



比亞迪股份有限公司  
BYD COMPANY LIMITED

Stock Code 股份代號 : 1211

2018 Interim Report 中期報告

# THE NEXT LEGEND



## Interim Results for the Six Months Ended 30 June 2018 (the “Period”)

Revenue	19.05%	to RMB52,163 million
Gross Profit	-11.22%	to RMB7,252 million
Profit attributable to owners of the parent	-72.19%	to RMB479 million
Earning per share	-77.97%	to RMB0.13

### Highlights

- The new energy vehicle business develops rapidly, its competitiveness continues to increase, sales volume increases significantly
- The metal components business continues to grow and global leadership continues to be strengthened
- Accelerate the opening of supply-sale system, accelerate the pace of marketization of the supply chain, and promote industrial chain synergy and mutual win

# Management Discussion & Analysis

## Industry Analysis and Review

### Automobiles Business

In the first half of 2018, frequent global trade disputes and mounting trade protectionism posed more uncertainties to the economic development across the globe. Against the backdrop of US-China trade frictions and domestic financial deleveraging, China's economy maintained steady growth on the whole in the first half of 2018, as evidenced by a 6.8% rise in GDP. During the period, China's economic transformation and upgrading continued amid intensified domestic economic restructuring.

According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in China added up to 14,058,000 units and 14,066,000 units, respectively, in the first half of 2018, up by 4.2% and 5.6% year-on-year, respectively, with the growth of sales volume 1.8 percentage point higher than the year-on-year reading. The whole vehicle industry performed better than expected at the beginning of the year. In particular, new energy vehicles maintained strong development momentum, and the production and sales volume increased fast to 413,000 units and 412,000 units, respectively, up by 94.9% and 111.5% year-on-year respectively, with market penetration rate continuing to rise.

In the first half of 2018, the central government continued to provide powerful policy support to boost high-quality growth of the new energy vehicle industry. In February, four ministries issued *"The Notice on the Adjustment and Improvement of Financial Subsidy Policies for the Promotion of Application of New Energy Vehicles"* (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》). The new subsidy standards effective from 12 June 2018 lower or cancel subsidy to new energy vehicles with low driving range and low technology level but offer higher subsidy to new energy vehicles with longer driving range and higher energy density. By supporting excellent and strong industry players, improvements will be achieved in terms of industry's technology level and efficiency of subsidy funds, which will be favorable to the long-term healthy growth of new energy vehicle industry. However, the subsidies for new energy vehicles were 0.7 time the corresponding standard under the original subsidy policy during the transition period from 12 February 2018 to 11 June 2018, short-term profits of new energy vehicle manufacturers took a greater hit.

From April 2018 onwards, *"Parallel Administrative Measures for Average Fuel Consumption of Passenger Vehicle Enterprises and New Energy Vehicles' Credit Scores"* (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) were put into effect, pursuant to which, passenger vehicle enterprises will be assessed by credit scores for passenger vehicles' average fuel consumption and credit scores for the proportion of new energy vehicles (in particular, new energy scores start to be required from 2019), and any enterprises recording negative credit scores need to zero out the negative credit scores through trading of credit score. New energy vehicle manufacturers will benefit from the trading of credit score and thus obtain additional profit. The "dual credit score" policy will consolidate the advantages and positions of leading manufacturers while eliminating weaker players in the industry through the market-driven mechanism, so as to ultimately achieve the dual effects of reducing fuel consumption of traditional fuel vehicles and speeding up development of new energy vehicles.

### Handset Components and Assembly Business

According to the statistical data from IDC (an international research institution), the global smartphone shipments reached 676 million units in the first half of 2018, down by 2.35% year-on-year. According to the latest data released by China Academy of Telecommunication Research, handset shipments in China amounted to 196 million units in the first half of 2018, down by 17.8% year-on-year. In particular, smartphone shipments were 185 million units, down by 17.8% year-on-year and accounted for 94.6% of domestic handset shipments over the same period. The smartphone market became more saturated.

In face of slowing handset market demand across the globe and increasingly fierce industry competition as well as rising requirement of consumers for product quality, domestic and foreign handset brand manufacturers have become more focused on the product appearance design and material selection to achieve differentiation, in order to enhance their own market competitiveness. During the period, thinner, lighter and large-screen smartphones continued to lead the development trend of smartphone industry. Handsets with glass casings and metal middle frames have become the mainstream design of high-end handset market, with the penetration rate continuing to rise, and the market saw increasingly robust demand, providing more development opportunities for experienced handset component suppliers with comprehensive technology.

# Management Discussion & Analysis

## Rechargeable Batteries and Photovoltaic Business

Regarding traditional batteries, the sales of global consumer electronics declined during the period, and thus the market demand for their upstream components lithium batteries and nickel batteries remained relatively sluggish. As for the photovoltaic industry, the global photovoltaic market saw slowing demand. China's new installed photovoltaic capacity remained virtually unchanged as compared with the same period last year. In China, despite continuous expansion of photovoltaic capacity, photovoltaic enterprises generally faced greater operating pressure under the impact of multiple factors including slowing demand and adjustment of feed-in tariff as well as the new photovoltaic policy issued by China on 31 May 2018.

## 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, the rechargeable batteries and photovoltaic business while actively expanding its urban rail transportation business. In the first half of 2018, the Group's revenue achieved approximately RMB52,163 million, representing a year-on-year increase of 19.05%, among which, revenue generated by the business of automobiles and related products amounted to approximately RMB28,026 million, representing a year-on-year increase of 24.93%. The revenue from the handset components and assembly business amounted to approximately RMB19,976 million, representing a year-on-year increase of 11.21%. The revenue from the rechargeable batteries and photovoltaic business was approximately RMB4,161 million, representing a year-on-year increase of 21.62%. The three business segments accounted for 53.73%, 38.29% and 7.98% of the Group's total revenue, respectively. During the period, the revenue of the new energy automobile business achieved approximately RMB18,173 million, representing a year-on-year increase of 16.64%.

## Automobiles Business

Against the backdrop of robust development of new energy automobile market, BYD actively seized the industry opportunities and continued investing in research and development, upgrading technology and expanding production capacity to promote long-term healthy development of new energy vehicle business and maintain its leading position in the new energy vehicle industry. In the first half of 2018, the Group's sales volume of new energy vehicles increased by 121.06% year on year to approximately 75,800 units albeit the effect of reduction in new energy vehicles subsidies, attaining another No. 1 ranking in the world. In particular, Qin DM and Song DM won a sustained championship and runner-up position in plug-in hybrid vehicles market in China in terms of sales and the sales volume of e5 ranked first in the market of A-class pure electric passenger vehicles. According to the data from China Association of Automobile Manufacturers, BYD recorded a market share of about 18.3% in the new energy vehicle segment and a market share of about 20.3% in the new energy passenger vehicle segment, which further consolidated its industry leadership and enhanced its brand influence.

With regard to new energy passenger vehicle segment, at the end of May and June of 2018, the Group launched two heavyweight SUV models – "Yuan EV360" (pure electric version of "Yuan" Model) and a new generation of "Tang" model of plug-in hybrid electric version, both of which were widely acclaimed and accumulated a large amount of orders. Launch of "Yuen EV360" helped accelerate the price parity between new energy vehicles and fuel vehicles, notably propelled the sales of new energy vehicles in cities not under purchase restrictions and opened up a broader market for new energy vehicle industry. As a high-end flagship model of new energy vehicle product line of the Group, the plug-in hybrid electric SUV model "Tang" saw completion of upgrading at the end of June. The new generation of "Tang" features brand new Dragon Face appearance design, a stronger power system and intelligent configurations. Its excellent performance and appearance were widely praised. As a masterpiece on which the Group has spent great efforts and financial resources for R&D, the new generation of "Tang" fully demonstrates BYD's technical strength and quality advantages and continues to lead the industry trend.

# Management Discussion & Analysis

In the field of pure electric buses, the Group still achieved fast growth given reduction in new energy vehicles subsidies. Up to now, BYD's pure electric public transportation products have been put into operation in numerous cities across the country including Shenzhen, Guangzhou, Tianjin, Dalian, Changsha, Wuhan, Xi'an, Nanjing, Hangzhou and Shantou. The overall operation was in good condition and a good brand reputation has been established. In overseas markets, the Group continued to rapidly expand the "Electrification of Public Transportation" program. During the period, the Group successively received orders from all over the world including Portugal, Spain, South Korea, India, the Philippines, Chile and Norway. Apart from direct sales, the Company also actively tried multiple promotion ways and established joint ventures in San Francisco, the US to provide electric bus leasing services for cities, schools and enterprises in the US, so as to promote application of electric buses in more markets and lead the global trend of electrification of urban public transportation with China's traffic wisdom.

In the first half of 2018, the Group took the lead in gaining massive orders for pure electric dump trucks in the world under the "7+4" strategic planning. In May, a deal of the world's first batch of 500 BYD pure electric dump trucks was signed in Pingshan, Shenzhen, and will be put into operation successively. Meanwhile, the Group, together with several other companies, built the showcase project of the first batch of 14-dump truck charging stations in Shenzhen, to meet the charging demand of 500 dump trucks and effectively break the bottleneck of urban construction and logistics industry and urban development, which promoted the electrification of dump trucks in Shenzhen and the development of global new energy vehicle industry.

While strengthening its foothold in the new energy vehicle market, the Group also continued to promote the development of traditional fuel vehicle business. During the Period, the Group sold approximately 138,700 traditional fuel vehicles, representing an increase of 10.73%. During the Period, "Song Max" continued to be well-received by the market with an average monthly sales volume of over 10,000 units, remaining to be one of the best-selling MPVs in the Chinese market. The Group continued to improve its product layout and launched the new generation of "Tang" vehicles in both fuel-powered and plug-in hybrid electric versions at the end of June. The fuel-powered "Tang" vehicles shared design and platform with plug-in hybrid electric vehicles and were equipped with Di Link intelligent network system featuring Di Pad, Di Cloud, Di Ecology and Di Open, expecting to be a new driving force of the Group's fuel vehicle business.

After adjustment of operation strategy since 2017, the Group speeded up the opening of the supply and distribution system and the pace of supply chain marketization. In terms of car seat business, the Group has entered into a strategic cooperation with Faurecia Group, one of the world's top three auto parts technology companies. A joint venture was set up to outsource the Group's seat business, so as to give full play to the technological and platform advantages of both parties and increase the competitiveness of the Group's seat business. Outsourcing of its seat business was an important step of the marketization of the Group's auto parts business. It not only helped to control costs and improve quality, but also enabled the Group to further focus resources on its core businesses and promote faster development of its automotive business.

In terms of external strategic cooperation, the Group has signed a strategic cooperation agreement with Chongqing Chang'an Automobile Company Limited, according to which the two parties will jointly establish a joint venture of power battery of new energy vehicles to meet the future demands of Chang'an Automobile related to power battery. Leveraging their advantageous resources in the fields of traditional automobiles, new energy automobiles, smart internet, car-sharing, overseas market, etc. the two parties will also enter into all-round deep cooperation in the fields of automobile electrification and intellectualization, car-sharing, etc. This strategic cooperation marked the first step of the Group's supply of power batteries as well as a critical headway in the course of opening up the supply and distribution system. It was of great strategic significance to the power battery business and the long-term development of the Group. At the same time, the Group will also actively seek cooperation opportunities with other internationally renowned auto manufacturers to explore the global market.

Concerning the urban rail transportation segment, "Skyrail", as one of the low-cost solutions to urban rail transportation, boasts great market demand. Since the launch of straddle monorail "Skyrail" in 2016, the Group has successively received orders from numerous cities in domestic and overseas markets. The first commercially operated Skyrail line was also opened to traffic in September 2017 in Yinchuan. In the future, the commencement of more projects in domestic and overseas markets is expected to bring new growth potential for the Group.

# Management Discussion & Analysis

## Handset Components and Assembly Business

As the leading global provider of intelligent product solutions, BYD provides complete product design, component manufacturing and complete product assembly services for both domestic and overseas handset manufacturers as well as other mobile intelligent terminal manufacturers through its vertically integrated “one-stop” operating model. The revenue from the handset components and assembly business of the Group in the first half of 2018 amounted to approximately RMB19,976 million, representing a year-on-year increase of approximately 11.21 %.

During the Period, the penetration of metal parts in the mobile intelligent terminal market continued to increase. Leveraging on its long-time experience, leading technology and good quality accumulated in the field of metal parts, the Group continued to receive orders for high-end flagship handset models from global smartphone brand manufacturers, boosting the continuous growth of the Group’s metal parts business. Due to stagnant demand of end market, gross profit margin from metal parts business slipped during the Period.

In respect of the application of new materials, diversified demands of consumers have driven the rapid development of glass casing sector. Glass casings with metal middle frames have gradually become the mainstream configuration of mid-to-high end smartphones with rapidly increasing market penetration rate. In response to the increasing demand for glass casings, the Group took the opportunity to step up investment in research & development and expanded the capacity of glass casing production, aiming at fostering a new revenue and profit driver for the handset component business. During the Period, the Group received many glass casing orders for flagship handset models from world leading smartphone brand manufacturers, promoting the relatively fast growth in the Group’s handset component business.

## Rechargeable Batteries and Photovoltaic Business

BYD’s rechargeable batteries mainly include lithium-ion batteries and nickel batteries, which are widely used in various consumer electronics and new type of smart products. During the Period, the Group’s rechargeable batteries business achieved well sales growth, strengthening our industry position continuously. The Group also actively developed energy storage battery and solar cell products for applications in storage power stations and photovoltaic power plants. In the first half of 2018, against the impact of the demand on global photovoltaic market slowed down and domestic new photovoltaic policies, the Group’s photovoltaic business still achieved good sales results, and the loss has been greatly reduced.

## Prospect and Strategy

In the second half of 2018, there will be certain slowdown risks to the global economic growth against the backdrop of intensifying trade frictions among global major economies. Domestically, macro policies will be slightly adjusted, and the stabilizing leverage levels and more active financial policies will lend support to macro economy. It is expected that China’s economy will maintain a rapid growth, industrial structure will be optimized constantly and strategic emerging industries including new energy vehicle will have a larger room for growth.

## Automobiles Business

As the leader and practitioner of new energy vehicle industry, BYD will continue to seize the historic opportunities arising from the rapid development of global new energy vehicle industry, and further strengthen technical innovation, expand production capacity, integrate quality resources, develop on the basis of opening-up and integration, enhance product competitiveness and accelerate the research and development for and launch of new models, so as to satisfy the fast-growing market demand and promote the all-round upgrading of new energy vehicle industry.

In respect of policies, new subsidy standards have been implemented for new energy vehicles sold in China after 12 June 2018, according to which, new energy vehicles will receive different subsidies based on their driving range and technical performance and those with long driving range and high technical performance will get higher subsidies. With the implementation of the new subsidy policies, the new energy vehicle industry will usher in a healthy development with the fittest surviving. With outstanding automobile performance and technical advantages, the majority of BYD’s new energy vehicle models will get the highest subsidy. It is expected that the profitability of new energy vehicles will be significantly improved in the second half of the year.

# Management Discussion & Analysis

In the field of new energy vehicle business, we expect the rapid growth momentum in the first half of the year to continue in the second half. Driven by new models, the Group will also achieve rapid growth in sales and continuous improvement of brand influence. On the easing of capacity bottlenecks, the sales of the new generation of “Tang” and “Yuan EV360” launched in first half of the year will keep rising, which is expected to contribute considerable sales to the Group. In addition, more models will be launched in the second half of the year, including the plug-in hybrid version, pure electric version and fuel version of the new generation of “Qin” model – “Qin Pro”, pure electric version of the new generation of “Tang” model, and new energy version of the best-selling “Song MAX” model. With the launch of new models, the Group’s new-energy vehicle product line will be fully upgraded, and its automobiles business will usher in a new growth cycle.

In the field of public transportation, leveraging on its established reputation and influence in the domestic and overseas markets, BYD will further promote the electrification of urban public transportation at home and abroad and actively increase its penetration in the global market. Meanwhile, the Group will forge ahead with the promotion of low-carbon and green Skyrail products to resolve the increasingly serious traffic problems in the cities and provide a comprehensive solution to solve problems ranging from air pollution to traffic congestion to boost the development of intelligent transport system in the cities.

In the field of traditional fuel vehicles, the Group will continue to enhance the market share and brand image of the traditional fuel vehicle business and promote rapid business growth through its ever-increasing quality and outstanding performance. In addition, the Group will focus more on the brand new appearance design and platformization of product research and development to realize effective cost control while substantially enhancing the quality and aesthetic appearance of the vehicle models, so as to provide consumers with well-designed and high-quality automobile products, thus to build positive word-of-mouth to achieve the synchronous improvement of quality and quantity of traditional fuel vehicle business.

In respect of business strategy, the Group will continue to explore an open supply system, accelerate the process of marketization of automobile supply chain, continue to seek multi cooperation in the field of power battery and new energy vehicles, and actively promote opening-up and integration, so that the Group can focus more on its core business and achieve long-term sustainable development of automobiles business.

## Handset Components and Assembly Business

As the leading global provider of intelligent product solutions, the Group will continue to push forward the development of metal parts business and strive for more metal parts orders. In respect of application of new materials, in the face of increasing penetration rate of glass casings and fast-growing demand, the Group will further expand the production capacity of glass casings and enhance product yield based on the existing planning for the glass sector, so as to attract more orders from customers and increase the revenue and profitability of the glass casing business. With the gradual release of production capacity and placement of orders, it is expected that the glass business in the second half of 2018 will achieve significant revenue growth.

At the same time, the Group will continue to acquire new customers at home and abroad, establish a more diversified customer base and increase market share to achieve continuous growth of relevant business. In addition, the Group will continue to actively expand automotive intelligent systems, IOT, robots, AI and new intelligent products businesses, so as to cultivate new driving forces for its long-term sustainable growth.

## 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 the photovoltaic business, since the state issued new photovoltaic policies on 31 May this year, which expedited the phase-out of subsidies for photovoltaic power generation and led to a sharp decline in market demand, China’s photovoltaic industry has entered the “bitter-cold winter period”. It is expected that market will become more competitive in the second half of the year. Therefore, BYD will actively explore overseas markets and strive to expand overseas sales and increase capacity utilization to alleviate the impact of the new photovoltaic policies.

# Management Discussion & Analysis

## Estimated Operating Results from January to September 2018

Change of net profit attributable to owners of the parent from January to September 2018	-54.15%	to	-39.82%
Change (in range) of net profit attributable to owners of the parent (RMB10,000) from January to September 2018	128,000	to	168,000
Net profit attributable to owners of the parent (RMB10,000) from January to September 2017	279,144		

Reasons for changes in results	<p>With the implementation of new subsidy policies on 12 June, it is anticipated that new energy vehicles industry will maintain good momentum in the third quarter. Two new vehicle models, “Yuan EV360” and a new generation of “Tang” model, both of which were launched by the Group at the end of May and the end of June, won a large number of orders. It is expected that these new vehicle models will be delivered consecutively and bring significant contribution on sales volume in the third quarter, leading to a robust growth in sales volume of new energy vehicles and remarkable improvement in profitability. In the field of traditional fuel vehicles business, it is expected that, under the impact of macro economy, the growth rate of demand in the overall automobile market will slow down. However, the Group’s “Song Max” is expected to remain hot with its comprehensive competitive advantages, driving the sales volume and revenue of the Group’s traditional fuel vehicles to achieve a significant growth compared with the same period of last year. In the field of handset components and assembly business, the Group continues to collaborate closely with leading global brand manufacturers, constantly receiving orders for high-end flagship handset models and boosting this business segment to achieve sound development in the third quarter. In the field of solar energy business, influenced by policy changes and market demand, it is expected that the solar energy business will still suffer some losses in the third quarter, but it will achieve some improvement compared with the same period of last year.</p>
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# Management Discussion & Analysis

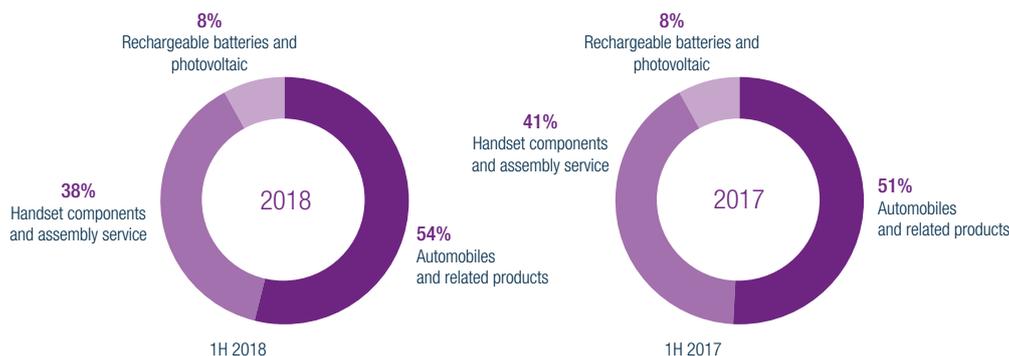
## Financial Review

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

During the Period, revenue increased by 19.05% as compared to that of the first half of 2017, which is mainly due to the increase of automotive business. Profit attributable to owners of the parent decreased by 72.19% as compared to the same period last year, mainly due to the impact of falling subsidies and increase in finance costs.

### Segment Information

The chart below sets out comparisons of the Group's revenue by product category for the six months ended 30 June 2018 and 2017:



During the Period, the proportion of automobiles and related products increased due to the impact of increase in sales of the automobiles, and the proportion of handset components and assembly business decreased while that of rechargeable batteries and photovoltaic business basically remained unchanged.

### Gross Profit and Margin

During the Period, the Group's gross profit decreased by approximately 11.22% to approximately RMB7,252 million. Gross profit margin decreased from approximately 18.64% in the first half of 2017 to approximately 13.90% during the Period. The decrease in gross profit margin was attributable to the decrease in the profits from automobile businesses.

# Management Discussion & Analysis

## Liquidity and Financial Resources

During the Period, the Group recorded an operating cash outflow of approximately RMB1,607 million, compared with an operating cash outflow of approximately RMB3,470 million in the first half of last year. The decrease in the cash outflow of the Group recorded during the Period was mainly due to the increases in cash received from the sales of goods and the provision of services. Total borrowings as at 30 June 2018, including all bank loans, bond payables and other secured loans, were approximately RMB68,875 million, compared with approximately RMB56,511 million as at 31 December 2017. The maturity profile of bank loans, bond payables and other secured loans spread over a period of twelve years, with approximately RMB58,109 million repayable within one year and approximately RMB3,342 million repayable in the second year, approximately RMB7,321 million repayable within the third to the fifth years and approximately RMB103 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 receivables (including trade and bills receivables, due from joint ventures and associates, due from related parties) were approximately 216 days for the six months ended 30 June 2018, compared to approximately 208 days for the same period in 2017, which basically showed no changes. Inventory turnover days were approximately 92 days for the six months ended 30 June 2018, compared to approximately 93 days for the same period in 2017, which basically showed no changes.

The authorization to the Board to determine the proposed plan for the issuance of debt financing instrument(s) was considered and passed at the 2016 Annual General Meeting of BYD Company Limited (the "Company") held on 6 June 2017. In September 2017, the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) issued a notice of acceptance of registration (Zhong Shi Xie Zhu [2017] No. SCP301) that the registration of issuance of Super Short-term Debentures with a registered amount of RMB10 billion by the Company has been accepted. The 2018 First Tranche Super Short-term Debentures (Short Name "18BYDSCP001") were issued by the Company on 8 March 2018, with an aggregate amount of RMB2.0 billion and an interest rates of interest at 5.29%, valid within 270 days. The 2018 Second Tranche Super Short-term Debentures (Short Name "18BYDSCP002") were issued by the Company on 13 June 2018, with an aggregate amount of RMB2.0 billion and an interest rates of interest at 5.80%, valid within 270 days.

On 12 October 2017, the Company received the Approval of the Public Offering of Corporate Bonds by BYD Company Limited to Qualified Investors (ZJK [2017] No.1807) (《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復》(證監許可[2017] 1807號)) from China Securities Regulatory Commission, pursuant to which the public offering of corporate bonds with a par value of not exceeding RMB10.0 billion by the Company to qualified investors has been approved. As at 12 April 2018, the Company commenced the issuance of 2018 corporate bonds (the first tranche) with an aggregate amount of RMB3.0 billion and a fixed rate of interest at 5.17%. 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 4 June 2018. 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, 4 June 2021, 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 2018, 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 2018, the Group's outstanding loans included Renminbi loans and foreign currency loans and approximately 75% (31 December 2017: 68%) 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 117% and 93% as at 30 June 2018 and 31 December 2017, respectively.

As at 30 June 2018, land and buildings with carrying amount value of RMB195,653 thousand (31 December 2017: RMB73,807 thousand) and projects under construction of RMB4,583 thousand (31 December 2017: RMB9,120 thousand) have been pledged as securities for the long term loans of RMB150,551 thousand (31 December 2017: RMB57,156 thousand) granted to the Group, of which RMB17,337 thousand (31 December 2017: RMB40,469 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 2018, the Group had employed approximately 222,000 employees. During the Period, total staff cost accounted for approximately 19.15% 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 2018, 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 other official duties, not all independent non-executive Directors and non-executive directors attended the extraordinary general meeting of shareholders on 9 May 2018 and the annual general meeting of the Company held on 20 June 2018.

### 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, Mr. Lv Xiang-yang was appointed as a non-independent director of Anhui Lucky Health Technology Co., Ltd. (安徽樂金健康科技股份有限公司, stock code: 300247) on 7 August 2018, which was listed on Shenzhen Stock Exchange; Ms. Zhang Ran was appointed as an independent non-executive director of Beijing New Universal Science Technology Co., Ltd. (北京萬向新元科技股份有限公司, stock code: 300472) on 10 May 2018, which was listed on Shenzhen Stock Exchange, and was concurrently appointed as an independent non-executive director of United Electronics Co., Ltd. (北京榮之聯科技股份有限公司, stock code: 002642) on 19 July 2018, which was listed on Shenzhen Stock Exchange.

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

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

During the six months ended 30 June 2018, 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 29 August 2018 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 2018) 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 2018.

## Interim Dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2018 (For the six months ended 30 June 2017: Nil).

# Supplementary Information

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

As at 30 June 2018, the interests and short positions 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) <i>(Note 1)</i>	28.27%	18.79%
Lv Xiang-yang (Director)	401,910,480 (L) <i>(Note 2)</i>	22.17%	14.73%
Xia Zuo-quan (Director)	108,124,000 (L)	5.96%	3.96%

(L) – Long Position

Notes:

- The 512,623,820 A shares does not comprise the 3,727,700 A shares held by Mr. Wang through E Fund Asset BYD Zengchi No.1 Assets Management Plan.
- Of the 401,910,480 A shares, 239,228,620 A shares were held by Mr. Lv in his personal capacity and 162,681,860 A shares were held by Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) ("Youngy Investment"). Youngy Investment was in turn held by Mr. Lv and his spouse as to 89.5% and 10.5% of shares, 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:

- 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 2018, 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 2018, 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 ( <i>Note 1</i> )	162,681,860 (L)	8.97%	5.96%

(L) – Long Position

*Note:*

- Youngy Investment was owned by Mr. Lv Xiang-yang, a non-executive director of the Company as to 89.5%. Mr. Lv was therefore deemed to be interested in the 162,681,860 A shares held by Youngy Investment under the SFO.

# Supplementary Information

## 2. H Shares of RMB1.00 each

Name	Number of H shares	Approximate percentage of shareholding in the total number of issued H shares (%)	Approximate percentage of shareholding in the total issued share capital (%)
Berkshire Hathaway Inc. (Note 1)	225,000,000 (L)	24.59%	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 2018, 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 2018

	Notes	For the six months ended	
		30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
<b>REVENUE</b>	5	<b>52,162,867</b>	43,817,020
Cost of sales		<b>(44,910,562)</b>	(35,648,009)
Gross profit		<b>7,252,305</b>	8,169,011
Other income and gains	5	<b>1,102,533</b>	440,450
Government grants and subsidies		<b>894,498</b>	612,080
Selling and distribution costs		<b>(2,623,968)</b>	(2,248,952)
Research and development costs		<b>(2,079,169)</b>	(1,383,490)
Administrative expenses		<b>(1,776,819)</b>	(1,739,524)
Other expenses		<b>(199,781)</b>	(117,554)
Finance costs	7	<b>(1,455,988)</b>	(1,062,991)
Share of profits and losses of:			
Joint ventures		<b>(41,332)</b>	(25,914)
Associates		<b>14,775</b>	6,894
<b>PROFIT BEFORE TAX</b>	6	<b>1,087,054</b>	2,650,010
Income tax expense	8	<b>(212,693)</b>	(484,847)
<b>PROFIT FOR THE PERIOD</b>		<b>874,361</b>	2,165,163
Attributable to:			
Owners of the parent		<b>479,099</b>	1,722,914
Non-controlling interests		<b>395,262</b>	442,249
		<b>874,361</b>	2,165,163
Earnings per share attributable to ordinary equity holders of the parent			
– basic and diluted for the period	9	<b>RMB0.13</b>	RMB0.59

# Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months ended 30 June 2018

	For the six months ended	
	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
<b>PROFIT FOR THE PERIOD</b>	<b>874,361</b>	<b>2,165,163</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	–	333,178
Income tax effect	–	(83,295)
Expected credited loss for other debt instruments	(2,530)	–
Exchange differences on translation of foreign operations	(45,856)	15,619
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Other non-current financial assets:		
Changes in fair value	(626,947)	–
Income tax effect	156,737	–
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(518,596)</b>	<b>265,502</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>355,765</b>	<b>2,430,665</b>
Attributable to:		
Owners of the parent	(35,730)	1,985,747
Non-controlling interests	391,495	444,918
	<b>335,765</b>	<b>2,430,665</b>

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	<i>Notes</i>	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	50,060,170	47,830,718
Investment properties	11	70,471	66,707
Prepaid land lease payments		5,993,582	5,844,857
Goodwill		65,914	65,914
Other intangible assets		9,192,880	8,217,623
Non-current prepayments		3,814,997	3,372,240
Long-term receivable		1,266,294	1,049,938
Investments in joint ventures		2,631,861	2,442,867
Investments in associates		749,008	622,044
Available-for-sale investments		–	4,185,460
Other non-current financial assets		3,549,405	–
Deferred tax assets		1,830,538	1,580,032
<b>Total non-current assets</b>		<b>79,225,120</b>	<b>75,278,400</b>
<b>CURRENT ASSETS</b>			
Inventories	12	24,989,060	19,872,804
Trade and bills receivables	13	51,472,659	53,276,716
Prepayments, deposits and other receivables		6,321,608	6,211,017
Due from joint ventures and associates		11,921,500	6,609,997
Due from related parties		249,092	256,941
Completed property held for sale		6,689,172	6,689,770
Derivative financial instruments		–	1,095
Financial assets		1,285	–
Pledged deposits		317,849	323,249
Restricted bank deposits		79,448	643,487
Cash and cash equivalents		10,030,035	8,935,954
<b>Total current assets</b>		<b>112,071,708</b>	<b>102,821,030</b>

# Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	<i>Notes</i>	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	39,071,603	39,527,332
Other payables		11,294,490	11,942,702
Derivative financial instruments		–	119,261
Financial liabilities		133,324	–
Advances from customers		–	4,700,280
Contract liabilities		6,824,670	–
Deferred income		1,492,989	512,900
Interest-bearing bank and other borrowings	15	58,108,883	45,648,670
Due to joint ventures and associates		157,026	615,659
Due to related parties		114,850	130,608
Tax payable		221,029	328,013
Provision		1,648,315	1,471,511
Total current liabilities		119,067,179	104,996,936
<b>NET CURRENT LIABILITIES</b>		<b>(6,995,471)</b>	<b>(2,175,906)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>72,229,649</b>	<b>73,102,494</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		10,765,866	10,862,346
Deferred tax liabilities		409,772	610,005
Deferred income		1,686,888	1,672,402
Other liabilities		169	254
Total non-current liabilities		12,862,695	13,145,007
Net assets		59,366,954	59,957,487
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		2,728,143	2,728,143
Reserves		47,600,730	48,380,251
Perpetual loans		3,895,800	3,895,800
		54,224,673	55,004,194
Non-controlling interests		5,142,281	4,953,293
Total equity		59,366,954	59,957,487

# Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2018

	Attributable to owners of the parent									
	Issued capital (Unaudited) RMB'000	Share premium	Capital reserve	Statutory surplus	Exchange fluctuation	Retained profits	Perpetual loan	Total (Unaudited) RMB'000	Non-controlling interests	Total equity (Unaudited) RMB'000
		account	reserve	reserve fund	reserve	profits	loan		interests	
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000		(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
<b>Total comprehensive income for the period</b>	-	-	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)	-	-	-	-
<b>At 30 June 2017</b>	<b>2,728,143</b>	<b>19,980,490*</b>	<b>5,854,104*</b>	<b>3,073,373*</b>	<b>(148,250)*</b>	<b>17,340,241*</b>	<b>3,795,800</b>	<b>52,623,901</b>	<b>4,545,134</b>	<b>57,169,035</b>

\* 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 Statement of Changes in Equity

For the Six Months ended 30 June 2018

	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 31 December 2017	2,728,143	19,980,490	5,886,969	3,410,962	(132,894)	19,234,724	3,895,800	55,004,194	4,953,293	59,957,487										
The effect of adoption of HKFRS 9			10,034	(11,796)		(234,349)		(236,111)		(236,111)										
At 1 January 2018	2,728,143	19,980,490	5,897,003	3,399,166	(132,894)	19,000,375	3,895,800	54,768,083	4,953,293	59,721,376										
Profit for the period	-	-	-	-	-	479,099	-	479,099	395,262	874,361										
Change in fair value of other non-current financial assets, net of tax	-	-	(470,210)	-	-	-	-	(470,210)	-	(470,210)										
Expected credited loss for other debt instruments	-	-	(2,530)	-	-	-	-	(2,530)	-	(2,530)										
Exchange differences on translation of foreign operations	-	-	-	-	(42,089)	-	-	(42,089)	(3,767)	(45,856)										
Total comprehensive income for the period	-	-	(472,740)	-	(42,089)	479,099	-	(35,730)	391,495	355,765										
Deemed disposal of a joint venture and an associate	-	-	11,631	-	-	-	-	11,631	-	11,631										
Perpetual loan interest paid	-	-	-	-	-	(134,643)	-	(134,643)	-	(134,643)										
2017 Final dividend declared	-	-	-	-	-	(384,668)	-	(384,668)	(202,507)	(587,175)										
The government subsidies designated to increase the capital reserve	-	-	241	-	-	(241)	-	-	-	-										
At 30 June 2018	2,728,143	19,980,490*	5,436,135*	3,399,166*	(174,983)*	18,959,922*	3,895,800	54,224,673	5,142,281	59,366,954										

\* These reserve amounts comprise the consolidated reserves of RMB47,600,730,000 in the interim condensed consolidated statement of financial position as at 30 June 2018.

# Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2018

	Notes	For the six months ended 30 June	
		2018	2017
		(Unaudited) RMB'000	(Unaudited) RMB'000
<b>CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>			
Profit before tax		1,087,054	2,650,010
Adjustments for:			
Finance costs	7	1,455,988	1,077,402
Share of profits and losses of joint ventures and associates		26,557	19,020
Bank interest income	5	(67,379)	(45,493)
Government grants and subsidies		(184,988)	(119,722)
Loss on disposal of items of non-current assets		22,837	27,880
Fair value losses, net:			
Financial assets		15,981	1,472
Gain on disposal of a subsidiary		(403,868)	–
Gain on disposal of financial product		(20,149)	(1,596)
Loss on disposal of derivative financial instruments		1,903	–
Dividend received from available-for-sale investments		–	(15,047)
Depreciation	6	3,656,158	2,563,130
Amortization of investment properties		1,199	–
Impairment of inventories	6	125,113	224,080
Impairment of receivables	6	185,474	55,697
Impairment losses of receivables reversed	6	(89,901)	(33,329)
Expected credit loss of bills receivables reversed	6	(2,530)	–
Impairment of available-for-sale investments	6	–	5,000
Recognition of prepaid land lease payments		70,059	62,701
Amortisation of other intangible assets		764,428	559,766
		<b>6,643,936</b>	<b>7,030,971</b>
Increase in inventories		(5,249,684)	(989,937)
Decrease/(increase) in trade and bills receivables		1,467,703	(3,118,115)
Decrease/(increase) in prepayments, deposits and other receivables		267,995	(339,657)
(Increase)/decrease in amounts due from joint ventures and associates		(5,311,503)	323,273
Decrease in amounts due from related parties		7,849	–
(Increase)/decrease in long term receivable		(216,356)	88,732
Increase in property under development		–	(1,602)
Decrease/(Increase) in completed property held for sale		598	(118)
Decrease in trade and bills payables		(914,072)	(6,043,128)
Increase in deferred income		286,580	–
(Decrease)/increase in other payables		(665,782)	256,148
Increase in advances from customers		–	15,654
Increase in contract liabilities		2,127,290	–
Increase in amounts due to the jointly-controlled entities		326,059	34,985
Decrease in amount due to the related parties		(15,758)	(1,761)
Increase in provision for warranties		176,804	58,851
Cash used in operations		<b>(1,068,341)</b>	<b>(2,685,704)</b>

# Interim Condensed Consolidated Statements of Cash Flows

For the Six Months ended 30 June 2018

		For the six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest received	5	67,379	45,493
Taxes paid		(605,617)	(830,036)
Net cash flows used in operating activities		(1,606,579)	(3,470,247)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(3,310,684)	(2,928,645)
Increase in non-current prepayments		(3,059,723)	(2,048,259)
Increase in prepaid land lease payments		(225,165)	(314,740)
Withdrawal of short-term deposits		–	247,360
Receipt of government grants		149,627	35,786
Additions to other intangible assets		(1,688,359)	(1,409,128)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		182,809	66,304
Receipt of disposal of financial product		20,149	1,596
Disposal of derivative financial instruments		(1,903)	–
Disposal of associates and joint-ventures		–	800
Dividend received from associates or joint ventures		7,607	19,368
Dividend received from available-for-sale investments		–	15,047
Purchase of available-for-sale investments		–	(121,355)
Purchase of Other non-current financial assets		(6,000)	–
Acquisition of subsidiary		(23,296)	–
Disposal of a subsidiary		127,807	–
Capital contributions to joint ventures		(277,420)	(256,000)
Net cash flows used in investing activities		(8,104,551)	(6,691,866)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of bonds		7,000,000	4,500,000
Bond issue expense		(15,642)	(7,500)
New bank loans		30,222,700	27,369,197
Repayment of bank loans		(24,883,372)	(19,261,478)
Interest paid		(1,311,690)	(1,057,781)
Perpetual loan interests paid		(134,643)	(132,166)
Dividends paid		(25,060)	–
Increase in pledged deposits		(61,912)	(45,749)
Net cash flows from financing activities		10,790,381	11,364,523
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		1,079,251	1,202,410
Cash and cash equivalents at beginning of period		8,935,954	7,111,234
Effect of foreign exchange rate changes, net		14,830	6,608
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			
		10,030,035	8,320,252

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 1. CORPORATE INFORMATION

BYD Company Limited (the “Company”) is a joint stock limited liability company registered in the People’s Republic of China (the “PRC”). The Company’s H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and Shenzhen Stock Exchange since 31 July 2002 and 30 June 2011, respectively. The registered office of the Company is located at Yan An Road, 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 2018 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.

Despite the Group’s net current liabilities of approximately RMB6,995,471,000 as at 30 June 2018, the consolidated financial statements have been prepared on a going concern basis as it is the directors’ opinion that the Group has sufficient cash flows and credit facilities in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

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 2017.

## 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 2017, except for the adoption of the new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### **HKFRS 15 Revenue from Contracts with Customers**

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

The Group’s contract assets include amounts due from customers for contract works under HKFRS 15 and the Group’s contract liabilities include amounts due to customers for contract works and receipts in advance under HKFRS 15.

The application of HKFRS 15 in the current interim period had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

### **HKFRS 9 Financial Instruments**

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 using the modified retrospective method of adoption. With the initial application date of 1 January 2018 and no restatement of comparatives and the effect disclosures will primarily relate to the 2018 opening balances.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

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

### HKFRS 9 *Financial Instruments* (continued)

The effect of adopting HKFRS 9 is, as follows:

Impact on the statement of financial position as at 1 January 2018:

	HKAS39		HKFRS9	
	Classification	Carry amounts RMB'000	Classification	Carry amounts RMB'000
Trade receivables	Loans and receivables	46,303,713	Debt instruments at amortised cost	46,150,948
Bills receivable	Loans and receivables	6,973,003	Debt instruments at fair value through OCI	6,973,003
Other receivables	Loans and receivables	301,567	Debt instruments at amortised cost	301,265
Long-term receivables	Loans and receivables	2,339,908	Debt instruments at amortised cost	2,305,573
Due from joint ventures and associates	Loans and receivables	6,609,997	Debt instruments at amortised cost	6,562,161
Due from related parties	Loans and receivables	256,941	Debt instruments at amortised cost	256,068
Equity investment	Available-for-sale investments			
Quoted equity shares	Fair value model	3,582,554	Financial assets at fair value through other comprehensive income	3,582,554
Unquoted equity shares	Cost model	602,906	Financial assets at fair value through profit or loss	602,906
Derivative instruments	Financial assets at fair value through profit or loss	1,095	Financial assets at fair value through profit or loss	1,095

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

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

### HKFRS 9 *Financial Instruments* (continued)

#### (a) *Classification and measurement*

Except for certain trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables, other receivables, long-term receivables, due from joint ventures and associates, and due from related parties.
- Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's bills receivables that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. This category includes the Group's bills receivables.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified one of its quoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's quoted equity instruments were classified as available-for-sale investments.
- Financial assets at FVPL comprise derivative instruments and quoted and unquoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's quoted and unquoted equity securities were classified as available-for-sale investments.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

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

### HKFRS 9 *Financial Instruments* (continued)

#### (a) *Classification and measurement (continued)*

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

#### (b) *Impairment*

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, due from joint ventures and associates, and due from related parties, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., other receivables, bills receivables at FVOCI and long-term receivables), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to retained earnings.

The statement of financial position as at 1 January 2018 was restated, resulting in decreases in trade receivables, other receivables, long-term receivables (including current portion), due from joint ventures and associates, due from related parties, reserves amounting to RMB152,765,000, RMB302,000, RMB34,335,000, RMB47,836,000, RMB873,000, RMB236,111,000, respectively.

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 2018

## 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 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 sales service, also including "Skyrail" related business.

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, dividend receivable, available-for-sale investments, derivative financial instruments, financial assets, other non-current financial assets, investment properties and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, interest-bearing bank and other borrowings, derivative financial instruments, financial liabilities, interest payable, dividend payable, 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 2018

## 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 2018 and 2017, respectively.

Six months ended 30 June 2018 (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
<b>Segment revenue</b>					
Sales to external customers	4,160,882	19,975,591	28,026,394	–	52,162,867
Intersegment sales	6,754,729	642,272	640,905	–	8,037,906
Others including other gross income from sales of raw materials, properties and disposal of scrap materials	347,033	297,443	493,122	2,426	1,140,024
Taxes and surcharges	18,012	123,599	706,420	8	848,039
	11,280,656	21,038,905	29,866,841	2,434	62,188,836
<i>Reconciliation:</i>					
Elimination of intersegment sales					(8,037,906)
Elimination of other gross income					(1,140,024)
Elimination of taxes and surcharges					(848,039)
Revenue – sales to external customers					52,162,867
<b>Segment results</b>	81,656	1,358,758	326,930	674	1,768,018
<i>Reconciliation:</i>					
Elimination of intersegment results					(230,630)
Interest income					67,379
Government grants and subsidies and other unallocated gains					1,431,818
Corporate and other unallocated expenses					(493,543)
Finance costs					(1,455,988)
Profit before tax					1,087,054

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 4. SEGMENT INFORMATION (continued)

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
<b>Segment revenue</b>					
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
<i>Reconciliation:</i>					
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
<b>Segment results</b>	(13,675)	1,660,782	1,884,225	–	3,531,332
<i>Reconciliation:</i>					
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 2018

## 4. SEGMENT INFORMATION (continued)

The following table presents segment assets of the Group's operating segments as at 30 June 2018 and 31 December 2017:

Six months ended 30 June 2018 (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
<b>Segment assets</b>	28,262,393	29,195,946	119,181,806	176,640,145
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,028,415)
Elimination of unrealised profit of intersegment sales				(461,042)
Corporate and other unallocated assets				17,146,140
<b>Total assets</b>				191,296,828
<b>Segment liabilities</b>	10,467,159	12,027,951	34,338,842	56,833,952
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,028,415)
Corporate and other unallocated liabilities				77,124,337
<b>Total liabilities</b>				131,929,874

Other segment information:

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
As at June 2018 (Unaudited)				
Investments in joint ventures	286,653	–	2,345,208	2,631,861
Investments in associates	396,524	–	352,484	749,008
Six months ended 30 June 2018 (Unaudited)				
<i>Share of (profits)/losses of:</i>				
Joint ventures	(1,959)	–	43,291	41,332
Associates	(1,865)	–	(12,910)	(14,775)
Impairment losses recognised in the statement of profit or loss	67,554	54,756	95,846	218,156
Depreciation and amortisation	802,916	1,141,698	2,547,230	4,491,844
Capital expenditure	2,418,676	1,377,979	4,797,478	8,594,133

\* 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 2018

## 4. SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
<b>Segment assets</b>	24,913,277	28,681,229	109,140,422	162,734,928
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(1,703,533)
Elimination of unrealised profit of intersegment sales				(526,943)
Corporate and other unallocated assets				17,594,978
<b>Total assets</b>				178,099,430
<b>Segment liabilities</b>	9,292,776	14,310,370	31,325,151	54,928,297
<i>Reconciliation:</i>				
Elimination of intersegment payables				(1,703,533)
Corporate and other unallocated liabilities				64,917,179
<b>Total liabilities</b>				118,141,943

Other segment information:

	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Year ended 31 December 2017				
Investments in joint ventures	284,694	–	2,158,173	2,442,867
Investments in associates	394,660	–	227,384	622,044
Six months ended 30 June 2017 (Unaudited)				
<i>Share of (profits)/losses of:</i>				
Joint ventures	(708)	–	26,622	25,914
Associates	224	–	(7,118)	(6,894)
Impairment losses recognised in the statement of profit or loss	149,412	69,157	32,879	251,448
Depreciation and amortisation	704,097	838,393	1,643,107	3,185,597
Capital expenditure	753,559	1,315,617	4,346,176	6,415,352

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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 2018	30 June 2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Revenue</b>		
Sales of goods	43,464,029	34,182,056
Assembly services income	8,600,077	9,602,932
Others	98,761	32,032
	<b>52,162,867</b>	<b>43,817,020</b>

	For the six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Other income and gains</b>		
Gain on disposal of scrap and materials	352,915	195,852
Gain on disposal of a subsidiary	403,868	–
Bank interest income	67,379	45,493
Others	278,371	199,105
	<b>1,102,533</b>	<b>440,450</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 6. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
Cost of inventories sold	36,330,588	25,902,395
Cost of services provided	8,454,861	9,521,534
Depreciation of property, plant and equipment	3,656,158	2,563,130
Amortisation of investment properties	1,199	–
Recognition of prepaid land lease payments	70,059	62,701
Amortisation of other intangible assets	764,428	559,766
Impairment of receivables	185,474	55,697
Impairment losses of receivables reversed	(89,901)	(33,329)
Expected credit loss of bills receivables reversed	(2,530)	–
Impairment of available-for-sale investments	–	5,000
Write-down of inventories to net realisable value	125,113	224,080
Fair value losses, net:		
Financial instruments	15,981	1,472
Loss on disposal of items of non-current assets	22,837	27,880

## 7. FINANCE COSTS

	For the six months ended	
	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
Interest on bank and other borrowings	1,364,493	1,042,553
Bank charges for discounted notes	143,641	65,212
	1,508,134	1,107,765
Less: Interest capitalised	(52,146)	(44,774)
	1,455,988	1,062,991

The average capitalization rate for the period used to determine the amount of borrowing costs eligible for capitalization was 4.41%(six months ended 30 June 2017: 4.13%).

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 8. INCOME TAX EXPENSE

	For the six months ended	
	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
Current-Mainland China	481,432	550,345
Current-Hong Kong	248	–
Current-Elsewhere	25,015	392
Deferred	(294,002)	(65,890)
<b>Total tax charge for the period</b>	<b>212,693</b>	<b>484,847</b>

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

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,728,142,855 (six months ended 30 June 2017: 2,728,142,855) in issue during the period.

	For the six months ended	
	30 June 2018 RMB'000	30 June 2017 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	479,099	1,722,914
Interests paid for perpetual loans	(102,505)	(101,040)
Accumulated unpaid interests attributable to perpetual loans	(16,140)	(16,537)
<b>Profit used in the basic earnings per share calculation</b>	<b>360,454</b>	<b>1,605,337</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

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

	For the six months ended	
	30 June 2018	30 June 2017
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	2,728,142,855	2,728,142,855

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 2018, the Group acquired assets with a cost of RMB6,235,086,000 (six months ended 30 June 2017: RMB5,146,106,000) on additions to property, plant and equipment.

Assets with a net book value of RMB319,149,000 were disposed of by the group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB89,834,000), resulting in a net loss on disposal of RMB22,837,000 (six months ended 30 June 2017: loss of RMB27,880,000).

## 11. INVESTMENT PROPERTIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Carrying amount at 1 January	66,707	–
Transfer from property, plant and equipment	4,963	66,707
Depreciation provided during the year/period	(1,199)	–
Carrying amount at 30 June/31 December	70,471	66,707

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 12. INVENTORIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Raw materials	5,299,199	4,372,410
Work-in-progress	11,457,791	8,995,702
Finished goods	7,538,704	5,790,946
Mould held for production	693,366	713,746
	<b>24,989,060</b>	19,872,804

## 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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within three months	17,909,532	22,874,693
Four to six months	6,819,696	8,081,877
Seven months to one year	12,039,294	9,129,260
Over one year	14,704,137	13,190,886
	<b>51,472,659</b>	53,276,716

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

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Within three months	31,177,035	29,126,364
Three to six months	6,254,397	9,081,522
Six months to one year	876,329	486,529
One to two years	666,506	739,176
Two to three years	48,420	39,089
Over three years	48,916	54,652
	<b>39,071,603</b>	<b>39,527,332</b>

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

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

On 6 June 2017, the Resolution on the Authorization to the Board of the Company to Determine on the Issuance of Debt Financing Instrument(s) (《關於授權公司董事會決定發行債務融資工具的議案》) was considered and passed at the 2016 Annual General Meeting of the Company. In September 2017, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP301) (《接受註冊通知書》(中市協注[2017]SCP301號)), agreeing to accept the registration of issuance of super short-term debentures by the Company with a registered amount of RMB10 billion. On 8 March 2018, the Company issued the First Tranche Super Short-term Debentures of 2018 ("18BYDSCP001" for short) with a total amount of RMB2 billion and an interest rate of 5.29%. On 13 June 2018, the Company issued the Second Tranche Super Short-term Debentures of 2018 ("18BYDSCP002" for short) with a total amount of RMB2 billion and an interest rate of 5.8%.

On 12 October 2017, the Company received the document from China Securities Regulatory Commission (Zheng Jian Xu Ke [2017] No. 1807), approving the Company to publicly issue the corporate bonds with an aggregate par value of not more than RMB10 billion to qualified investors. On 12 April 2018, the Company commenced the issuance of 2018 corporate bonds (the first tranche) with a total amount of RMB3 billion and a fixed nominal rate of interest at 5.17%. 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 4 June 2018. Investors are entitled to resell parts or all of the bonds held by them to the issuers on the third interest payment date at principal amount, or give up sell-back options and continue to hold the bonds.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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.

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

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

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

	30 June 2018 (Unaudited) RMB’000	31 December 2017 (Audited) RMB’000
Guarantees given to banks in connection with facilities granted to subsidiaries	84,604,506	83,205,050

As at 30 June 2018, 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 RMB39,581,346,000 (31 December 2017: RMB36,021,358,000) and RMB3,515,000,000 (31 December 2017: RMB3,593,000,000) respectively.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 16. CONTINGENT LIABILITIES (continued)

### (c) Repurchase obligation

The Group entered into tri-lateral finance cooperation contracts (the "Cooperation Contract") with certain customers and third-parties or related financial institutions ("Financial Institutions"). Pursuant to the arrangement under the Cooperation Contract, the Company bears repurchase obligations to Financial Institutions that in the event of customer default or other specific conditions, the Company is entitled to repossess and sell the new energy vehicles and "Skyrail" related assets. At the same time, the Company is required to make payment to Financial Institutions for the outstanding payments due from customer, and retain any net proceeds in excess of the repurchase payments made to Financial Institutions. Management believes that the repossessed vehicles and "Skyrail" related assets will be able to be sold for proceeds that are not significantly different from the repurchase payments. As at 30 June 2018, the Group's maximum exposure to these obligations was RMB12,873,028,000 (2017: RMB11,991,848,000). For the six months ended 30 June 2018, there was no default of payments from customers which required the Group to make payments to Financial Institutions.

## 17. COMMITMENTS

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Contracted but not provided for		
Land and buildings	1,240,976	1,088,040
Plant and machinery	4,505,012	2,986,739
Capital contribution in respect of investments	895,617	785,160
	<b>6,641,605</b>	4,859,939
Authorised but not contracted for	87,034	313,429
	<b>6,728,639</b>	5,173,368

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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. (“LDKPV” 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 LDKPV 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 LDKPV and LDK Solar (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 LDKPV 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 composition plan for LDKPV. According to the composition plan, the settlement percentage of Shangluo BYD's debt as one of LDKPV's ordinary creditors amounted to 11.49% by way of conversion of debts into equity. As at 31 December 2017, LDKPV has completed the registration of changes in ownership information and the amount of contribution from Shangluo BYD reached 725,163 US dollars, accounting for 0.1480%. On 10 January 2018, the Intermediate People's Court of Xinyu City, Jiangxi Province, approved the composition plan for LDK Solar, the settlement percentage of Shangluo BYD's debt as one of LDK Solar's ordinary creditors amounted to 2.2975% by way of the installment payment in cash or preferred share, which amounted to RMB1,115,622.13. As at the reporting date, the prepayment of the Purchaser under the Supply Contract had converted to the debt of the Vendors, which would be compensated according to the composition plans.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Capital contribution payable to joint ventures*	519,120	79,340
	<b>519,120</b>	<b>79,340</b>

\* The proposal on increasing the share capital of a joint venture Shenzhen Denza New Energy Automotive Co., Ltd. ("DENZA") was considered and approved at the sixth interim meeting of the board of directors, pursuant to which the increase of RMB400 million in the share capital of Denza by BYD Auto Industry Co., Ltd., a holding subsidiary of the Company, was agreed. As at June 30 2018, the increasing share capital was unpaid.

## 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 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
Joint ventures and associates			
Sales of products	(i)	5,851,142	319,882
Sales of machinery and equipment	(ii)	154,822	–
Service income	(iii)	42,087	39,578
Purchases of products and service	(iv)	95,889	69,115
Rental expense	(v)	66,670	143,266
Sales of products and service to Zhongbei Didi	(vi)	–	124
Sales of products and service to Saidi New Energy	(vii)	17	–
Sales of products and service to Yinchuan Operation	(viii)	896	–
Sales of products and service to UBTECH	(ix)	1,544	–
Sales of products and service to Guangan Operation Management	(x)	36	–
Purchases of products and service from Northern Qinchuan	(xi)	35	67
Purchases of products and service from Easpring Technology	(xii)	2,172	–
Purchase of products and service from Saidi New Energy	(vii)	16,203	6,536
Purchases of products and service from Mingzhu Plastics	(xiii)	71,644	70,317
Purchases of products and service from Unifortune	(xiv)	4,008	–

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 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 to the joint ventures and associates were made according to the published prices offered to other customers of the Group;
- (ii) The sales of machinery and equipment was made at prices mutually agreed between the Group and the joint ventures and associates;
- (iii) The service income was received at prices mutually agreed between the Group and the joint ventures and associates;
- (iv) The purchase of products and service 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 joint ventures;
- (vi) The sales 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;
- (vii) The sales of products and service to and from Shenzhen Saidi New Energy Leasing Co., Ltd. ("Saidi New Energy") were made according to the published prices offered to other customers of the Group; the purchase of products and services from Saidi New Energy were made according to the published prices offered by Saidi New Energy to its other customers, As of March 2018, Saidi New Energy is not a related party due to the resignation of the director of its board on March 2017, who is the executive of the Company;
- (viii) The sales of products and service to Yinchuan SkyRail Operation Co., Ltd. ("Yinchuan Operation"), a company of which two executives of the Company are the directors of the board, were made at prices mutually agreed between the Group and Yinchuan Operation;
- (ix) The sales of products and service to Shenzhen UBTECH Robotics Co., Ltd. ("UBTECH"), a company of which a non-executive director of the Company is the director of the board, were made according to the published prices offered to the other customers of the Group;
- (x) The sales of products and service to Guangan SkyRail Operation Management Co., Ltd. ("Guangan Operation Management"), a company of which two executives and a supervisor of the Company are the directors of the board, were made according to the published prices offered to other customers of the Group;
- (xi) The purchases 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 its board, were made according to the published prices offered by Northern Qinchuan to its other customers;
- (xii) The purchase of products and service from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology"), a company of which an independent non-executive director of the Company is the independent director of its board, were made according to the published prices offered by Easpring Technology to its other customers;
- (xiii) The purchases 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 Cangzhou Mingzhu to its other customers;
- (xiv) The purchases of products and service from Shenzhen Unifortune Supply Chain Management Co., Ltd. ("Unifortune"), a company of which a non-executive director of the Company is the director of the board, were made according to the published prices offered by Unifortune to its other customers;

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 18. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related parties

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
The amount due from joint ventures and associates:		
DENZA	61,787	600,310
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	458,819	465,634
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	22,704	28,621
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	2,447	1,273
Shan Mei Ling Qiu Bi Xing Industry Development Co., Ltd. ("Shan Mei Ling Qiu Bi Xing")		10,000
International Financial Lease Co., Ltd. ("International Financial Lease")	1,771,247	472,679
Qianhai Green Transportation Co., Ltd. ("Qianhai Green Transportation")	35	18
BYD Auto Finance Company Limited ("Auto Finance")	468	1,174
Hangzhou BYD Xihu New Energy Auto Co., Ltd. ("Xihu New Energy")	29,077	87,591
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. ("Guang Qi BYD")	7,878,372	2,665,511
Shenzhen Didi New Energy Auto Lease Co., Ltd. ("Shenzhen Didi") and its subsidiary	23,235	35,423
Beijing Hualin Loading Co., Ltd. ("Beijing Hualin Loading")	803	1,001
Shenzhen Electric Power Sales Co., Ltd. ("Shenzhen Electric Power") and its subsidiary	–	1,551
Xi'an Infrastructure Yadi Automobile Service Co., Ltd. ("Xi'an Infrastructure")	1,667,100	2,199,000
Shenzhen BYD Electric Vehicle Investment Co., Ltd ("BYD Electric Vehicle")	9,027	–
Hubei Energy Storage Co., Ltd. ("Hubei Energy Storage")	–	40,211
Shenzhen Faurecia Automotive Parts Co., Ltd. ("Faurecia Parts")	1,379	–
	<b>11,921,500</b>	<b>6,609,997</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 18. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
The amounts due from related parties:		
Shenzhen Yinghe Technology Co., Ltd. ("Shenzhen Yinghe Technology")	128	249
Yinchuan Operation	248,850	256,692
Guangan Operation Management	43	–
UBTECH	71	–
	<b>249,092</b>	<b>256,941</b>

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
The amount due to joint ventures and associates:		
DENZA	430	464,366
International Financial Lease	–	4,985
Tianjin BYD	12,784	60,857
Shenzhen Electric Power Sales and its subsidiary	24,558	29,474
BYD Auto Finance	59	755
Guang Qi BYD	16,550	10,883
Hangzhou BYD Xihu Auto	13,439	738
Shenzhen Chongdian Easy Co., Ltd ("Chongdian Easy")	584	1
Faurecia Parts	62,446	–
Shenzhen Didi and its subsidiary	26,176	43,600
	<b>157,026</b>	<b>615,659</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 18. RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
The amount due to related parties:		
Easpring Technology	2,519	–
Northern Qinchuan	7	–
Mingzhu Plastics	111,915	106,696
Saidi New Energy	–	23,912
Unifortune	116	–
UBTECH	293	–
	<b>114,850</b>	<b>130,608</b>

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

### (c) Other transactions with related parties

#### *Loan guarantee*

- (i) As at 30 June 2018, the Company provided a guarantee to the bank for the borrowing of Denza amounting to RMB675,000,000 (31 December 2017: RMB705,000,000).
- (ii) As at 30 June 2018, the Company provided a guarantee to the bank for the borrowing of BYD Auto Finance amounting to RMB2,840,000,000 (31 December 2017: RMB2,888,000,000).

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 18. RELATED PARTY TRANSACTIONS (continued)

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

#### *Repurchase obligation*

The Group entered into tri-lateral finance cooperation contracts (the "Cooperation Contract") with related parties and third-party or related financial institutions ("Financial Institutions"). Pursuant to the arrangement under the Cooperation Contract, the Company bears repurchase obligations to Financial Institutions that in the event of related parties default or other specific conditions, the Company is entitled to repossess and sell the new energy vehicles and "Skyrail" related assets. At the same time, the Company is required to make payment to Financial Institutions for the outstanding payments due from related parties, and retain any net proceeds in excess of the repurchase payments made to Financial Institutions. Management believes that the repossessed vehicles and "Skyrail" related assets will be able to be sold for proceeds that are not significantly different from the repurchase payments. As of 30 June 2018, there was no default of payments from related parties which required the Group to make any payment.

- (i) As at 30 June 2018, the Company's maximum exposure of guarantees to Shenzhen Didi and its subsidiary was RMB629,839,000 (31 December 2017: RMB386,864,000).
- (ii) As at 30 June 2018, the Company's maximum exposure of guarantees to Jiangnan Chuzu was RMB11,211,000 (31 December 2017: RMB32,140,000).
- (iii) As at 30 June 2018, the Group's maximum exposure of obligation to Yinchuan Operation was RMB192,000,000 (31 December 2017: RMB192,000,000).

### (d) Others

Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
Short term employee benefits	33,122	31,461
Pension scheme contributions	186	204
	<b>33,308</b>	<b>31,665</b>

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 2018

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY 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:

30 June 2018

	Carry amounts RMB'000	Fair values RMB'000
<b>Financial assets</b>		
Bills receivables	4,457,287	4,457,287
Long-term receivable	1,266,294	1,266,294
Derivative financial instruments	1,285	1,285
Unquoted debt investments	582,127	582,127
Quoted equity shares	2,967,278	2,967,278
	<b>9,274,271</b>	<b>9,274,271</b>
	Carry amounts RMB'000	Fair values RMB'000
<b>Financial liabilities</b>		
Derivative financial instrument	133,324	133,324
Interest-bearing bank and other borrowings	68,874,749	68,874,749
	<b>69,008,073</b>	<b>69,008,073</b>

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

31 December 2017

	Carry amounts RMB'000	Fair values RMB'000
<b>Financial assets</b>		
Long-term receivable	1,049,938	1,049,938
Derivative financial instruments	1,095	1,095
Available-for-sale investments – listed equity investments	3,582,554	3,582,554
	4,633,587	4,633,587
<b>Financial liabilities</b>		
Derivative financial instruments	119,261	119,261
Interest-bearing bank and other borrowings	56,511,016	56,511,016
	56,630,277	56,630,277

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 2018 was assessed to be insignificant.

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

Fair value of the unquoted ordinary shares has been estimated using a discounted cash flows (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

### Fair value hierarchy

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

#### *Assets and liabilities measured at fair value*

As at 30 June 2018

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Quoted equity shares	2,967,278	–	–	2,967,278
Unquoted debt investments	–	568,320	13,807	582,127
Bills-receivables	–	4,457,287	–	4,457,287
Derivative financial instruments	–	1,285	–	1,285
	2,967,278	5,026,892	13,807	8,007,977
<b>Financial liabilities</b>				
Derivative financial instruments	98,129	35,195	–	133,324
	98,129	35,195	–	133,324

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

#### Assets and liabilities measured at fair value (continued)

As at 31 December 2017

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Available-for-sale investments				
– listed equity investments	3,582,554	–	–	3,582,554
Derivative financial instruments	–	1,095	–	1,095
	3,582,554	1,095	–	3,583,649
Derivative financial instruments	–	119,261	–	119,261

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

*Assets and liabilities for which fair values are disclosed*

As at 30 June 2018

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Long-term receivable	–	1,266,294	–	1,266,294
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	–	68,874,749	–	68,874,749

As at 31 December 2017

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial assets</b>				
Long-term receivable	–	1,049,938	–	1,049,938
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	–	56,511,016	–	56,511,016

# Notes to Interim Condensed Consolidated Financial Statements

For the Six Months ended 30 June 2018

## 20. EVENTS AFTER THE REPORTING PERIOD

- 1) 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”) had 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 RMB8,433,000) incurred from the performance of Distribution Agreement; and alleged loss in acquirable interests of CHF177,917,000 (equivalent to approximately RMB1,180,479,000) calculated from profit forecast made based on an updated and adjusted (Strategic) Business Plan. The total amount claimed by DDI is CHF179,188,000 (equivalent to RMB1,188,912,000). 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. The final decision of the arbitration was made by International Court of Arbitration of the International Chamber of Commerce on 20 July 2018. BYD Auto Industry was ordered to pay DDI what it claimed were costs related to Geneva Motor Show which amounted to CHF46,752.00 and interest of CHF1,372.03. The rest of claims by DDI were dismissed. DDI was ordered to pay BYD Auto Industry for all its costs incurred from this arbitration as of 24 May 2018, which amounted to EUR1,254,814.04 and RMB46,597.88. DDI needs to pay the interest as of the actual payment date in the case of overdue payment. DDI was arbitrated to bear all the fees incurred by International Chamber of Commerce and the Sole Arbitrator.
- 2) The authorization to the Board to determine the proposed plan for the issuance of debt financing instrument(s) was considered and passed at the 2016 Annual General Meeting of BYD Company Limited (the “Company”) held on 6 June 2017. In September 2017, the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) issued a notice of acceptance of registration (Zhong Shi Xie Zhu [2017] No. SCP301) that the registration of issuance of Super Short-term Debentures with a registered amount of RMB10 billion by the Company has been accepted. The 2018 Third Tranche Super Short-term Debentures were issued by the Company on 13 August 2018. The actual total amount of issuance is RMB1.5 billion, and the issuing price is RMB100, with the issuance duration of 270 days. The value date is August 15th, 2018, and the redemption date is May 12, 2019. The interest rate is 4.75%. The Company has applied RMB1.5 billion of the whole proceeds from the issuance of the super short-term debentures for replenishment of working capital.
- 3) On 12 October 2017, the Company publicly offered corporate bonds in tranches with a total par value of not exceeding RMB10.0 billion to qualified investors as approved by the “ZJXK [2017] No.1807” document from China Securities Regulatory Commission. On 20 August 2018, the Company issued the Issuance Announcement on the Public Offering of Corporate Bonds (the Second Tranche) by BYD Company Limited to Qualified Investors in 2018, to publicly offer corporate bonds (the second tranche) (hereinafter referred to as the “Current Bonds”) to qualified investors, which are classified into two types: type 1 (the bonds under which are referred to as “18YD02” with bond code of “112748”) has a term of four years with the issuer’s option to adjust the coupon rate at the end of the second year and the investors’ option to sell back to the issuer; type 2 (the bonds under which are referred to as “18YD03” with bond code of “112749”) has a term of five years with the issuer’s option to adjust the coupon rate at the end of the third year and the investors’ option to sell back to the issuer. The offline issuance date of the Current Bonds is from 22 August 2018 to 24 August 2018, of which the actual issuance size of type 1 is RMB1.6 billion with the final coupon rate of 5.75%, while type 2 has no actual issuance size.

## 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 29 August 2018.



比亞迪股份有限公司  
BYD COMPANY LIMITED