

BYD HK SDR 10to1

(SGX: HYDD)

Maintains leadership despite intensifying competition

- **BYD triggers a second wave of price cuts to defend market share:** In May 2025, BYD launched a fresh round of price reductions across more than a dozen electric vehicle (EV) models, with discounts reaching up to 34%. Its most affordable EV now retails at RMB 55,800 (~S\$10,400). This aggressive pricing strategy has ignited a broader price war, with rivals such as Geely and Leapmotor also cutting prices, intensifying competition across China’s EV market.
- **Razor-thin margins raise concerns over sector sustainability:** The widespread price cuts are pressuring already thin profit margins across the auto industry. According to China’s National Bureau of Statistics, net margins fell to 3.9% in 1Q2025, down from 4.3% in 2024. Investors are increasingly worried that prolonged pricing pressure may push weaker automakers into financial distress, drawing parallels with past challenges faced by China’s property sector.
- **Structural issues persist: fragmented market and overcapacity:** The EV industry in China remains highly fragmented, with over 169 automakers competing for market share. While BYD leads with 29% of the domestic market, more than half of the remaining players each command less than 0.1% share. This excess capacity continues to fuel unsustainable pricing and profitability challenges.
- **Xiaomi gains early momentum as a new entrant:** Xiaomi’s entry into the EV space has been met with strong consumer response. After delivering over 248,000 orders for its debut model SU7 in 2024, Xiaomi followed up with the YU7 mid-size SUV in June 2025. The model received 289,000 orders within an hour of launch, underscoring strong brand recognition and demand—further intensifying competitive pressures in the market.
- **BYD maintains leadership amid market turbulence:** Despite the pricing pressure, BYD has retained its leadership position in the China EV market. It delivered 1.61 million units in 1H2025 – up 15.9% year-on-year. Market share dipped slightly to 29.4% from 31% in 2024, suggesting that while pricing actions helped preserve volumes, some margin sacrifice may have been necessary.
- **Share price remains resilient despite post-peak pullback:** Following its peak in May 2025, BYD’s share price corrected by 21% amid sector-wide concerns. However, it remains up 42% year-to-date, outperforming the broader Hang Seng Index (+26%). BYD is one of the few profitable EV companies, and is currently trading at a forward P/E of 7.3x.

Ticker	HYDD
Rating	Not Rated

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BYD triggers a second wave of price cuts to defend market share

In May 2025, China’s electric vehicle (EV) market saw a renewed wave of price cuts led by BYD, one of the country’s largest EV manufacturers. BYD slashed prices on more than ten models, with discounts of up to 34%. Its most affordable EV now sells for just RMB 55,800 (approximately S\$10,000), down from RMB 66,800 previously.

This aggressive pricing triggered a fresh round of competition, with other automakers including Geely and Leapmotor also introducing discounts to defend their market share. It marks the second round of price reductions by BYD this year. The first round of cuts occurred in March 2025 on selected non-smart models.

Figure 1: BYD triggers a second wave of price cuts



Source: Finance China.com

Concerns mount over the sustainability of China’s EV sector

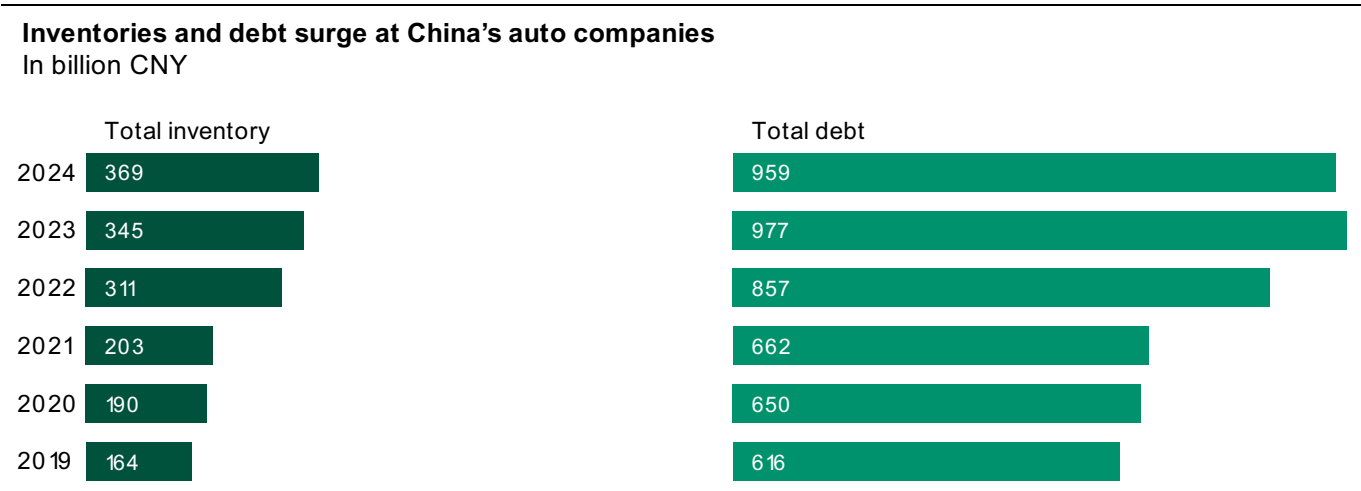
The recent price war in China’s electric vehicle (EV) market has amplified investor concerns about the financial sustainability of local automakers. While the aggressive price cuts have helped boost short-term sales, they are likely to put further pressure on an already thin profit base. According to the National Bureau of Statistics of China, the net profit margin for China’s automakers fell to 3.9% in 1Q2025, down from 4.3%

in 2024. Continued discounting could push many players into losses, raising fears of liquidity stress across the sector.

These concerns are not unfounded. Despite strong EV sales growth – driven in part by structural shifts and government subsidies – the financial health of many automakers has deteriorated. Between 2019 and 2024, industry inventories more than doubled, while total debt climbed by over 56%. Many companies have also resorted to lengthening payment terms to suppliers. For instance, Nio and Xpeng reported payable days of 223 and 237 days, respectively, as of December 2024. In contrast, BYD’s payable days stood at a more moderate 127 days.

With profitability under pressure and debt levels rising, investors are increasingly drawing parallels between China’s auto sector and its troubled property sector, where overexpansion and weak balance sheets led to high-profile bankruptcies.

Figure 2: Inventories and debt surge at China’s auto companies

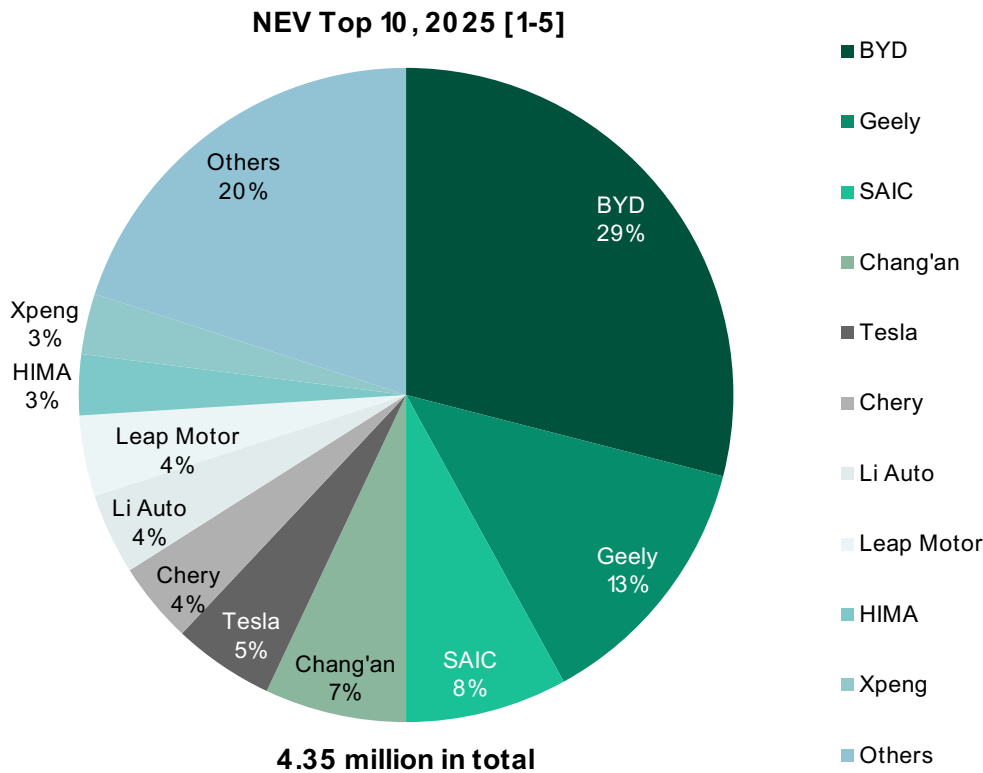


Source: Reuters

Structural Challenge: Fragmentation and Overcapacity in China’s EV Market

The ongoing price war and weakening industry margins point to deeper structural issues within China’s electric vehicle (EV) sector, including severe fragmentation and persistent overcapacity. While BYD remains the dominant player with approximately 29% market share, the vast majority of automakers hold less than 10% each. According to research firm Jato Dynamics, China currently has 169 active auto manufacturers, with more than half accounting for less than 0.1% of total market share. This overcrowded landscape has led to fierce competition and unsustainable pricing, raising questions about the long-term viability of many smaller EV players.

Figure 3: Chinese electric vehicles market share in 2024



Source: Automobility

Rising Competition From New Entrants

Despite the already saturated landscape, new entrants continue to intensify competition in China's EV market. Tech giant Xiaomi made a strong debut in 2024 with its first EV model, the SU7, which quickly gained traction with consumers. Initially targeting 100,000 deliveries, Xiaomi ended the year with 248,000 confirmed orders, according to CEO Lei Jun. In June 2025, the company expanded its offering with the launch of the YU7, a mid-sized electric SUV priced at RMB 253,000. The YU7 saw overwhelming demand, recording 289,000 orders within just one hour of its release. Xiaomi's rapid entry and strong consumer response underscore the growing competitive pressure facing existing players in the EV sector.

Figure 4: Xiaomi made a strong debut in 2024 with its first EV model

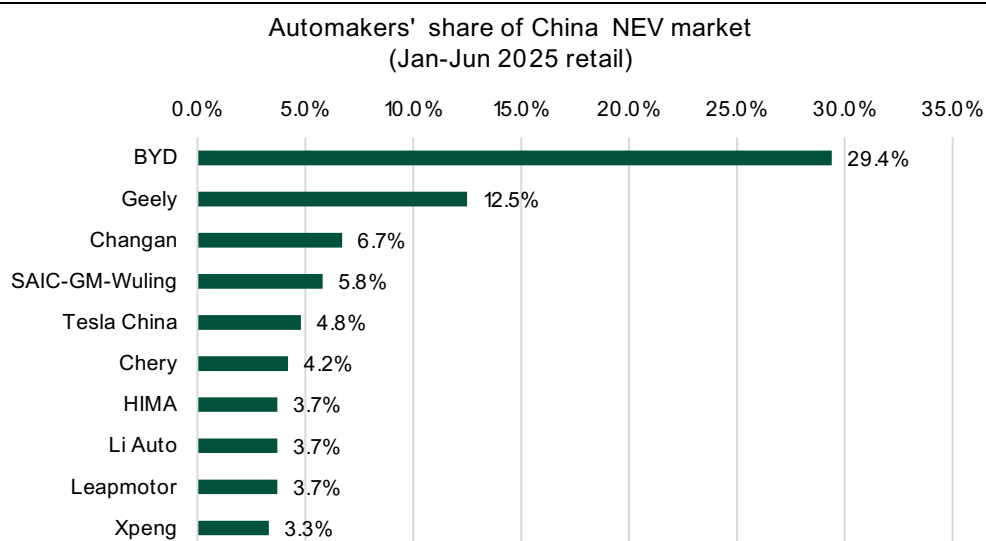


Source: Xiaomi

BYD Holding Ground Amidst Intense Competition

Despite fierce competition and aggressive pricing, BYD has managed to defend its leading position in China's EV market. For the first half of 2025, BYD's market share stood at 29.4%, only slightly down from 31% in 2024. The company sold 1.61 million units during this period, marking a 15.9% year-on-year increase. While this growth is commendable given the crowded and cutthroat landscape, it has come at a cost – heightened pressure on profitability due to industry-wide price reductions. Nonetheless, BYD's ability to sustain volumes suggests its strategy is effectively protecting its leadership position for now.

Figure 5: BYD has managed to defend its leading position in China's EV market



Source: CnEVPost

Share Price Resilient Despite Margin Pressures

BYD's share price performance has remained resilient despite ongoing profitability concerns. Although the stock has corrected by 21% from its peak in May 2025 – triggered by investor concerns following the intensifying EV price war – BYD is still up 42% year-to-date. This outpaces the broader Hang Seng Index, which has gained 26% over the same period. Following the correction, BYD is now trading at 7.3 times forward earnings.

You can now trade BYD through Hong Kong Singapore Depository Receipts (SDRs). These HK SDRs offer investors a more accessible way to invest in Hong Kong-listed companies.

The introduction of Singapore Depository Receipts allows investors to purchase BYD shares with a lower minimum investment outlay compared to buying Hong Kong-listed shares directly.

Disclosure Appendix

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