of consumer preferences and continuous improvement in product performances. China's smartphone brands took up over 90% of domestic market share. As the increasingly use of lightness and thinness, and large screens have become the development trends of smartphones, the penetration of metal parts in mobile intelligent devices including smartphones continued to increase, and the market demands for metal parts also continued to grow.

Management Discussion & Analysis

Rechargeable Batteries and Photovoltaic Business

In respect of traditional batteries, global consumer electronic sales remained steady, and the market demand for lithium-ion batteries and nickel batteries remained stable during the Period. According to the National Energy Administration, in the field of photovoltaic, the newly installed photovoltaic capacity increased by 9% year on year to 24.4 gigawatts in the first half of 2017, representing a significant slowdown in growth as compared to the same period of the previous year, and the product price continues to decrease resulting from the fiercer market competition.

Business Review

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the automobiles business including the production and sales of new energy vehicles and traditional fuel vehicles, the handset components and assembly business as well as the rechargeable batteries and photovoltaic business, and advance to the realm of the urban rail transportation through the straddle monorail "Skyrail". In the first half of 2017, the Group's revenue was approximately RMB43,817 million, representing a year-on-year increase of 0.16%. Revenue generated by the business of automobiles and related products amounted to approximately RMB22,433 million, representing a year-on-year decrease of 4.10%. The revenue from the handset components and assembly business amounted to approximately RMB17,963 million, representing a year-on-year increase of 10.25%. The revenue from the rechargeable batteries and photovoltaic business was approximately RMB3,421 million, representing a year-on-year decrease of 15.75%. The three major business segments accounted for 51.19%, 41.00% and 7.81% of the Group's total revenue, respectively.

Automobiles Business

As a company which spearheaded the technological innovation in and commercialization of new energy automobiles, BYD proactively seized the development opportunities arising from the new energy automobile market and continued to make investments in research and development as well as technological upgrade, actively expanded its production capacity so as to foster the development of new energy automobile business. In the first half of 2017, under the influence of policies such as the scaling down of subsidies and policy adjustments which changes the qualification requirements for the subsidies, the sales of new energy automobiles of the Group experienced a year-on-year decrease to a certain extent during the Period. Despite the adjustments to policies for new energy automobiles and the increasingly intense market competition, the Group ranked number one again in terms of the sales of new energy automobile in China market, and maintained its leading position in the new energy automobile industry. According to the statistics from China Association of Automobile Manufacturers, BYD's share of the new energy automobile market was approximately 19.5% in the first half of 2017, while its market share for new energy passenger vehicles was approximately 21.7%.

In the first half of the year, the Group launched a plug-in hybrid version and a pure electric version of "Song" vehicle model, namely "Song DM" and "Song EV300", respectively, which further diversified the Group's product line in new energy automobiles. Meanwhile, the Group also launched the upgraded versions of "Qin", "Tang", "e5 300" and so on. Therefore, the new models and upgraded models contributed to the rapid recovery in sales of the Group's new energy automobiles in the second quarter of 2017, and began to achieve a positive year-on-year growth in June 2017. In June, the sales of the Group's new energy automobiles exceeded 10 thousand units, of which the "Song DM" was well received by the market, its sales increased substantially by month and continued to ride on the sales momentum.

Regarding public transportation, BYD's pure electric buses have been put into operation in various cities in China, including Shenzhen, Changsha, Wuhan, Xi'an, Nanjing, Hangzhou and Shantou, and the overall operation has been in good condition. By the end of June 2017, the highest mileage of an individual e6 pure electric taxi and K9 pure electric bus which were operated in Shenzhen, reached 972,000 km and 402,000 km, respectively, which fully verified the overall quality of its vehicles and batteries.

Management Discussion & Analysis

Concerning overseas markets, the Group received orders from all around the world in the first half of the year. In June, BYD signed a memorandum of understanding with RATP, a Europe-based international public transport operator, in London and RATP planned to purchase 36 units of pure electric buses from BYD. After adding this order, the number of electric buses from BYD operated in London would exceed 100 units, setting a new record in European electric bus fleets again. In the American market, Los Angeles County Metropolitan Transportation Authority (LA Metro), one of the biggest bus operators in America, announced to purchase 60 units of pure electric buses from BYD with the contract valued at approximately US$44.96 million. In addition, the Group landed procurement contracts of pure electric buses from Sydney Airport and Brisbane International Airport in Australia in the first half of 2017 to purchase 51 units of pure electric buses in total, which made BYD become the first Chinese company to set its foot in Australian electric bus market.

During the Period, the overall revenue generated from the new energy automobile business was approximately RMB15,555 million, representing a year on year increase of approximately 2.10%, the percentage of which of the Group's total revenue increased to 35.50%, and such business became a major source of revenue and profit of the Group.

While focusing on new energy vehicle market, the Group also promoted the development of traditional fuel vehicle business. During the Period, the Group's sales of traditional fuel vehicles decreased by 4.37% year on year to approximately 125 thousand units. The Group continued to improve its product roadmap during the period and launched flagship fuel vehicle SUV model "S7 2017" in February, so as to further improve the performance superiority and overall competitiveness of relevant models.

As for rail transportation, since the straddle monorail "Skyrail" was launched in Shenzhen in October last year, the Group has successively received various orders from cities in China. In the first half of 2017, the Skyrail Route in Shantou, Guang'an and Yinchuan have begun to be built successively and some of which were expected to be completed and put into operation during the year, marking the prelude to the official commercial operation stage of BYD "Skyrail".

Mobile Handset Components and Assembly Business

As one of the most competitive handset component and assembly service suppliers in the world, BYD provides mobile handset component manufacturing as well as complete handset design and assembly services to both domestic and overseas handset manufacturers through its "one-stop service" business strategy which features of vertical integration. The revenue from the handset components and assembly business of the Group in the first half of 2017 amounted to approximately RMB17,963 million, representing a year-on-year increase of approximately 10.25%.

As metal casings and metal middle frames have been gradually becoming the mainstream configuration of mid- and high-end smartphones, the market penetration of metal components continued to increase. Leveraging on its longtime experience, leading technology and mature craftsmanship accumulated in the field of metal components, the Group continued to maintain close cooperation with leading handset manufacturers in both the domestic and overseas markets and received orders for high-end flagship models of handsets from leading smartphone manufacturers during the Period. As a result, the revenue from metal components business increased significantly. In addition, in respect of the application of new materials, the Group proactively kept up with the latest industry development trend by conducting research and development as well as establishing the production capacity for 3D glass casings, which fostered a new growth point for the Group's mobile handset components business.

Rechargeable Batteries 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. In addition, the Group has also been actively expanding into the business fields of energy storage stations and solar. In the first half of 2017, the Group's rechargeable batteries and photovoltaic business recorded revenue of approximately RMB3,421 million, representing a year-on-year decrease of 15.75%.

Management Discussion & Analysis

During the Period, driven by new models' marketization of major clients, the lithium-ion batteries business of the Group achieved rapid development, while due to the intense market competition, the photovoltaic business segment experienced continuous decline in product price and a significant decrease in revenue during the Period, and therefore caused certain losses to the Group. During the Period, the Group actively developed the domestic and overseas energy storage markets so as to promote the development of the relevant business.

Prospect and Strategy

Looking ahead to the second half of the year, the global economy will continue to maintain an upward development momentum, while it will still be subject to instability and uncertainty. Domestically, the supply-side structural reform has been proven to be effective, and the national economy is expected to hold steady with continuous positive momentum. The improving macro-economic conditions will provide a favorable external environment for the development of all industries.

Automobiles Business

With the continuous technological evolution of new energy automobiles and the increasing attractiveness of new energy automobiles to consumers, the development of new energy automobile industry will gradually migrate to performance-driven from policy-driven in the future, and the performance and safety advantages of new energy automobiles over traditional fuel vehicles will become the key factors influencing customers' choices. As a pioneer and practitioner in the new energy industry, BYD will uphold the development philosophy of "Technology, Quality and Responsibility" and focus on promoting the breakthrough and innovation in new energy automobiles technology, further enhance the performance and safety advantages of new energy automobiles, so as to facilitate the promotion and application of new energy automobiles around the world with an ultimate aim to promote the global automobile industry's transformation into an environmentally-friendly industry.

BYD will grasp the historic opportunities arising from the robust development of the industry and further increase investments, expand production capacity, improve product competitiveness and accelerate the research and development for and launch of new models so as to satisfy the fast-growing market demand. The Group will launch a new plug-in hybrid vehicle model in the future, and sets a competitive price while ensuring performance advantages, so as to go head to head with traditional fuel vehicles. The new model is expected to accelerate the expansion of new energy automobiles market from first-tier cities and cities under purchase restrictions to second- and third-tier cities, and eventually realizes the nationwide promotion of new energy automobiles.

In the field of public transportation, the Group will strive to increase its penetration and market share in both domestic and international markets. The development of urban rail transit in China will usher in the peak era during the period of "13th Five-year Plan". Currently, a number of provinces and cities have included the construction of rail transit into their major development projects in the "13th Five-year Plan". The Group will forge ahead with the promotion of low-carbon and green monorail products and strive for cooperation with more cities, with an aim to cope with the increasingly severe traffic congestions in medium- and small-sized cities. As the strategic product of the Group, "monorail" provides an effective solution to the urban traffic congestions and also opens up new blue ocean for the long-term development of the Group.

After years of rapid development, the industry of traditional fuel vehicles is entering a new era of slower growth, and the market competition will intensify. Leveraging on constant improvement in quality and cost advantages, competitive advantages of domestic brands become increasingly prominent, and their brand images and market share have been continuously enhanced. Looking forward, the Group will focus on improving the quality and appearance design of its automobiles, so as to provide consumers with well-designed and high-quality automobile products, thus to build positive word-of-mouth and enhance brand reputation, and eventually achieve the synchronous improvement of quality and quantity of traditional fuel vehicle business.

Management Discussion & Analysis

With regard to business strategies, the Group will proactively promote the marketization of automobile business supply chain. The Group will open up the supply and sales system based on the principle of market competition, introduce external suppliers to reinvigorate the automobile component business of the Group, improve the quality and control costs, so as to improve the overall profitability and comprehensive competitiveness of the Group. Meanwhile, in the field of components where the Group has leading technological advantages, the Group will also actively reach out to external customers and seek external sales of relevant components to convert the Group's leading edge into actual revenue and profit contribution.

Mobile Handset Components and Assembly Business

As a leading manufacturer in the mobile handset components and assembly industry, the Group will continue to make efforts to develop its metal component business and strive to garner more metal component orders in the second half of 2017. As for the application of new materials, the Group will actively expand the production capacity of 3D glass casings and enhance product yield rate and increase the revenue and profitability of its 3D glass casings business to create a new growth pole for its mobile handset components business. Meanwhile, the Group will continue to seek out new customers in both domestic and international markets to establish a more diverse customer base and achieve sustainable development of its mobile handset components and assembly business. In the future, the Group will actively expand new businesses including automotive electronics, unmanned plane and other intelligent hardware products to create a new growth point for the continuous development of the Group.

Rechargeable Batteries and Photovoltaic Business

For the rechargeable batteries business, the Group will continue to expand the range of applications of lithium-ion batteries and nickel batteries in order to consolidate its leading market position. In respect of photovoltaic business, after the installation boom in the first half of 2017, it is expected that photovoltaic industry will face oversupply in the second half of the year, thus leading to more intense competition. In the future, the Group will continue to expand both domestic and overseas markets, strive to expand sales volume and improve capacity utilization, and at the same time, actively control costs and stay committed to improving its revenue and profitability.

Estimated Operating Results from January to September 2017

Change of net profit attributable to owners of the parent from January to September 2017	-25.22%	to	-20.04%
Change (in range) of net profit attributable to owners of the parent (RMB10,000) from January to September 2017	274,000	to	293,000
Net profit attributable to owners of the parent (RMB10,000) from January to September 2016	366,413		

Reasons for changes in results	During the third quarter of 2017, it is expected that demands in new energy vehicle market will recover constantly, and the sales of the Group's new energy automobiles will grow rapidly, while our profitability may decrease influenced by the reduction of subsidies and market competition. In terms of fuel vehicle business, the profitability of the Group's fuel vehicle business is expected to be under continued pressure due to the increasing market competition. In terms of handset components and assembly business, it is expected to maintain strong momentum in the third quarter due to the mass production of new models of major customers. In terms of solar business, it is expected to suffer large losses during the third quarter influenced by the weak market demand and decreased product price, which brought large impact on the results of the Group.

Management Discussion & Analysis

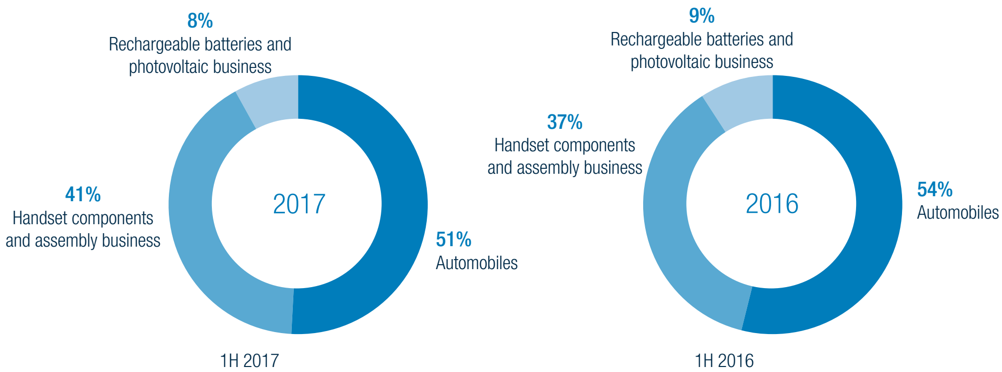
Financial Review

Revenue and Profit Attributable to Owners of the Parent

During the Period, revenue increased by 0.16% as compared to that of the first half of 2016, which is comparable to the same period of last year. Profit attributable to owners of the parent decreased by 23.75% as compared to the same period last year, mainly due to the decrease in the profit of automobiles and photovoltaic businesses.

Segment Information

The chart below sets out comparisons of the Group's revenue by product category for the six months ended 30 June 2017 and 2016:



During the Period, the proportion of automobiles and related products decreased due to the impact of decrease in sales of the automobiles, and the proportions of handset components and assembly business increased while rechargeable batteries and photovoltaic business slightly decreased.

Gross Profit and Margin

During the Period, the Group's gross profit decreased by approximately 4.15% to approximately RMB8,169 million. Gross profit margin decreased from approximately 19.48% in the first half of 2016 to approximately 18.64% during the Period. The decrease in gross profit margin was attributable to the impact of decrease in the profit of automobiles and photovoltaic business.

Liquidity and Financial Resources

During the Period, BYD recorded an operating cash outflow of approximately RMB3,470 million, compared with an operating cash outflow of approximately RMB1,428 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 cash paid for goods purchased and services received, and in cash paid to and paid for employees. Total borrowings as at 30 June 2017, including all bank loans, bond payables and other secured loans, were approximately RMB54,866 million, compared with approximately RMB42,267 million as at 31 December 2016. The maturity profile of bank loans, bond payables and other secured loans spread over a period of thirteen years, with approximately RMB38,565 million repayable within one year and approximately RMB14,131 million repayable in the second year, approximately RMB1,720 million repayable within the third to the fifth years and approximately RMB450 million over five 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 196 days for the six months ended 30 June 2017, compared to approximately 123 days for the same period in 2016. The increase in trade and bill receivables turnover days was mainly due to the increase in the new energy automobile business which has a longer account receivable turnover period. Inventory turnover days were approximately 93 days for the six months ended 30 June 2017, compared to approximately 83 days for the same period in 2016. Changes in Inventory turnover days was mainly due to the increase in average inventory for the same period is higher than that in cost of sales.

Management Discussion & Analysis

The Company completed the 2017 first tranche of debt financing plan of Beijing Financial Assets Exchange on 17 March 2017. The debt financing plan was simplistically described as "17 Yue BYD ZR001", with an actual listing amount of RMB3 billion and a fixed rate of interest of 4.94%, for a term of two years. The interest payment shall be made once every three months (it will be postponed to the next working day should it be a statutory festival or holiday in PRC), without compound interest, and the principal will be repaid on one-off basis upon maturity, the last interest payment shall be made together with the principal repayment. The interest accrued period commenced on 17 March 2017, the date for the first interest payment was 17 June 2017.

On 11 July 2015, the Company received the Approval of the Public Offering of Corporate Bonds by BYD Company Limited to Qualified Investors (ZJXK [2015] No. 1461) (《關於核准比亞迪股份有限公司向合格投資者公開發行公司債券的批覆》 (證監許可[2015]1461號)) from China Securities Regulatory Commission, pursuant to which the public offering of corporate bonds with a par value of not exceeding RMB3.0 billion by the Company to qualified investors has been approved. The Company has completed the first tranche of corporate debts ("15YD01") of RMB1.5 billion on 14 August 2015. As at 15 June 2017, the Company commenced the issuance of 2017 corporate bonds (the first tranche) with an aggregate amount of RMB1.5 billion and a fixed rate of interest at 4.87%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on Shenzhen Stock Exchange on 14 July 2017. Investors are entitled to resell parts or all of the bonds they hold to the issuers on the third interest payment date, i.e. the end of the third year, 15 June 2020, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

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 2017, 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 2017, the Group's outstanding loans included Renminbi loans and foreign currency loans and approximately 66% (31 December 2016: 66%) 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 95% and 74% as at 30 June 2017 and 31 December 2016, respectively.

As at 30 June 2017, buildings with carrying amount value of RMB77,083 thousand (31 December 2016: RMB79,509 thousand) and projects under construction of RMB9,549 thousand (31 December 2016: RMB9,778 thousand) have been pledged as securities for the long term loans of RMB61,123 thousand (31 December 2016: RMB51,984 thousand) granted to the Group, of which RMB43,423 thousand (31 December 2016: RMB26,888 thousand) 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 2017, the Group had employed approximately 191,000 employees. During the Period, total staff cost accounted for approximately 17.56% of the Group's revenue. 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 2017, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
A shares	1,813,142,855	66.46
H shares	915,000,000	33.54
Total	2,728,142,855	100.00

Capital Commitments

Please refer to note 17 to the financial statements for details of capital commitments.

Contingent Liabilities

Please refer to note 16 to the financial statements for details of contingent liabilities.

Events after the Reporting Period

Please refer to note 20 to the financial statements for details of events after the Reporting Period.

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.

Code A.6.7

Code provision A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Due to logistics reasons at the relevant time, not all independent non-executive Directors attended the annual general meeting of the Company held on 6 June 2017.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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 2017, Mr. Lv Xiang-yang has resigned as the chairman of Huaxun Fangzhou Co., Ltd (華訊方舟股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000687)) on 7 April 2017; Mr. Xia Zuo-quan has been appointed as an independent non-executive Director of China YuHua Education Corporation Limited (中國宇華教育集團有限公司) (a company listed on the Stock Exchange of Hong Kong Limited (stock code: 06169) since 28 February 2017) on 7 September 2016; Mr. Wang Zi-dong has ceased to be an independent non-executive Director of Shenzhen Yinghe Polytron Technologies Inc. (深圳市贏合科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300457)) since 28 July 2017; Mr. Zou Fei has resigned as an independent non-executive Director of China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 01117)) since 29 March 2017; Ms. Zhang Ran has been appointed as an independent non-executive Director of Beijing Sanfo Outdoors Products Co., Ltd. (北京三夫戶外用品股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002780)) on 9 June 2017.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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

During the six months ended 30 June 2017, 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 28 August 2017 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 2017) 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 2017.

Interim Dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2017 (For the six months ended 30 June 2016: paid cash dividend of RMB0.367 per share (including tax)).

Supplementary Information

Directors', Supervisors' and Chief Executives' Interests

As at 30 June 2017, 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)*	28.27%	18.79%
Lv Xiang-yang (Director)	401,910,480 (L) *(Note 2)*	22.17%	14.73%
Xia Zuo-quan (Director)	109,000,000 (L)	6.01%	4.00%

(L) – Long Position

Notes:

1. 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.

2. 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"). 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 such 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) *(Note 1)*	0.05%	0.02%

(L) – Long Position

Note:

1. 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 2017, 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 2017, 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)	8.97%	5.96%

(L) – Long Position

Note:

1. Youngy Investment was owned by Mr. Lv Xiang-yang, a non-executive director of the Company as to 89.5%. Mr. Lv was therefore deemed to be interested in 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%	8.25%
Berkshire Hathaway Energy *(Note 1)*	225,000,000 (L)	24.59%	8.25%
Li Lu *(Note 2)*	75,387,200 (L)	8.24%	2.76%
LL Group, LLC *(Note 2)*	75,387,200 (L)	8.24%	2.76%

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

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, Berkshire Hathaway Energy (formerly known as MidAmerican Energy Holdings Company) which directly held 225,000,000 H shares.

2. 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 2017, the total issued share capital of the Company was RMB2,728,142,855, divided into 1,813,142,855 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 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
REVENUE	5	**43,817,020**	43,745,486
Cost of sales		**(35,648,009)**	(35,222,516)
Gross profit		**8,169,011**	8,522,970
Other income and gains	5	**440,450**	383,466
Government grants and subsidies		**612,080**	211,739
Selling and distribution costs		**(2,248,952)**	(1,804,047)
Research and development costs		**(1,383,490)**	(1,153,577)
Administrative expenses		**(1,739,524)**	(1,870,659)
Other expenses		**(117,554)**	(265,295)
Finance costs	7	**(1,062,991)**	(900,723)
Share of profits and losses of:			
Joint ventures		**(25,914)**	(123,374)
Associates		**6,894**	8,575
PROFIT BEFORE TAX	6	**2,650,010**	3,009,075
Income tax expense	8	**(484,847)**	(540,008)
PROFIT FOR THE PERIOD		**2,165,163**	2,469,067
Attributable to:			
Owners of the parent		**1,722,914**	2,259,696
Non-controlling interests		**442,249**	209,371
		2,165,163	2,469,067
Earnings per share attributable to ordinary equity holders of the parent			
– basic and diluted for the period	9	**RMB 0.59**	RMB0.87

Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2017

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	2,165,163	2,469,067
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	333,178	(295,561)
Income tax effect	(83,295)	73,891
Exchange differences on translation of foreign operations	15,619	13,017
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	265,502	(208,653)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,430,665	2,260,414
Attributable to:		
Owners of the parent	1,985,747	2,037,343
Non-controlling interests	444,918	223,071
	2,430,665	2,260,414

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	44,507,720	42,048,635
Investment properties	11	35,927	–
Prepaid land lease payments		5,422,429	5,182,739
Goodwill		65,914	65,914
Other intangible assets		7,629,085	6,759,111
Non-current prepayments		4,097,116	4,567,407
Long-term receivable		164,936	253,668
Investments in joint ventures		2,095,043	1,751,159
Investments in associates		381,855	493,599
Available-for-sale investments		3,674,771	3,225,238
Deferred tax assets		1,484,226	1,448,262
Property under development		922,845	921,243
Total non-current assets		70,481,867	66,716,975
CURRENT ASSETS			
Inventories	12	18,144,296	17,378,439
Trade and bills receivables	13	48,832,853	45,732,885
Prepayments, deposits and other receivables		4,984,665	4,635,440
Due from the joint ventures and associates		2,556,011	2,879,284
Due from the related parties		249	249
Completed property held for sale		33,958	33,840
Pledged deposits		380,821	335,072
Short-term deposits		–	247,360
Cash and cash equivalents		8,320,252	7,111,234
Total current assets		83,253,105	78,353,803

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	14	28,944,653	34,663,130
Other payables		6,090,077	5,929,004
Derivative financial instruments		1,472	–
Advances from customers		1,866,446	1,850,792
Deferred income		244,925	419,268
Interest-bearing bank and other borrowings		38,565,005	32,928,441
Due to joint ventures and associates		513,132	463,856
Due to related parties		114,863	116,624
Tax payable		374,127	653,823
Provision		1,351,517	1,292,666
Total current liabilities		78,066,217	78,317,604
NET CURRENT LIABILITIES		5,186,888	36,199
TOTAL ASSETS LESS CURRENT LIABILITIES		75,668,755	66,753,174
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	16,301,339	9,338,520
Deferred tax liabilities		603,272	549,903
Deferred income		1,594,520	1,454,710
Other liabilities		589	678
Total non-current liabilities		18,499,720	11,343,811
Net assets		57,169,035	55,409,363
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,728,143	2,728,143
Reserves		46,099,958	44,731,986
Perpetual loans		3,795,800	3,795,800
		52,623,901	51,255,929
Non-controlling interests		4,545,134	4,153,434
Total equity		57,169,035	55,409,363

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2017

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve fund (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Perpetual loan (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) 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
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 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 Statement of Changes in Equity

For the Six Months ended 30 June 2017

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Statutory surplus reserve fund (Unaudited) RMB'000	Exchange fluctuation reserve (Unaudited) RMB'000	Retained profits (Unaudited) RMB'000	Perpetual loan (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	Total equity (Unaudited) RMB'000
At 1 January 2017	2,728,143	19,980,490	5,602,363	3,073,373	(161,200)	16,236,960	3,795,800	51,255,929	4,153,434	55,409,363
Profit for the period	–	–	–	–	–	1,722,914	–	1,722,914	442,249	2,165,163
Change in fair value of available-for-sale investments, net of tax	–	–	249,883	–	–	–	–	249,883	–	249,883
Exchange differences on translation of foreign operations	–	–	–	–	12,950	–	–	12,950	2,669	15,619
Total comprehensive income for the period	–	–	249,883	–	12,950	1,722,914	–	1,985,747	444,918	2,430,665
Issue of perpetual loan	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–
Perpetual loan interest paid	–	–	–	–	–	(132,166)	–	(132,166)	–	(132,166)
2016 Final dividend declared	–	–	–	–	–	(485,609)	–	(485,609)	(53,218)	(538,827)
The government subsidies designated to increase the capital reserve	–	–	1,858	–	–	(1,858)	–	–	–	–
At 30 June 2017	2,728,143	19,980,490*	5,854,104*	3,073,373*	(148,250) *	17,340,241*	3,795,800	52,623,901	4,545,134	57,169,035

* These reserve amounts comprise the consolidated reserves of RMB46,099,958,000 in the interim condensed consolidated statement of financial position as at 30 June 2017.

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Profit before tax		**2,650,010**	3,009,075
Adjustments for:			
Finance costs	7	**1,077,402**	900,723
Share of profits and losses of joint ventures and associates		**19,020**	114,799
Bank interest income	5	**(45,493)**	(64,830)
Government grants and subsidies		**(119,722)**	(177,676)
Loss on disposal of items of non-current assets		**27,880**	22,398
Fair value losses, net:			
Derivative instruments		**1,472**	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		**(1,596)**	(1,376)
Dividend received from available-for-sale investments		**(15,047)**	(2,388)
Depreciation	6	**2,563,130**	2,524,787
Impairment of inventories	6	**224,080**	155,954
Impairment of trade receivables	6	**55,697**	56,379
Impairment losses of trade receivables and other receivables reversed	6	**(33,329)**	(14,830)
Impairment of other intangible assets	6	**–**	169,856
Impairment of available-for-sale investments	6	**5,000**	–
Recognition of prepaid land lease payments		**62,701**	52,272
Amortisation of other intangible assets		**559,766**	570,433
		7,030,971	7,310,908
Increase in inventories		**(989,937)**	(449,585)
Increase in trade and bills receivables		**(3,118,115)**	(5,647,586)
Increase in prepayments, deposits and other receivables		**(339,657)**	(371,976)
Decrease in amounts due from joint ventures and associates		**323,273**	505,067
Decrease in long term receivable		**88,732**	24,494
Increase in property under development		**(1,602)**	(1,672)
(Increase)/decrease in completed property held for sale		**(118)**	14,304
Decrease in trade and bills payables		**(6,043,128)**	(2,301,312)
Increase in other payables		**256,148**	560,627
Increase/(decrease) in advances from customers		**15,654**	(808,366)
Increase/(decrease) in amounts due to joint ventures and associates		**34,985**	(40,598)
(Decrease)/increase in amount due to the related parties		**(1,761)**	121,613
Increase in provision for warranties		**58,851**	251,593
Cash used in operations		**(2,685,704)**	(832,489)
Interest received	5	**45,493**	64,830
Taxes paid		**(830,036)**	(660,834)

Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows used in operating activities	**(3,470,247)**	(1,428,493)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(2,928,645)**	(5,429,118)
(Increase)/decrease in non-current prepayments	**(2,048,259)**	217,463
Increase in prepaid land lease payments	**(314,740)**	(190,868)
Investment in short-term deposits	**–**	(124,305)
Withdrawal of short-term deposits	**247,360**	152,205
Receipt of government grants	**35,786**	32,993
Additions to other intangible assets	**(1,409,128)**	(698,300)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets	**66,304**	19,672
Receipt of disposal of financial product	**1,596**	1,376
Disposal of associates and joint-ventures	**800**	3,120
Dividend received from associates or joint ventures	**19,368**	–
Dividend received from available-for-sale investments	**15,047**	2,388
Decrease in prepayments, deposits and other receivables	**–**	200,000
Decrease in derivative financial instruments	**–**	18,390
Purchase of available-for-sale investment	**(121,355)**	–
Capital contributions to an associate	**–**	(13,681)
Capital contributions to joint ventures	**(256,000)**	(39,697)
Net cash flows used in investing activities	**(6,691,866)**	(5,848,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of bonds	**4,500,000**	–
Proceeds from issue of a perpetual loan	**–**	595,800
Bond issue expense	**(7,500)**	–
New bank loans	**27,369,197**	17,691,138
Repayment of bank loans	**(19,261,478)**	(11,120,076)
Interest paid	**(1,057,781)**	(924,415)
Perpetual loan interests paid	**(132,166)**	(98,375)
(Increase)/decrease in pledged deposits	**(45,749)**	39,475
Net cash flows from financing activities	**11,364,523**	6,183,547
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,202,410**	(1,093,308)
Cash and cash equivalents at beginning of period	**7,111,234**	6,010,931
Effect of foreign exchange rate changes, net	**6,608**	33,004
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**8,320,252**	4,950,627

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

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 No. 1 Yan An Road, Kuichong Street, Dapeng New 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 2017 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 2016.

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 2016, except for the adoption of the new standards and interpretations as noted below.

The condensed consolidated financial statements have been prepared on the historical cost basis. Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

Amendments to HKAS 7	*Disclosure initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrecognised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

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 batteries 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 products and 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 and automobiles leasing and after sale services.

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 and other unallocated head office and corporate assets, as these assets are managed on a group basis.

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

Transfer pricing in operating segment is determined with reference to the agreed price among operating segments.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

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 2017 and 2016, respectively.

Six months ended 30 June 2017 (Unaudited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	3,421,311	17,962,601	22,433,108	–	43,817,020
Intersegment sales	3,039,369	489,481	561,354	–	4,090,204
Others including other gross income from sales of raw materials, properties and disposal of scrap materials	173,209	193,409	292,061	–	658,679
Taxes and surcharges	18,712	79,163	464,063	–	561,938
	6,652,601	18,724,654	23,750,586	–	49,127,841
Reconciliation:					
Elimination of intersegment sales					(4,090,204)
Elimination of other gross income					(658,679)
Elimination of taxes and surcharges					(561,938)
Revenue – sales to external customers					43,817,020
Segment results	(13,675)	1,660,782	1,884,225	–	3,531,332
Reconciliation:					
Elimination of intersegment results					(183,768)
Interest income					45,493
Government grants and subsidies and other unallocated gains					724,864
Corporate and other unallocated expenses					(404,920)
Finance costs					(1,062,991)
Profit before tax					2,650,010

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Six months ended 30 June 2016 (Unaudited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	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
Reconciliation:					
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
Segment results	322,289	795,742	3,061,416	1,137	4,180,584
Reconciliation:					
Elimination of intersegment results					(277,485)
Interest income					64,830
Government grants and subsidies and other 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 2017

4. SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2017 and 31 December 2016:

Six months ended 30 June 2017 (Unaudited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Segment assets	22,949,218	24,704,254	97,159,559	144,813,031
Reconciliation:				
Elimination of intersegment receivables				(1,324,537)
Elimination of unrealised profit of intersegment sales				(349,695)
Corporate and other unallocated assets				10,596,173
Total assets				153,734,972
Segment liabilities	7,509,835	10,440,714	22,789,097	40,739,646
Reconciliation:				
Elimination of intersegment payables				(1,324,537)
Corporate and other unallocated liabilities				57,150,828
Total liabilities				96,565,937

Other segment information:

Six months ended 30 June 2017 (Unaudited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Share of (profits)/losses of:				
Joint ventures	(708)	–	26,622	25,914
Associates	224	–	(7,118)	(6,894)
Impairment losses recognized in the statement of profit or loss	149,412	69,757	32,879	251,448
Depreciation and amortization	704,097	838,393	1,643,107	3,185,597
Investments in joint ventures	267,728	–	1,827,315	2,095,043
Investments in associates	281,863	–	99,992	381,855
Capital expenditure	753,559	1,315,617	4,346,176	6,415,352

* 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 2017

4. SEGMENT INFORMATION (continued)

Year ended 31 December 2016 (Audited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Segment assets	20,048,615	25,981,418	92,021,966	138,051,999
Reconciliation:				
Elimination of intersegment receivables				(1,326,293)
Elimination of unrealised profit of intersegment sales				(1,445,102)
Corporate and other unallocated assets				9,790,174
Total assets				145,070,778
Segment liabilities	6,841,527	12,525,256	27,828,626	47,195,409
Reconciliation:				
Elimination of intersegment payables				(1,326,293)
Corporate and other unallocated liabilities				43,792,299
Total liabilities				89,661,415

Other segment information:

Six months ended 30 June 2016 (Unaudited)

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Share of (profits)/losses of:				
Joint ventures	(8)	–	123,382	123,374
Associates	(9,705)	–	1,130	(8,575)
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
Investments in joint ventures	11,020	–	1,740,139	1,751,159
Investments in associates	282,087	–	211,512	493,599
Capital expenditure	1,484,562	709,777	3,648,859	5,843,198

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

5. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	34,182,056	34,835,029
Assembly services income	9,602,932	8,901,709
Others	32,032	8,748
	43,817,020	43,745,486

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income and gains		
Gain on disposal of scrap and materials	195,852	103,555
Gain on sales of properties (i)	–	1,137
Bank interest income	45,493	64,830
Others	199,105	213,944
	440,450	383,466

Note:

(i) The Group develops properties for sale to its employees. The property cost on sales of properties to the employees was RMB15,693,000 and business tax was RMB727,000 during the six months ended 30 June 2016. No such business was conducted during the period.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Cost of inventories sold	25,902,395	26,258,850
Cost of services provided	9,521,534	8,807,712
Depreciation	2,563,130	2,524,787
Amortisation of other intangible assets	559,766	570,433
Impairment of trade receivables	55,697	56,379
Impairment of other intangible assets	–	169,855
Impairment losses of trade receivables reversed	(33,329)	(14,673)
Impairment losses of other receivables reversed	–	(157)
Impairment of available-for-sale investments	5,000	–
Write-down of inventories to net realisable value	224,080	155,954
Loss on disposal of items of property, plant and equipment	27,880	22,398

7. FINANCE COSTS

	For the six months ended 30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Interest on bank and other borrowings	1,042,553	925,309
Bank charges for discounted notes	65,212	38,241
	1,107,765	963,550
Less: Interest capitalised	(44,774)	(62,827)
	1,062,991	900,723

The average capitalization rate for the period used to determine the amount of borrowing costs eligible for capitalization was 4.13% (six months ended 30 June 2016: 5.17%).

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

8. INCOME TAX EXPENSE

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current-Mainland China	550,345	610,765
Current-Hong Kong	–	6,326
Current-Elsewhere	392	–
Deferred	(65,890)	(77,083)
Total tax charge for the period	484,847	540,008

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 entitle 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 2,728,142,855 (six months ended 30 June 2016: 2,476,000,000) in issue during the period.

	For the six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,722,914	2,259,696
Current interests paid for perpetual loans in the period	(101,040)	(98,375)
Accumulated unpaid interests attributable to perpetual loans	(16,537)	(15,135)
Profit used in the basic earnings per share calculation	1,605,337	2,146,186

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

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

	For the six months ended	
	30 June 2017	30 June 2016
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**2,728,142,855**	2,476,000,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB5,146,106,000 (six months ended 30 June 2016: RMB4,868,924,000) on additions to property, plant and equipment.

Assets with a net book value of RMB89,834,000 were disposed of by the group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB42,612,000), resulting in a net loss on disposal of RMB27,880,000 (six months ended 30 June 2016: loss of RMB22,398,000).

As at 30 June 2017, the Group has entered into a sale and leaseback agreement ("Agreement") with a third-party leasing company and Shenzhen BYD International Financial Lease ("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 approximate RMB286,531,000 per annum.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

11. INVESTMENT PROPERTIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January	–	–
Transfer from property, plant and equipment	35,927	–
Carrying amount at 30 June	35,927	–

12. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Raw materials	4,205,625	3,429,247
Work-in-progress	7,663,766	6,350,115
Finished goods	5,729,135	7,063,692
Mould held for production	545,770	535,385
	18,144,296	17,378,439

As at 30 June 2017, the Group's inventories with a carrying amount: nil (2016: nil) were pledged as security for the Group's bank loans.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

13. TRADE AND BILLS RECEIVABLES

For sales of traditional fuel-engined 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within three months	18,998,468	21,630,073
Four to six months	6,736,918	9,066,113
Seven months to one year	17,699,868	8,588,520
Over one year	5,397,599	6,448,179
	48,832,853	45,732,885

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

14. 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within three months	21,404,625	25,797,936
Four to six months	6,460,329	8,138,114
Seven months to one year	532,529	528,055
One to two years	460,848	97,624
Two to three years	19,315	15,776
Over three years	67,007	85,625
	28,944,653	34,663,130

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

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

Debt Financing Plan of 17 Yue BYD ZR001 in 2017

Note a: The Company completed the 2017 first tranche of debt financing plan of Beijing Financial Assets Exchange on 17 March 2017. The debt financing plan was simplistically described as "17 Yue BYD ZR001", with an actual listing amount of RMB3 billion and a fixed rate of interest of 4.94%, for a term of two years. The interest payment shall be made once every three months (it will be postponed to the next working day should it be a statutory festival or holiday in PRC), without compound interest, and the principal will be repaid on one-off basis upon maturity, the last interest payment shall be made together with the principal repayment. The interest accrued period commenced on 17 March 2017, the date for the first interest payment was 17 June 2017.

Corporate debts of 17YD01 in 2017

Note b: On 11 July 2015, the Company received the Approval of the Public Offering of Corporate Bonds by BYD Company Limited to Qualified Investors (ZJXK [2015] No. 1461) (《關於核准比亞迪股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2015]1461號)) from China Securities Regulatory Commission, pursuant to which the public offering of corporate bonds with a par value of not exceeding RMB3.0 billion by the Company to qualified investors has been approved. The RMB1.5 billion of the first tranche of corporate debts (15YD01) has been completed on 14 August 2015. As at 15 June 2017, the Company commenced the issuance of 2017 corporate bonds (the first tranche) with an aggregate amount of RMB1.5 billion and a fixed rate of interest at 4.87%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on Shenzhen Stock Exchange on 14 July 2017. Investors are entitled to resell parts or all of the bonds they hold to the issuers on the third interest payment date, i.e. the end of the third year, 15 June 2020, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

16. CONTINGENT LIABILITIES

(a) Litigation

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.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

16. CONTINGENT LIABILITIES (Continued)

(a) Litigation (Continued)

Action against Foxconn (Continued)

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 Board is of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

Pending Arbitration of DDI

Delta Dragon Import SA ("DDI"), the arbitration applicant, made an arbitration application to International Court of Arbitration of the International Chamber of Commerce on 12 October 2016, and alleged that the respondent, BYD Auto Industry Co., Ltd. ("BYD Auto Industry"), a subsidiary of the Company, has breached the automobile distribution agreement ("Distribution Agreement") entered with it on 7 October 2014. DDI claimed that BYD Auto Industry was liable for the alleged loss of CHF1,271,000 (equivalent to approximately RMB9,015,000) incurred from the performance of Distribution Agreement and alleged loss of expected net earnings of CHF177,917,000 (equivalent to approximately RMB1,261,218,000) calculated from profit forecast made based on an updated and adjusted (Strategic) Business Plan. The total amount claimed by DDI (including alleged expense incurred by DDI) is approximately CHF179,188,000 (equivalent to RMB1,270,233,000). Meanwhile, DDI requested the arbitration court to declare that DDI was entitled to terminate the agreement by reason of substantial breach by BYD Auto Industry and claimed that BYD Auto Industry should be liable for the related fees incurred for application of property preservation and arbitration.

BYD Auto Industry submitted answer to International Court of Arbitration of the International Chamber of Commerce on 28 December 2016, which denied DDI's allegation against BYD Auto Industry with respect to failing to perform various obligations in accordance with contracts as the allegation was unsubstantiated; meanwhile, it made the following responses to DDI's claims: 1) DDI's claim that BYD Auto Industry shall bear the loss from the termination of contracts due to substantial breach, shall be rejected as it was not supported by evidence; 2) DDI's claim with respect to loss of expected net earning calculated by profit forecast based on an updated and adjusted (Strategic) Business Plan, shall be rejected as it was not supported by the contract, laws and facts.

As of the date of this report, the arbitration case was at the information collection stage and International Court of Arbitration of the International Chamber of Commerce has provisionally scheduled a hearing to be held in February 2018. After consulting the legal counsel representing BYD Auto Industry for the case, the Board is of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the arbitration cannot be made reliably up to date.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

16. 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	86,510,260	74,586,430

As at 30 June 2017, the banking facilities granted to subsidiaries and joint ventures, subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB35,199,563,000 (31 December 2016: RMB24,365,908,000) and RMB4,875,000,000 (31 December 2016: RMB3,302,500,000) respectively.

(c) Repurchase obligation

The Group entered into tri-lateral finance lease arrangement contracts with certain end-user customers and third-party or related leasing companies ("Leasing Companies") ("Lease Cooperation Contract"). Pursuant to the leasing arrangement under the lease cooperation contract, the Company bears repurchase obligation to the third-party or related leasing companies that in the event of end-user customer default, the Company is entitled to repossess and sell the new energy vehicles as subject leases. At the same time, the Company is required to make payment to the leasing companies for the outstanding lease payments due from the end-user customer, and retain any net proceeds in excess of the repurchase payments made to the leasing companies. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of repurchase payments. As at 30 June 2017, the Company's maximum exposure to this obligation was RMB5,332,317,000 (2016: RMB4,180,316,000). The term of these repurchase obligation coincides with the tenure of the lease contracts. For the six months ended 30 June 2017, there was no default of payments from end-user customers which required the Company to make payments to the third-party or related leasing companies.

(d) Contingent liabilities arising from the profit compensation agreement relating to Shenzhen BYD Electronic Components Co.,Ltd ("Electronic Components")

The Company and Holitech Technology Co., Ltd. ("Holitech") (the "transferee") entered into the strategic cooperation, asset transfer in consideration of 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.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

16. CONTINGENT LIABILITIES (continued)

(d) Contingent liabilities arising from the profit compensation agreement relating to Shenzhen BYD Electronic Components Co.,Ltd ("Electronic Components") (continued)

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 of two parts:

(i) 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.

(ii) 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.

17. COMMITMENTS

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted but not provided for		
Land and buildings	909,958	506,282
Plant and machinery	3,047,542	3,972,449
	3,957,500	4,478,731
Authorised but not contracted for	300,065	679,644
	4,257,565	5,158,375

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

17. COMMITMENTS (continued)

(a) Long-term purchase commitments for polysilicon materials

In October 2010, Shangluo BYD Co., Ltd ("Shangluo BYD" or the "Purchaser") entered into the material supply contract (the "Supply Contract") with Jiangxi LDK PV Silicon Technology Co., Ltd. ("LDK PV" or the "Vendor") and Jiangxi LDK Solar Hi-Tech Co., Ltd. ("LDK Solar" or the "Guarantor"), both of which are silicon material suppliers. LDK Solar as the Guarantor provides the Purchaser with guarantee of several liability for all debts incurred from the Supply Contract by the Vendor. 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 Supply Contract provides that Shangluo BYD shall pay deposits of RMB97,500,000 to the Vendor. 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.

In December 2012, Shangluo BYD entered into a supplemental agreement I to the Supply Contract with LDK PV and LDK Solar. The supplemental agreement I provides that the performance period under the Supply Contract will be extended for a period of one year to 31 December 2013. In February 2015, Shangluo BYD, BYD Lithium Batteries Co., Ltd ("BYD Lithium Batteries") and BYD Supply Chain Management Co., Ltd. ("BYD Supply Chain Management") 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; the parties of the Supply Contract were expanded as follows: the Purchasers include Shangluo BYD, BYD Lithium Batteries and BYD Supply Chain Management, the Vendors include LDK PV and LDK Solar; the original deposits payable by Shangluo BYD under the Supply Contract (namely RMB97,500,000) will be changed to prepayments payable by all Purchasers to all Vendors, and when the Purchasers buy from the Vendors, the payables to the Vendors could be deducted from the prepayment already paid by Shangluo BYD. According to both supplemental agreement I and the supplemental agreement II, the Purchaser 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.

In November 2015, LDK PV and LDK Solar commenced restructuring procedures and the Company has filed claims under the restructuring procedures of the two companies in accordance with law.

On 30 September 2016, the Intermediate People's Court of Xinyu City, Jiangxi Province, approved the draft of composition plan for LDK PV and LDK Solar, and the composition plan formally entered a stage of implementation. The settlement percentage of the Company's debt as one of LDK PV's ordinary creditors amounted to 11.49% by way of conversion of debts into equity, while that of the Company's debt as one of LDK Solar's ordinary creditors amounted to 6.62% by way of conversion of debts into equity.

A written notice from the Insolvency and liquidation Group of LDK Solar to Shangluo BYD on 1 April 2017 advised that the abovementioned restructuring plan was terminated.

As of 30 June, 2017, the Company had provided the Insolvency and liquidation Group of LDK Solar with relevant information, and provided the receivers of LDK PV with relevant information according to requirements of the composition plan, and the Company's debt will be settled according to the composition plan after the implementation of such plan.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

17. COMMITMENTS (continued)

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Capital contribution payable to joint ventures*	612,446	44,000
	612,446	44,000

* At the end of 30 June 2017, with the approval of Board of Director, the Group decided to inject RMB500,000,000 to Shenzhen Denza New Energy Automobile Co., Ltd. ("DENZA").

18. 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 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Joint ventures and associates			
Sales of products and raw materials	(i)	319,882	1,033,639
Sales of machinery and equipment	(ii)	–	–
Service income	(iii)	39,578	24,891
Purchase of products and raw materials	(iv)	69,115	25,557
Rental expense	(v)	143,266	131,715
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 Didi	(viii)	124	4,982
Purchase of products and service from Northern Qinchuan	(ix)	67	214
Purchase of products and service from Cangzhou Mingzhu	(x)	–	65,070
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)	6,536	2,081
Purchase of products and service from Mingzhu Plastic	(xiii)	70,317	73,629

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

18. 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) No sale of products to Shenzhen Ramos Digital Technology Co., LTD ("Ramos Digital") during this period. As of May 13, 2017, Ramos Digital is no longer a related party due to the resignation of the chairman of the board, who is the non-executive director of the Company;

(vii) As of October 1, 2016, Electronic Components is no longer a related party due to the resignation of the chairman and directors of the board, who are directors of the Company. No disclosure of any outstanding balances with Electronic Components is required;

(viii) The sale of products and service 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 of the Group;

(ix) The purchase of products and service 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) No purchase of products and service from Cangzhou Mingzhu Company Ltd. ("Cangzhou Mingzhu") during this period, a company of which the parent company Mingzhu Plastic is the related party of the Group;

(xi) No purchase of products and service from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology") during this period, a company of which an independent non-executive director of the Company is the independent director of the board;

(xii) The purchase of products and service from Shenzhen Saidi New Energy Logistics Co., Ltd. ("Saidi New Energy"), a company of which an executive of the Company was the director of the board in the last twelve months, were made according to the published prices offered by Saidi New Energy to its other customers;

(xiii) The purchase of products and service from Cangzhou Mingzhu Plastic Co., Ltd. ("Mingzhu Plastic"), 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 Mingzhu Plastic to its other customers.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

18. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
The amount due from joint ventures and associates:		
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	**469,002**	646,385
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	**210**	2,239
Hangzhou Xihu New Energy Auto Operation Co.,Ltd. ("Hangzhou Xihu Operation")	**–**	5,500
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	**1,641**	7,396
Shan Mei Ling Qiu Bi Xing Industry Development Co.,Ltd. ("Shan Mei Ling Qiu Bi Xing")	**10,000**	10,000
International Financial Lease Co., Ltd. ("International Financial Lease")	**86,026**	123,827
BYD Auto Finance Company Limited ("BYD Auto Finance")	**526**	114
Hangzhou BYD Xihu New Energy Auto Co.,Ltd. ("Hangzhou BYD Xihu Auto")	**150,341**	141,749
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. ("Guang Qi BYD")	**512,899**	516,117
Shenzhen Didi New Energy Auto Lease Co.,Ltd. ("Shenzhen Didi")	**4**	46,956
Beijing Hualin Loading Co.,Ltd ("Beijing Hualin")	**–**	2,299
Adrastea Cars Ltd. ("Adrastea")	**–**	2,988
DENZA	**829,576**	543,995
Qianhai Green Transportation Co., Ltd. ("Qinhai Green Transportation")	**4**	3
Shenzhen Electric Power Sales Co., Ltd. ("Shenzhen Electric Power Sales")	**473**	4,716
Xi'an Infrastructure Yadi Automobile Service Co., Ltd. ("Xi'an Infrastructure")	**495,000**	825,000
Shenzhen Chongdian Easy Co., Ltd. ("Chongdian Easy")	**64**	–
Guangan Yungui Transportation Ltd.	**27**	–
Shantou Yungui Transportation Ltd.	**218**	–
	2,556,011	2,879,284
The amount due to joint ventures and associates:		
Tianjin BYD	**14,865**	–
International Financial Lease	**4,962**	4,962
Shenzhen Electric Power Sales	**35,875**	9,474
Guang Qi BYD	**5,986**	4,981
Qianhai Green Transportation	**12**	12
Jiangnan Chuzu	**–**	187
DENZA	**439,200**	443,686
Hangzhou BYD Xihu Auto	**540**	540
Chongdian Easy	**34**	14
BYD Auto Finance	**187**	–
Shenzhen Didi	**9,570**	–
Beijing Hualin	**1,901**	–
	513,132	463,856

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

18. 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
The amount due from other related parties:		
Shenzhen Yinghe Technology Co., Ltd.	249	249
	249	249
The amount due to other related parties:		
Cangzhou Mingzhu	–	117
Easpring Technology	–	470
Romos Digital	–	2,760
Mingzhu Plastic	109,088	101,212
Northern Qinchuan	8	19
Zhongbei Didi	65	35
Saidi New Energy	5,702	12,011
	114,863	116,624

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

18. RELATED PARTY TRANSACTIONS (continued)

(c) Other transactions with related parties

Loan guarantee

(i) As at 30 June 2017, the Company provided a guarantee to the bank for the borrowing of DENZA amounting to RMB735,000,000 (31 December 2016: RMB742,500,000).

(ii) As at 30 June 2017, the Company provided a guarantee to the bank for the borrowing of BYD Auto Finance amounting to RMB4,140,000,000 (31 December 2016: RMB2,560,000,000).

Repurchase obligation

The Group entered into a tri-lateral finance lease cooperation contract (the "Lease Cooperation Contract") with certain related parties and International Financial Lease. Pursuant to the leasing arrangement under the Lease Cooperation Contract, the Company bears a repurchase obligation to International Finance Lease. The term of the repurchase obligation coincides with the tenure of the lease contract. In the event of the default of related parties, the Company is required to make payment to International Finance Lease for its share of the outstanding lease payment due from related parties. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of repurchase payments. At the same time, the Company is entitled to repossess and sell the leased new energy vehicle, and retain any net proceeds in excess of the repurchase payments made to International Finance Lease. As of 30 June 2017, there was no default of payments from end-user customers which required the Company to make any repurchase payment.

(i) As at 30 June 2017, the Company's maximum exposure of this obligation to Shenzhen Didi and its subsidiary was RMB478,678,000 (31 December 2016: RMB433,716,000).

(ii) As at 30 June 2017, the Company's maximum exposure of this obligation to Jiangnan Chuzu was RMB38,697,000 (31 December 2016: RMB45,057,000).

(d) Others

Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2017	30 June 2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	**31,461**	19,905
Pension scheme contributions	**204**	164
	31,665	20,069

The related party transactions in respect of the items set out in note 18(a) do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

19. 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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial assets				
Long-term receivable	164,936	253,668	164,936	253,668
Available-for-sale investments – listed equity investments	3,539,564	3,206,386	3,539,564	3,206,386

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Financial liabilities				
Derivative financial instruments	1,472	–	1,472	–
Interest-bearing bank and other borrowings	54,866,344	42,266,961	54,866,344	42,266,961

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 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.

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Available-for-sale investments – listed equity investments	**3,539,564**	**–**	**–**	**3,539,564**
Financial liabilities				
Derivative financial instruments	**–**	**1,472**	**–**	**1,472**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Available-for-sale investments – listed equity investments	3,206,386	–	–	3,206,386
	3,206,386	–	–	3,206,386

During the six months ended 30 June 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets and liabilities for which fair values are disclosed:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Long-term receivable	–	–	164,936	164,936
Financial liabilities				
Interest-bearing bank and other borrowings	–	54,866,344	–	54,866,344

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Long-term receivable	–	–	253,668	253,668
Financial liabilities				
Interest-bearing bank and other borrowings	–	42,266,961	–	42,266,961

Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2017

20. EVENTS AFTER THE REPORTING PERIOD

I. On 21 July 2017, the 28th meeting of the fifth Board of the Company reviewed and approved the Resolution on Issuance of Corporate Bonds. This corporate bonds were issued at par of RMB100, the issuance was not more than RMB10,000 million (inclusive).

II. On 20 July 2017, the Company entered into an agreement with BYD Shantou Yungui Investment Partnership Enterprise (LLP) (汕頭市比亞迪雲軌投資合夥企業(有限合夥)), Sealand Securities Co., Ltd (國海證券股份有限公司) and Shantou Yungui Transportation Limited. The Company committed to repurchase all assets invested in "Skyrail" project by BYD Shantou Yungui Investment Partnership Enterprise (LLP) (汕頭市比亞迪雲軌投資合夥企業(有限合夥)) when the repurchase asset initiating event incurred.

III. A Repurchase Commitment from the Company to BYD Shantou Yunda Investment Partnership Enterprise (LLP) (汕頭市比亞迪雲達投資合夥企業(有限合夥)) and "China Resources Trust" (華潤深國投信託有限公司) on 21 July 2017 committed that to repurchase all assets invested in "Skyrail" project by BYD Shantou Yunda Investment Partnership Enterprise (LLP) (汕頭市比亞迪雲達投資合夥企業(有限合夥)) when the repurchase asset initiating event incurred.

21. 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 28 August 2017.

比亞迪股份有限公司
BYD COMPANY LIMITED