



比亞迪股份有限公司  
BYD COMPANY LIMITED

(Stock Code 股份代號: 1211)

# CATCHING THE EYE ON GREEN STAGE

ANNUAL REPORT 2011 年年報



## COMPANY PROFILE 公司簡介

BYD Company Limited (“BYD” or “the Company” together with its subsidiaries, “the Group”; stock code: H Shares: 01211; A Shares: 002594) is principally engaged in rechargeable battery business, handset components and assembly services, as well as automobile business which includes traditional fuel-engined vehicles and new energy vehicles while taking advantage of its technical superiority to actively develop business relating to the area new energy products.

BYD is one of the leading rechargeable battery manufacturers in the global arena. Major clients include leading handset manufacturers such as Nokia, Samsung, Motorola, Huawei and ZTE, as well as global electric power tools and other portable electronic equipment manufacturers such as Bosch and TTI. Lithium-ion and nickel batteries produced by the Group are widely applied on handsets, digital cameras, power tools, electric toys and other portable electronic devices and electric products.

As one of the world's most competitive suppliers for handset components and assembly operations, the Group can provide customers with vertically integrated one-stop services, design and production of cases, key-pads, LCD screens, camera modules, flexible printed circuit boards, chargers and other handset components, and can provide design and assembly service, but the Group does not produce its own brand of handsets. Main customers of the business include Nokia, Apple, HTC, Motorola, Huawei, ZTE and other handset leaders.

Since tapping into the automobile business in 2003, by leveraging on its superior value for money and international quality products, the Group has achieved remarkable growth in automobile business and ranked among top ten manufacturers of passenger cars and top three manufacturers of domestic-brand passenger cars in China in 2011, according to the China Association of Automobile Manufactures. To date the Group has manufactured and sold over 1 million units of sedans, thus establishing its leading position among domestic independent automobile brands.

In September 2008, MidAmerican Energy Holdings Company, a subsidiary of Berkshire Hathaway, entered into an agreement with the Company, pursuant to which MidAmerican Energy Holdings Company acquired 225 million H Shares of the Company, representing 9.56% of the Company's total capital at present, to become the Group's long term strategic partner. In February 2011, the joint venture of the Group and Daimler

AG was formally established for the joint research and development of a new electric car. In June 2011, the Company made an IPO of 79 million RMB ordinary shares (A shares) which were listed on the SME Board of Shenzhen Stock Exchange (“the Shenzhen Stock Exchange”).

New energy business is an important direction of BYD's future development. By leveraging its technology and cost advantages in the new energy sector, the Group will actively develop business relating to the area of new energy products to facilitate its long-term and sustainable development.

比亞迪股份有限公司(「比亞迪」或「本公司」，連同其附屬公司統稱「本集團」)；

股份代號：(H股：01211；A股：002594)主要從事二次充電電池業務、手機部件及組裝業務，以及包含傳統燃油汽車及新能源汽車在內的汽車業務，同時利用自身的技術優勢積極拓展新能源產品領域的相關業務。

比亞迪為全球領先的二次充電電池製造商之一，主要客戶包括諾基亞、三星、摩托羅拉、華為、中興等手機領導廠商，以及博世、TTI等全球性的電動工具及其他便攜式電子設備廠商。本集團生產的鋰離子電池及鎳電池廣泛應用於手機、數碼相機、電動工具、電動玩具等各種便攜式電子設備和電動產品。

作為全球最具競爭能力的手機部件及組裝業務的供應商之一，本集團可以為客戶提供垂直整合的一站式服務，設計並生產外殼、鍵盤、液晶顯示模組、攝像頭、柔性線路板、充電器等手機部件，並提供整機設計及組裝服務，但不生產自有品牌的手機。該業務的主要客戶包括諾基亞、蘋果、HTC、摩托羅拉、華為、中興等手機領導廠商。

自二零零三年拓展汽車業務以來，憑藉集團產品的高性價比優勢及具備國際標準的卓越質量，集團的汽車業務一直高速增長，根據汽車工業協會統計數據，於二零一一年位列中國乘用車生產企業前十名、自主品牌生產企業前三名。目前，集團累計產銷超過百萬輛轎車，奠定了比亞迪作為國內自主品牌領導者的地位。

二零零八年九月，Berkshire Hathaway旗下附屬公司MidAmerican Energy Holdings Company(中美能源控股公司)與本公司簽署協議，認購本公司2.25億股H股(佔目前本公司總股本的9.56%)，成為集團的長期投資戰略夥伴。二零一一年二月，集團與Daimler AG(戴姆勒)的合資公司正式成立，以共同研究及開發新電動車。二零一一年六月，公司首次向中國社會公眾公開發行人民幣普通股(A股)7,900萬股並在深圳證券交易所(「深交所」)中小企業板上市。

新能源業務是比亞迪未來發展的重要方向，憑藉自身在新能源業務領域的技術和成本優勢，集團將積極拓展新能源產品領域的相關業務，推動業務長遠及可持續發展。



## **CONTENTS**

<b>2</b>	Financial Highlights
<b>4</b>	Corporate Information
<b>5</b>	Chairman's Statement
<b>6</b>	Management Discussion and Analysis
<b>16</b>	Directors, Supervisors and Senior Management
<b>20</b>	Corporate Governance Report
<b>24</b>	Report of the Directors
<b>30</b>	Report of the Supervisory Committee
<b>31</b>	International Auditors' Report
<b>32</b>	Consolidated Income Statement
<b>33</b>	Consolidated Statement of Comprehensive Income
<b>34</b>	Consolidated Statement of Financial Position
<b>36</b>	Consolidated Statement of Changes in Equity
<b>37</b>	Consolidated Statement of Cash Flows
<b>39</b>	Statement of Financial Position
<b>40</b>	Notes to Financial Statements
<b>104</b>	Five Year Financial Summary

# FINANCIAL HIGHLIGHTS

## FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

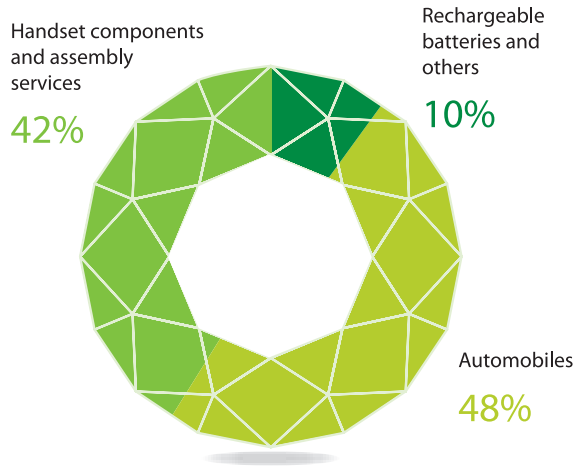
	2011 RMB'000	For the year ended 31 December			
		2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	<b>46,312,282</b>	46,685,349	39,469,454	26,788,253	21,211,213
Gross profit	<b>6,867,025</b>	8,264,374	8,564,731	5,218,836	4,247,687
Gross profit margin (%)	<b>15</b>	18	22	19	20
Profit attributable to equity holders of the parent	<b>1,384,625</b>	2,523,414	3,793,576	1,021,249	1,611,711
Net profit margin (%)	<b>3</b>	5	10	4	8

	2011 RMB'000	As at 31 December			
		2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Net assets (less minority interests)	<b>21,124,517</b>	18,460,319	16,682,357	11,285,568	10,708,118
Total assets	<b>66,881,036</b>	53,874,663	40,735,597	32,891,145	29,288,491
Gearing ratio (%) (Note)	<b>70</b>	65	8	66	24
Current ratio (times)	<b>0.66</b>	0.65	0.94	1.04	1.05
Trade and bills receivables turnover (days)	<b>71</b>	71	73	77	75
Inventory turnover (days)	<b>62</b>	54	70	100	87

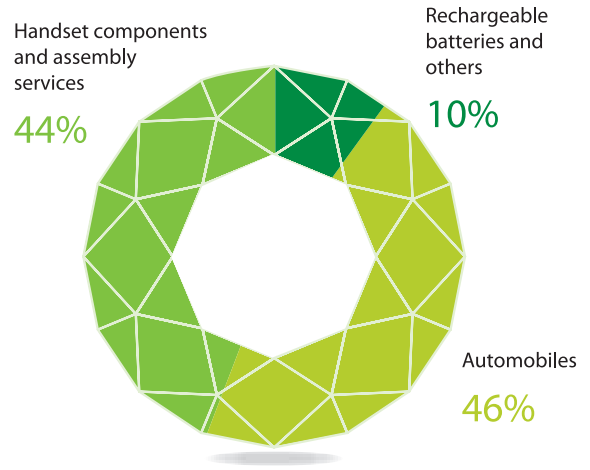
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

## TURNOVER BREAKDOWN BY PRODUCT CATEGORIES

### 2011

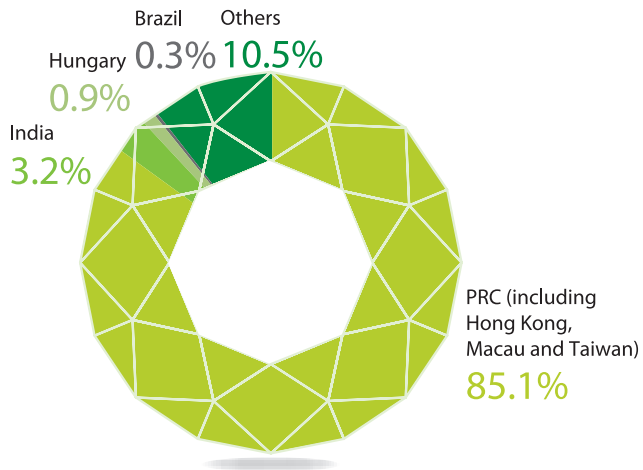


### 2010

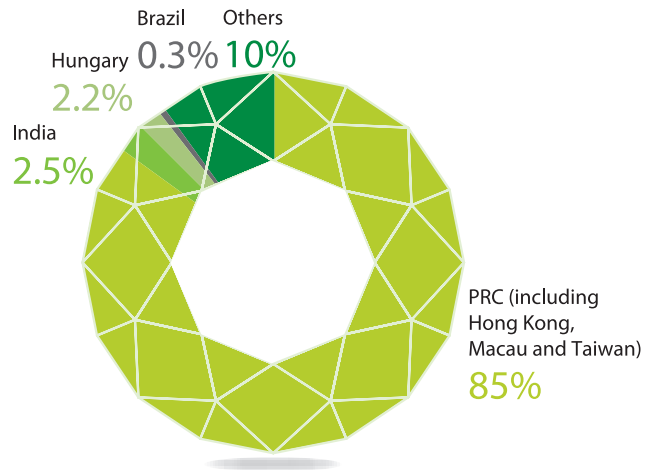


## TURNOVER BREAKDOWN BY LOCATIONS OF CUSTOMERS

### 2011



### 2010





# CORPORATE INFORMATION

## EXECUTIVE DIRECTOR

Wang Chuan-fu

## NON-EXECUTIVE DIRECTORS

Lu Xiang-yang  
Xia Zuo-quan

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Dong  
Wu Chang-qj  
Li Lian-he

## SUPERVISORS

Dong Jun-qing  
Li Yong Zhao  
Zhang Hui-bin  
Wang Zhen  
Yan Chen

## COMPANY SECRETARY

Wu Jing-sheng

## AUDIT COMMITTEE

Lu Xiang-yang  
Li Dong (Chairman)  
Wu Chang-qj  
Li Lian-he

## REMUNERATION COMMITTEE

Wang Chuan-fu  
Xia Zuo-quan  
Li Dong  
Wu Chang-qj (Chairman)  
Li Lian-he

## NOMINATION COMMITTEE

Wang Chuan-fu  
Lu Xiang-yang  
Li Dong  
Wu Chang-qj  
Li Lian-he (Chairman)

## STRATEGY COMMITTEE

Wang Chuan-fu (Chairman)  
Lu Xiang-yang  
Xia Zuo-quan  
Wu Chang-qj  
Li Lian-he

## AUTHORIZED REPRESENTATIVES

Wang Chuan-fu  
Wu Jing-sheng

## LEGAL ADDRESS

Yan An Road  
Kuichong  
Longgang District  
Shenzhen  
Guangdong Province  
The PRC

## INTERNATIONAL AUDITORS

Ernst & Young

## DOMESTIC AUDITORS

Ernst & Young Hua Ming

## PLACE OF BUSINESS IN HONG KONG

Unit 1712, 17th Floor  
Tower 2  
Grand Central Plaza  
No. 138 Shatin Rural Committee Road  
New Territories  
Hong Kong

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## INVESTOR AND MEDIA RELATIONS CONSULTANT

iPR Ogilvy Ltd.  
Tel: (852) 2136 6185  
Fax: (852) 3170 6606

## WEBSITE

[www.byd.com.cn](http://www.byd.com.cn)

## STOCK CODE

H Shares: 01211(Hong Kong Stock Exchange Company Limited  
("Hong Kong Stock Exchange"))  
A Shares: 002594(Shenzhen Stock Exchange)

## Dear shareholders,

On behalf of the Board of Directors (the "Board") of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2011 (the "Year").

2011 was a challenging and commemorative year for BYD. During the year, the Group made an IPO of RMB ordinary shares to raise approximately RMB 1.4 billion. The successful return to the A share market is an important milestone in the growth of the Group as it has not only provided additional funds for the Group's long-term development, but also built a new financing platform to achieve the unity of capital market and product market for the Group.

Reviewing 2011, the global economy was highly volatile. Sales volume of the Group's automobiles declined during the reporting period as compared to 2010 due to factors such as significant slowing growth of domestic automobile market and the decrease in overall market share of domestic brands. For handset components and assembly business, business development experienced greater pressure during the year due to the decreased market share of the Group's largest customer. Meanwhile, the Group was also active in developing emerging smart phone manufacturers as new customers and offered new products, laying a more solid foundation for our future sustainable development. As regards rechargeable battery business, the Group continued to maintain its leading position in the lithium-ion and nickel batteries market, actively engaged in the research and development of lithium ferrous phosphate batteries and solar cell products, and further promoted the use of lithium ferrous phosphate batteries in the areas of electric vehicles and energy storage stations which has made good progress. During the Year under review, turnover of the Group decreased by 0.8% to RMB46,312 million. Profit attributable to equity holders of the parent company was RMB1,385 million. Earnings per share were RMB0.6. The Board of Directors did not recommend a final dividend for the year ended 31 December 2011.

Since the commencement of automobile business in 2003, the Group has created a sustainable advantage of high value for money by leveraging its vertical integration operation. The Group's products have received wide recognition in the market, driving the rapid development of the Group's automobile business. The Group has launched a series of models to meet the needs of different users, including the F3 series models and the F6, F0 and M6. During the year, the Group persisted in technology and quality as its development focus, enhanced the general quality and performance of existing models, and introduced the first SUV model S6 and medium-to-high-end sedan G6 new models, all with excellent market performance. The two new models not only proved BYD's outstanding R & D strength, but also become a new bright spot for our automotive business. Apart from traditional automotive business, the Group's new energy automotive business continued to operate smoothly. The Group was the exclusive supplier of electric vehicles for the 26th Summer Universiade. As of the date of this report, about 300 units of electric taxi e6 are operating in Shenzhen, while e6, the first pure electric cars for individuals, were officially launched in Shenzhen in October 2011, while the first pure electric buses K9 also commenced trail operation as public buses in Shenzhen in January 2011 with excellent performance. During the year, 200 units of electric buses were sold. In addition, the joint venture, established by the Group and Daimler AG ("Daimler") for the development of new electric vehicles, is expected to release the latest model in 2012. As for handset components and assembly business, growth of global mobile phone shipments has slowed down during the year with intensifying market competition. Smart phones continued to increase market shares and become

the main driver for the growth of the global handset market. During the year, with the gradual transformation of the largest customer of the Group's handset components and assembly business, the decline in its market share had certain impact on the Group's handset components and assembly business. On the other hand, the Group also actively explored other emerging smart phone manufacturers as new customers, provided new products and continuously improved its customer and product structures.

New energy business is the latest highlights of the Group's rechargeable batteries business. During the year, the Group further promoted its new energy plan dominated by electric vehicles and energy storage stations. For energy storage station business, the Group is the successful bidder for the new world-class energy project "National demonstration project for scenery storage" in Zhangbei which has successfully been delivered. Currently the world's largest comprehensive platform for utilization of new energies, the project reflects the good progress of commercial operation of the Group's new energy business and its recognition by the market. For solar business, affected by changing economic environment and the supply and demand of global solar energy products in major markets, prices of global PV products dropped significantly in 2011 which has a greater impact on the Group's solar business, bringing certain pressure on our overall operating results.

After the period of adjustment in 2011, the Group has made different degrees of upgrading and improvement in various aspects from development pace, product R&D, product structure to sales network. The Groups expects the effectiveness of the various improvement measures will gradually realize in 2012 and the operation status will resume normal and maintain steady.

In 2012, the Group expects the automobile market to rebound during the whole year. Following the success of S6 and G6, the Group will continue to introduce new models and upgrade some of the old models. For the electric vehicle market, the Group will continue to accelerate industrialization pace of electric vehicles and actively explore overseas markets. For handset components and assembly services, in the face of the great opportunities of market transition, the Group will actively secure more orders for smart phones and related high-end consumer electronics to enhance its market share in the smartphone market and further broaden income sources. For rechargeable battery business, the Group will strengthen R & D, manufacturing and sales of solar cells, strive to seize opportunities for development of emerging markets, and continue to promote the energy storage station business, providing greater power for the ultimate realization of the Group's "Silicon Iron Strategy".

Undertaking its responsibilities as a good corporate citizen is a corporate culture of all the staff members of BYD. BYD will be committed to the social responsibilities that lie in the heart of corporate spirit, persist in giving back to the society and realize energy conservation and emission reduction through the development of new energy and new energy vehicle businesses in order to contribute efforts to the social development of the world that it deserves.

Finally, on behalf of BYD, I would like to express gratitude to our loyal customers, business partners, investors and shareholders for their support and trust in the Group and all the staff members who have been alongside with and made contribution to the Group in the past year. BYD will continue to promote the development of all business areas and focus on making the biggest return for the shareholders.

**Wang Chuan-fu**  
*Chairman*

Shenzhen, the PRC, 23 March 2012

## INDUSTRY ANALYSIS AND REVIEW

### Automobile Business

In 2011, the growth momentum of China's automobile industry slowed down due to factors such as the macroeconomic control, the withdrawal of stimulus policies for the automobile industry and the implementation of purchase restriction order in certain cities. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volumes of automobiles in China during 2011 were approximately 18.42 million units and 18.51 million units respectively, representing an increase of approximately 0.84% and 2.45% year-on-year, representing the lowest growth rate in production and sales volumes over the past 13 years. Despite the various negative factors, the sales volume of the sport utility vehicles (SUV) recorded a significant increase. During the year, sales volume of SUV was approximately 1.59 million units, representing an increase of 20.19% year-on-year. The market share domestic





brands shrank during the reporting period as they were more sensitive to factors such as the withdrawal of stimulus policies and the implementation purchase restriction order than foreign brands. During the reporting period, the total sales volume of domestic branded passenger vehicles amounted to approximately 6.11 million units, decreased by 2.56% year-on-year and accounted for 42.23% of the total sales volume of passenger vehicles. Despite the fall in the market share, domestic brands still dominated the passenger vehicle market.

With increasing awareness of energy crisis and concerns about energy saving and environmental protection, the demand for new energy automobiles is growing furiously. Global automobile giants have devoted more and more resources in the research and development of new energy automobiles, various models were launched to the market and technologies for new energy automobiles became more sophisticated. In China, with strengthening promotion of various industry policies, electric vehicles maintained its strong momentum and new energy automobiles realized a large-scale operation in many pilot cities throughout the country.

#### **Handset Components and Assembly**

According to Gartner, a market research institution, the global output of handsets was approximately 1,775 million units in 2011, representing a year-on-year increase of approximately 11.13% and a slowdown in the global handset industry. The output of smart phones increased by 57.85% to approximately 472 million units and its percentage of the global output of handsets increased to 26.59%. During the reporting period, smart phones represented by iPhone continued to be the major growth driver of global handset output. Smart phones have gradually changed the competition landscape of the global handset market. New brands and new platform systems became the mainstream in the handset market with increasing market share, industry consolidation was imperative and the market share of traditional handset manufacturers shrank. In China, the smart phone market showed a strong growth momentum, recording an output second to that of the USA during the reporting period and making China the second largest smart phone market in the world.

During the reporting period, the rapid penetration of domestic 3G accelerated the growth of handset sales to a certain extent. According to the statistics released by market research institutes, China recorded a substantial increase in 3G new subscribers in 2011, with total users exceeding 128 million. The sustained increase in 3G subscribers has driven the sales of 3G handsets and become a major growth driver of domestic handset market.



#### **Rechargeable Batteries and New Energy Business**

Due to slowdown of traditional handset industry and shrinking market share of notebook computers, the market demand for lithium-ion batteries was affected during the reporting period. On the other hand, the slump in the European and US economies directly impacted the demand for electric tools and toys, further affecting upstream suppliers of nickel batteries.

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

In 2011, the market demand for solar photovoltaic in Europe was affected by policy adjustments, with the growth rate of the demand in some European countries showing a decline trend. As the European solar photovoltaic market accounts for approximately 80% of global installed capacity, the decline in demand in the European market resulted in oversupply across the industry chain.

## BUSINESS REVIEW

The Group is principally engaged in automobile business (including traditional fuel-powered vehicles and new energy vehicles), handset components and assembly services and rechargeable battery business. During the reporting period, the Group recorded sales revenue for automobile business of approximately RMB22,136 million, representing an increase of 2.72% year-on-year; the handset components and assembly business recorded revenue of approximately RMB19,557 million, representing a slight decrease of 4.85% year-on-year; and the rechargeable battery business recorded revenue of approximately RMB4,620 million, representing an increase of 0.84% year-on-year.

### Automobile Business

Due to factors such as the significant downturn of domestic automobile market and the declined overall market share of domestic brands, the Group recorded a decrease in sales volume of automobiles during the reporting period as compared to 2010. During the reporting period, the Group sold a total of 437 thousand vehicles, down 13.33% year-on-year. The Group recorded a sales revenue for automobile business of approximately RMB22,136 million, representing a slight increase year-on-year, and a gross profit margin of 19%, a decrease of 2 percentage points year-on-year. Despite a decline in the Group's sales volume of automobiles, the revenue of the Group's automobile business still recorded a slight growth as a result of the benefits from changes in the mix of automobile models.

Since the commencement of automobile business in 2003, the Group has created a sustainable advantage of high value for money by leveraging its vertical integration operation. The Group's products have received wide recognition in the market, driving the rapid development of the Group's automobile business. During the reporting period, the Group persisted in technology and quality as its development core by upgrading the overall quality and performance of its existing models and launching two new models, namely S6 and G6. However, gross profit margin of the automobile business remained under pressure during the year due to factors such as intense market competition, fluctuations in raw material prices and increasing labor cost.

In May 2011, the Group launched the first design of the SUV-S6 model, which was well received by consumers for its high quality and value for money advantage. Being the typical representative of the Group's latest quality benchmark, S6 has absorbed the moulding technologies from global top moulding plants and was equipped with the comprehensive humanised and intelligent electronic equipment of BYD for enhancing driving fun and user experience for consumers. According to China Association of Automobile Manufacturers, S6 has become the top selling model among the SUV models in many provinces since its debut in the market, won many annual SUV awards and become one of the leading SUV models. By the end of 2011, a total of approximately 60,000 units of S6 were sold. The launch of S6 not only enriched the product mix of the Group, but also became a new growth focus for the automobile business.

In September 2011, the Group launched a medium-to-high-end sedan G6 which was equipped with the turbo charged direct injection engine and the DCT gearbox for the first time, and with a series of electronic devices. With its sophisticated power performance and intelligent electronic technology, G6 not only proved the strong R&D capabilities of BYD, but also demonstrated the highly effective integrated innovation capability of BYD. The Group will progressively use the turbo direct injection engine and the DCT gearbox in other models to significantly enhance the value for money advantage and market competitiveness of the Group's products.

In addition, the Group actively promoted the development and usage of electric vehicles during the reporting period. As the first pure electric vehicle launched by the Company, e6 commenced a demonstration operation in Shenzhen as taxis in 2010 in good condition. By the end of 2011, there were approximately 300 units of e6 taxis operating in Shenzhen. The Group's first e6 pure electric vehicle targeting end-users was also launched in Shenzhen in October 2011, marking a key step in its effort to develop the individual consumer market. Furthermore, the Group's first model of pure electric bus K9 commenced a trial operation in Shenzhen in January 2011 with satisfactory performance. During the reporting period, the Group also exclusively provided 200 units of pure electric buses K9 and 250 units of pure electric taxis e6 as the transportation and official vehicles for the 26th Summer Universiade (hereinafter referred to





## MANAGEMENT DISCUSSION AND ANALYSIS (continued)



as the “Universiade”). These two electric vehicle models not only achieved the target of “zero emission” transportation in the central area of the Universiade, but also witnessed the strong R&D ability and stable performance of the Group’s electric vehicles. Besides promoting electric vehicles in China, the Group actively approached relevant overseas institutions during the reporting period to explore the opportunity of commencing trial operation of electric vehicles in overseas markets. Currently, these projects are going smoothly.

Shenzhen BYD Daimler New Technology Co., Ltd., the joint venture between the Group and Daimler, was formally established during the reporting period. Capitalizing on the technical strengths of the two parties, the joint venture is committed to researching and developing new energy vehicles for the Chinese market, with related projects advancing smoothly. The latest model is expected to be launched in 2012.

### Handset Components and Assembly Services

For handset components and assembly business, the Group provides customers with vertically integrated one-stop services, including design and production of handset

components like cases, keyboards, LCD modules, lens, flexible circuit boards and chargers, etc., as well as handset design and assembly. Currently, the Group is one of the most competitive suppliers of handset components and assembly service in the world. Major customers include Nokia, Apple, HTC, Motorola, Huawei, ZTE and other global leading manufacturers of electronic products.





In 2011, the Group's handset components and assembly business maintained stable development and achieved a sales revenue of approximately RMB19,557 million, representing a slight decrease of 4.85%. Affected by the change in product mix, decrease in sales to major customer, intense market competition and rising costs, gross profit margin for the year decreased by 2 percentage points year-on-year to 12%.

During the reporting period, with gradual transformation of the largest customer of the handset components and assembly business, its market share also declined. This had a certain impact on the Group's handset components and assembly business during the reporting period. On the other hand, the Group actively sought to include other emerging smart phone manufacturers in its new customer list and provide them with new products, thereby ensuring the continued improvement in the Group's customer and product mixes.

### Rechargeable Battery and New Energy Business

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries which are widely used in mobile phones, digital cameras, electric tools, electric toys and various portable electronic devices. The Group is also actively researching and developing lithium ferrous phosphate batteries and solar battery products and is committed to applying such products in areas like new energy vehicles, energy storage stations, photovoltaic power plants and etc.

During the reporting period, the Group's rechargeable battery business achieved a sales revenue of approximately RMB4,620 million, representing a slight increase year-on-year. Lithium-ion battery and nickel battery businesses were adversely affected by the decrease in demand for traditional mobile phones and electric tools and recorded a decrease in sales revenue for the reporting period. During the reporting period, despite increase in sales income of solar business, due to the influence of economic downturn in Europe on the solar industry, the performance of the Group's solar business was worse than expected.

During the reporting period, the Group promoted its new energy plan focusing on electric vehicles, solar batteries and energy storage stations and expanded the commercial operation of new energy business. The Group has increased investment in enhancing the production capacity of lithium ferrous phosphate batteries and actively explored the application fields. During the reporting period, lithium ferrous phosphate batteries were widely used in electric vehicles and energy storage stations of the Group, fully showing the commercial reliability of lithium ferrous phosphate batteries .

As for the solar business, affected by the change in economic conditions in major markets and the global demand and supply of solar products, global prices of photovoltaic products dropped drastically in 2011. This had a great impact on the solar business of the Company, which created certain pressures on the overall operating results of the Group.

As an important part of the Group's "Silicon-Iron Strategy", the energy storage station business was well developed during the reporting period. Supported by the State's encouraging policies for new energy development, the Group actively participated in the related new energy projects and secured various orders from a number of domestic and overseas power grid groups and commercial institutions. During the year, the Group won the bid for a world-class new energy project "National Wind and Photovoltaic Energy Storage and Transmission Demonstration Project", which was officially put into operation in Zhangbei County, Zhangjiakou City, Hebei Province in December 2011. As the largest comprehensive utilization platform of new energy at present, this "four-in-one" renewable energy project integrates wind power generation, photovoltaic power generation, energy



# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

storage and electricity transmission. The Group provided the lithium ferrous phosphate energy storage system at 6MW / 36MWh in this project and achieved full power on-grid operation in good condition. The on-grid operation for almost one year, four 500kW energy storage subsystems provided by BYD to China Southern Power Grid passed the inspection in December 2011.

## A SHARES ISSUE

During the year, the Group made its initial public offer to issue 79 million shares of Renminbi-denominated ordinary shares (A Shares) in the PRC at the issue price of RMB18.00 per share with total proceeds of RMB1.422 billion. After deducting various fees in respect of the issuance, the net proceeds raised amounted to approximately RMB1.354 billion. The A Shares of the Group were listed on the SME Board of Shenzhen Stock Exchange on 30 June 2011. As of 31 December 2011, the Group used up the above proceeds raised to replace those for the purpose of the investment projects which were in advance invested in the proceeds from the initial public offering of A Shares.

## ISSUE OF CORPORATE BONDS

On 27 December 2011, the Group received the "Approval on the Issue of Corporate Bonds by BYD Company Limited to the Public" (Zheng Jian Xu Ke [2011] No. 2081) from the China Securities Regulatory Commission approving the Company to issue domestic corporate bonds in an aggregate principal amount of not more than RMB6 billion to the public in the PRC. The Domestic Corporate Bonds will be issued in multiple tranches, with the first tranche in an amount of not less than 50% of the aggregate principal amount of the Domestic Corporate Bonds to be issued within six months from the date of approval of the issue and the other tranches to be issued within 24 months from the date of approval of the issue. The Approval will be valid for 24 months from the date of approval of the issue. For details, please refer to the announcements issued by the Group on 26 August, 9 December and 28 December 2011 respectively.

## FUTURE PROSPECTS AND STRATEGIES

The Group expects the business environment remains challenging in 2012. The prospect for global economic growth are still uncertain, with slow economic recovery in the United States and continuous spreading of the European debt crisis, which make the demand in overseas markets difficult to fully recover. While the domestic market is adversely affected by the downside risk from the international market, it also faced with the risks of domestic inflation and tightening policies, which will not only affect consumers' confidence and willingness, but also partially weaken national spending power. However, as the engine of global economic recovery, China's enormous domestic demand and low effective interest rates will help it avoid an economic hard landing.

Since the adjustment in 2011, the Group has made various improvement and enhancement in different respects from the development pace, product development, product structure to the sales network. The Group expects the effectiveness of the various improvement measures will be gradually reflected in 2012 and there will be a recovery of growth in operation results. In the coming year, the Group's management will tackle changes in the domestic and international macroeconomic environments, increase investment in research and development, strictly control quality and cost, striving to increase the market competitiveness of the Group's products and brand influence and accelerate the development of the new energy-related businesses.

## Automobile Business

Looking forward to 2012, the Group expects that the impact of the tightening monetary policies and the withdrawal of the industry stimulation policy on the domestic automobile industry will gradually fade out. The annual sales of automobile are expected to usher in a recovery of growth. Currently, the domestic vehicle ownership per capita is still low. With the continuous urbanization and steady improvement in income, the prospects for the automobile industry remain optimistic.

In respect of conventional automobiles, the Group expects that the highly popular S6 and G6 will enjoy impressive sales. Leveraging its value for money advantage and the ever growing market scale, it is expected the sales volume of S6 and G6 will continue to grow, which will drive the steady growth of the Group's automobile sales. In addition, the Group will launch new automobile models and upgrade several existing old models to keep abreast of market demand in 2012. The Group will continue to improve the distribution of its sales network in China, strengthen communication with the distributors, exert efforts to enhance the sales and profitability of distributors, aiming to achieve a stable growth in sales channels.

Under the National Outline of Scientific and Technological Development During the "Twelfth Five-Year Plan" Period (《國家十二五科學和技術發展規劃》), new energy vehicles will be demonstrated and promoted in more than 30 cities in large scale over the next five years. Local governments have also successively introduced various financial subsidies and preferential policies, set up industrial bases and formed industry alliances. The commercial development of new energy automobiles has been sped up in various regions. If the development of new energy automobiles in the above cities progresses rapidly and operates well, this will have significant exemplary effect on other cities. With successive introduction of plans on new energy automobiles in the future, it is expected that the production and sales volumes of new energy automobiles will dramatically increase in China in the next few years.

As for the electric vehicle business, the Group will speed up commercialization of electric vehicles, promote electric vehicles in the pilot cities, and actively expand overseas markets. The launch of BYD Daimler electric vehicles in the future will enrich the Group's automobile product portfolio, bringing new income and profit sources for the Group. The Group will strive to become the leader of the new energy automobile industry with strong battery technology, automobile research and development capability and excellent vertical integration ability.

### Handset Components and Assembly Services

In 2012, global economic uncertainty will affect the global handset industry. However, the smart phone market is expected to maintain a rapid growth. A market research agency anticipates the global sales of smart phones will reach over 1 billion units by 2015, with revenue ultimately accounting for nearly 80% of the total revenue of the handset industry.

With the booming development of smart phones, mobile internet and tablet PCs, the Group has actively adjusted its development strategy to capture the enormous opportunities arising from the market transformation. The Group will secure more orders for smart phones and related high-end consumer electronic products so as to increase its share in the smart phone market and expand its income sources. Meanwhile, the Group will strengthen the development of 3G handsets to further expand ODM business of 3G handsets. The Group will also explore new business and introduce more new customers of international branded manufacturers, hence creating new growth drivers while strengthening and enhancing the Group's overall competitiveness in the handset components and assembly industry.

### Rechargeable Batteries and New Energy Businesses

Affected by the global macroeconomic environment, it is expected that the growth in the global demand for batteries of handsets, electric tools and electronic toys will remain stable in 2012. The Group will actively develop application areas for battery products (such as the fast growing lithium ion batteries for smart phones) so as to diversify product mix, expand sales channels, maintain a steady market share, and to consolidate and strengthen its leading position in the rechargeable battery market.

Meanwhile, the Group will enhance research and development and commercialization of new model batteries for application in areas such as electric vehicles and energy storage stations.

The concern about energy and environment has prompted more active pursuits for future sustainable energy solutions across the world. Among such solutions, solar energy, as a kind of clean energy, is abundant with the characteristic of balanced distribution, and has received increasing attention and policy support. For solar energy, apart from the initial investment cost, power generation cost is extremely low. It also has the characteristic of close to the electricity end-users, which solves the problem of long distance electricity transmission, reduces the investment in power grids, enhances transmission efficiency and becomes an important development direction for global clean energy. The new energy industry in China is one of the seven strategic emerging industries in the 12th Five-Year Plan. As solar energy is an important new energy, local governments successively formulated and implemented subsidy policies (including for on-grid electricity prices), and industrial plans to accelerate the application and promotion of solar photovoltaic in China. In the future, the Group will increase investment in the development, manufacturing and sales of solar batteries and endeavour to reduce production costs, improve product quality and grasp development opportunities in the industry to promote the sustainable development of the Group's solar battery business.

With the rapid increase in global installed capacity of new energy sources such as solar and wind power, the proportion of new energy power connected to power grids will increase rapidly. The instability of new energy power has led to a strong market demand for energy storage stations. With its advantages in response time, stored energy efficiency and construction conditions, energy storage batteries will play a greater role in the peak-low power supply adjustment of smart grids and energy conservation and consumption reduction. In addition, affected by the nuclear crisis in Japan, the market demand for family and commercial energy storage systems will further increase. In the future, the Group will promote the business relating to energy storage stations to provide a greater driving force for the ultimate realization of the "Silicon-Iron strategy" of the Group.

### Forecasted operating results for January to March 2012

Forecasted operating results for January to March 2012	Net profit attributable to equity holders of the parent				
	Net profit decrease more than 50% year-on-year				
Forecasted range of year-on-year change of net profit attributable to equity holders of the parent for January to March 2012	Net profit attributable to equity holders of the parent decrease over the same period of the previous year as follows:	65.00%	~ ~	95.00%	
Operating results for January to March 2011	Net profit attributable to equity holders of the parent (RMB)	266,740,763.00			
Reasons for change in performance	In January to March 2012, the results of automobile business and handset components and assembly business were equivalent to that of the same period of the previous year, but the results of solar business under the rechargeable battery business recorded a larger decline as compared with the same period of the previous year.				

# MANAGEMENT DISCUSSION AND ANALYSIS (continued)

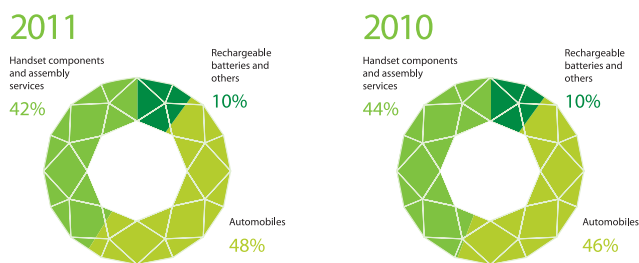
## FINANCIAL REVIEW

### Turnover and Profit attributable to Equity Holders of the Parent Company

During the Year, turnover decreased by 0.8% as compared to that of 2010, mainly due to the impact from certain customers of the handset components and assembly services. Profit attributable to equity holders of the parent company decreased by almost 45% as compared to the same period of the previous year, mainly attributable to the dampening of the rechargeable battery and solar business due to the weak European and American markets.

### Segmental Information

The table below sets out comparisons of the Group's turnover by product category for the years ended 31 December 2011 and 2010:



During the Year, the three major businesses of the Group maintained a steady growth, accordingly, the proportion of the three businesses are almost the same as last year.

### Gross Profit and Margin

During the Year, the Group's gross profit decreased by approximately 17% to approximately RMB6,867 million. Gross profit margin decreased from approximately 17.70% in 2010 to approximately 14.83% during the Year. The slight decrease in gross profit margin was due to intense market competition and the change in product mix.

### Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB5,984 million, compared with approximately RMB3,139 million in 2010. Total borrowings as at 31 December 2011, including all bank loans, were approximately RMB18,421 million, compared with approximately RMB14,052 million as at 31 December 2010. The maturity profile of the bank loans thereof spread over a period of ten years, with approximately RMB11,342 million repayable within one year and approximately RMB2,968 million in the second year, approximately RMB3,799 million within three to five years and approximately RMB312 million over five years. The increase in total borrowings was due to the increase in capital expenditure for the expansion of production capacity and business development. The Group maintained adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

Turnover days of accounts and bills receivables remained relatively stable and stood at approximately 71 days for the year ended 31 December 2011, compared to approximately 71 days for the same period in 2010. Inventory turnover days increased from approximately 54 days for the year ended 31 December 2010 to approximately 62 days for the year ended 31 December 2011. The lengthening of inventory turnover days was mainly attributable to the slight change in sales and cost of sales during the period as compared to the same period last year, the average inventory was much higher as compared to the same period last year.

### 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 senior management. As at 31 December 2011, borrowings were primarily settled in Renminbi, while cash and cash equivalents were primarily held in Renminbi and US dollar. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the period. The loans remaining outstanding as at 31 December 2011 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

### Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are settled in Renminbi and US dollar. During the period, the Group did not experience any significant difficulties in 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 applicable measures to prevent exposure to exchange rate risk.

### Employment, Training and Development

As at 31 December 2011, the Group had over 170,000 employees. During the period, total staff cost accounted for approximately 17% of the Group's turnover. Employees' remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal development.

### Share Capital

As at 31 December 2011, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
Domestic shares	1,561,000,000	66.31
H shares	793,100,000	33.69
Total	2,354,100,000	100.00



## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period from 1 January 2011 to 31 December 2011. During the period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

## CAPITAL COMMITMENT

Please refer to note 38 to the financial statements for details of capital commitments.

## CONTINGENT LIABILITIES

Please refer to note 36 to the financial statements for details of contingent liabilities.

## ENVIRONMENTAL PROTECTION

- (1) On 7 September 2011 and 13 September 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found emitting exhaust of excessive concentration and that the outlets of its exhaust pipes were not fully closed during the field investigations by the Shenzhen Habitat Environment Committee. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 366)" to order the subsidiary to stop the emission and pay a fine of RMB70,000.
- (2) On 13 October 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found discharging untreated exhaust during the site investigation of the Shenzhen Habitat Environment Committee. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 367)" to order the subsidiary to stop the emission and pay a fine of RMB50,000.

- (3) On 1 November 2011, 5 November 2011, and 6 November 2011, during the site investigations and monitoring of the Shenzhen Habitat Environment Committee, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found emitting exhaust of excessive concentration. On 1 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 369)" to order the subsidiary to pay a fine of RMB100,000.
- (4) On 22 November 2011, the Company's subsidiary BYD Precision Manufacture Co., Ltd. was found emitting exhaust of excessive concentration during the field investigation of the Shenzhen Habitat Environment Committee. On 26 December 2011, the Shenzhen Habitat Environment Committee issued the "Written Decision of Administrative Penalty (Shen Ren Huan Fa Zi [2011] No. 418)" to order the subsidiary to pay a fine of RMB100,000.

All the above penalties were caused by the spray lines of the Company's subsidiary BYD Precision Manufacture Co., Ltd. which was engaged in handset components and assembly business. Subsequent to the above penalties, the Company has made rectification according to the requirements. After completion of the rectification, emission of pollutants will be up to standards and comply with national and local environmental protection requirements.

During the reporting period, the company had no other environmental protection or significant social security issues.

# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTOR

### Wang Chuan-fu

Mr. Wang Chuan-fu, born in 1966, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently Central South University) in 1987 with a bachelor degree majoring in metallurgy physical chemistry, and then graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) in the PRC in 1990 with a master degree majoring in metallurgy physical chemistry. Mr. Wang held positions as vice supervisor in Beijing Non-Ferrous Research Institute, general manager in Shenzhen Bi Ge Battery Co. Limited. In February 1995, he founded Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) with Lu Xiang-yang and took the position of general manager. He is the Chairman, an Executive Director and the President of the Company responsible for overseeing the general operations of the Group and determining the business strategies for the Group. He is a non-executive director and the chairman of BYD Electronic (International) Company Limited, a director of Shenzhen BYD Daimler New Technology Co., Ltd. and a director of BYD Charity Foundation.

Mr. Wang, being a technology expert, enjoyed special allowances from the State Council. In June 2003, he was awarded Star of Asia by BusinessWeek. He was awarded with Mayor award of Shenzhen in 2004 (二零零四年深圳市市長獎) and "The 2008 CCTV Man of the Year China Economy Innovation Award", etc.

## NON-EXECUTIVE DIRECTORS

### Lu Xiang-yang

Mr. Lu Xiang-yang, born in 1962, Chinese national with no right of abode overseas, bachelor degree holder, economist. Mr. Lu worked at Chaohu Centre Branch of the People's Bank of China (中國人民銀行巢湖中心分行). In February 1995, he founded Shenzhen BYD Battery Company Limited with Mr. Wang Chuan-fu. He is the Vice Chairman and a Non-Executive Director of the Company and also the chairman of Guangzhou Youngy Investment & Management Group Company Limited (廣州融捷投資管理集團有限公司) ("Guangzhou Youngy"), Guangzhou Mingyue Real Estate Development Company Limited (廣州明粵房地產開發有限公司), Chaohu Youngy Metal Technology Company Limited (巢湖市融捷金屬科技有公司) and Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), the executive director and general manager of Shenzhen Youngy Guarantee Company Limited (深圳融捷擔保有限公司), the executive director and manager of Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), a Director of Ganzi Rongda Lithium Industry Co., Ltd. (甘孜州融達鋰業有限公司) and the Vice chairman of BYD Charity Foundation.

### Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology of Beijing (北京科技大學)) from 1985 to 1987 and he graduated from Guanhua School of Management of Peking University with an MBA in 2007. Mr. Xia worked in the Hubei branch of The People's Insurance Company (中國人民保險公司) and joined Shenzhen BYD Battery Company Limited in 1997 and held positions as an Executive Director and a Vice President of the Company. He is a Non-Executive Director of the Company and the Chairman of Shenzhen Zhengxuan Investment (Holdings) Co., Ltd (深圳市正軒投資有限公司) and Beijing Zhengxuan Zhongteng Investment Co., Ltd (北京正軒中騰投資有限責任公司), an Executive Director of Zhangjiagang Applica Technology Co., Ltd (張家港雅普利華生物科技有限公司), the director of Shenzhen RAMOS Digital Technology Co., Ltd. (深圳市藍魔數碼科技有限公司) and Shenzhen UniFortune Supply Chain Service Co., Ltd. (深圳市聯合利豐供應鏈管理有限公司), and the Vice-chairman of BYD Charity Foundation.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Li Dong

Ms. Li Dong, born in 1964, Chinese national with no right of abode overseas, bachelor degree holder, registered accountant and registered assets appraiser in the PRC. Ms. Li graduated from the department of finance and politics of the Beijing Finance and Trade Academy (北京財貿學院) (now known as Capital University of Economics and Business (首都經濟貿易大學)) in 1986 with a bachelor degree in economics. She worked in the Joint Venture Office of the Beijing Municipal Bureau of Finance and held positions as the manager of the Appraisal Department and then as manager of the audit department of Beijing Xinghua Accounting Firm Co., Ltd. She is an Independent Non-Executive Director of the Company and the senior manager of Beijing Xinghua Accounting Firm Co., Ltd.

### Wu Chang-qi

Mr. Wu Chang-qi, born in 1955, Chinese national, permanent resident of the Hong Kong Special Administrative Region, doctorate degree holder, professor. Mr. Wu graduated from Shandong University with a bachelor degree in economics in 1982. He graduated from Katholieke Universiteit Leuven in Belgium in 1990 and obtained an MBA degree and a doctorate degree in applied economics. Mr. Wu held positions as assistant professor and associate professor at the Department of Economics of the School of Business and Management at The Hong Kong University of Science and Technology, deputy director of Shui On Center for China Business and Management, professor and the president of the Faculty of Strategic Management of the Guanghua School of Management of Peking University, deputy dean of the Guanghua School of Management of Peking University and president of the EMBA degree programme Centre. He is an Independent Non-Executive Director of the Company, professor and tutor of doctorate students of the Guanghua School of Management of Peking University, and an Independent Non-Executive Director of Beijing Media Corporation Limited.

### Li Lian-he

Mr. Li Lian-he, born in 1947, Chinese national with no right of abode overseas, bachelor degree holder, and a senior engineer in the PRC. Mr. Li graduated from the Wuhan Water Conservancy Electric Power Institute (武漢水利電力學院) with a bachelor degree in Electricity Generation in 1970. He was the general manager and secretary of the branch of the Party Committee of Hubei Zhushan Water Electricity Company Limited, the deputy director of the water electricity bureau of Zhushan County in Hubei Province, the deputy secretary and deputy county magistrate of Zhushan County in Hubei Province, a committee member and head of the organization department of the Yunyang Region Party Committee of Hubei Province, the deputy director of Ministry of Science and Technology of Hubei Province, the director and secretary of the Party Committee of Hubei Technology Human Resources Bureau, the vice chairman of general affairs and secretary of the disciplinary commission of Technology Association of Hubei Province, the deputy dean and secretary of the Party Committee of the China Academy of Science and Technology Development, director and secretary of the Party Committee of the Shenzhen Technology Bureau (the Intellectual Property Bureau). He was the chairman of the Technology Association of Shenzhen City and the vice chairman of the Standing Committee of the Political Consultative Conference of Shenzhen City. Mr. Li retired in June 2007 and is now an independent non-executive director of Shenzhen Jianqiao Communications Technology Shareholding Limited (深圳鍵橋通訊技術股份有限公司), part-time professor at Wuhan University, Harbin Industrial University (哈爾濱工業大學), Huazhong Technology University (華中科技大學), Electronic Technology University (電子科技大學), as well as a consultant to the Technology Committee of the Macau Special Administrative Region.

## SUPERVISORS

### Dong Jun-qing

Mr. Dong Jun-qing, born in 1934, Chinese national with no right of abode overseas, bachelor degree holder, senior engineer at professor level. Mr. Dong graduated from Non-Ferrous Metal and Gold Faculty in Moscow, USSR, with a bachelor degree majoring in aluminium and magnesium metallurgy, and obtained the title of USSR engineer. Mr. Dong lectured at Non-Ferrous Metallurgy Faculty of the Northeast University (東北大學有色冶金系) in the PRC and researched at Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) and was engaged in research and development work in our Company. He is a Supervisor and the Chairman of the Supervisory Committee.

### Li Yong-zhao

Mr. Li Yong-zhao, born in 1961, Chinese national with no right of abode overseas, bachelor degree holder, researcher level senior engineer. Mr. Li graduated from Xi'an Institute of Technology in August 1982 with a bachelor degree in Mechanical Manufacturing Technology and Equipment. Mr. Li worked as technician, office head, deputy director, director, deputy plant manager and held other posts in state-owned, 615 Factory, China North Industries Group Corporation. He acted as the general manager of the Sino-foreign joint venture named 寶雞星寶機電公司, plant manager of state-owned Factory 843, director and general manager of 西安北方秦川機械工業有限公司, director and the general manager of 西安北方秦川集團有限公司. He is currently a Supervisor of the Company and acted as the deputy general manager of 中國兵器西北工業集團有限公司 and the chairman of 西安北方秦川集團有限公司.

### Zhang Hui-bin

Mr. Zhang Hui-bin, born in 1969, Chinese national with no right of abode overseas, master degree holder. Mr. Zhang obtained a master degree in EMBA awarded by Zhongshan University in June 2000. Mr. Zhang worked at Agricultural Machinery Supervisory and Administration Station of He County in Anhui province (安徽省和縣農機監理站) and worked in Guangzhou Youngy Management & Investment Group Company Limited (廣州融捷投資管理集團有限公司) as a deputy manager of the Administration Department, general manager of the planning and investment department, finance department and marketing director at different periods. He is a Supervisor of the Company and the vice president of Guangzhou Youngy Management & Investment Group Company Limited and the general manager of Guang Dong Youngy Financing & Guaranteeing Service Company Limited (廣東融捷融資擔保有限公司) and an executive director and the general manager of Guangzhou Jianjin Information and Technology Company Limited (廣州漸進信息科技有限公司).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (continued)

### Wang Zhen

Ms. Wang Zhen, born in 1976, Chinese national with no right of abode overseas, bachelor degree holder. Ms. Wang graduated from Guangzhou Institute of Foreign Languages (廣州外國語學院) in the PRC in 1998, majoring in Spanish language and obtained a bachelor degree. Ms. Wang joined Shenzhen BYD Battery Company Limited in 1998 and has been working in the President's office. She is a Supervisor of the Company and officer of the President's office, vice president of administrative human personnel of Shenzhen BYD Daimler New Technology Co., Ltd., and a supervisor of BYD Charity Foundation.

### Yan Chen

Ms. Yan Chen, born in 1977, Chinese national with no right of abode overseas, bachelor degree holder. Ms. Yan graduated from Beijing University of Aeronautics & Astronautics in July 2000 with a bachelor degree. Ms. Yan joined Shenzhen BYD Battery Company Limited in 2000 and held positions as system engineer, secretary to the president, chief office director of the management department of Shanghai BYD Company Limited, manager of the regional administration department for Shanghai and Xian. She is a Supervisor of the Company and manager of the automobile business office and also a supervisor of Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd. and a supervisor of BYD Charity Foundation.

## SENIOR MANAGEMENT

### Yang Long-zhong

Mr. Yang Long-zhong, born in 1965, Chinese national with no right of abode overseas, master degree holder, engineer. Mr. Yang graduated from Central South University of Technology in the PRC in 1987, majoring in metallurgy physical chemistry, and obtained a bachelor degree. He graduated from China Europe International Business School (中歐國際工商學院) with an MBA in 2008. Mr. Yang worked at the De Xing Copper Mine of Jiangxi Copper Company (江西銅業公司德興銅礦) as an engineer and at Shenzhen Bi Ge Battery Co. Limited as a manager. Mr. Yang joined Shenzhen BYD Battery Company Limited in February 1995 as a deputy general manager. He is a Vice President of the Company and the general manager of the Sales & Marketing Division and a director of BYD Charity Foundation.

### Wu Jing-sheng

Mr. Wu Jing-sheng, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Wu graduated from Anhui Normal University (安徽省師範大學), majoring in Chinese language. He took part in National Examination for Lawyers (全國律師統考) and obtained qualification as a lawyer from the Department of Justice of Anhui Province (安徽省司法廳) in 1992. Mr. Wu also passed the National Examination for Certified Public Accountants (註冊會計師全國統考) and obtained qualification as a PRC Certified Public Accountant in 1995. In July 2006, he graduated from Guanghua School of Management of the Peking University with an MBA. Mr. Wu worked at Guangzhou Youngy Management & Investment Group Company Limited and was responsible for finance and related duties. He joined Shenzhen BYD Battery Company Limited in September 1995 as its Financial Manager. He is a Vice President, chief financial officer and Secretary to the Board of the Company, and also a non-executive director of BYD Electronic (International) Company Limited, a director of Shenzhen BYD Daimler New Technology Co., Ltd., the vice president of Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd., a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. and chairman of BYD Charity Foundation.

### Wang Nian-qiang

Mr. Wang Nian-qiang, born in 1964, Chinese national without the right of abode overseas, master degree holder, engineer. Mr. Wang graduated from Central South University of Technology in the PRC in 1987 with a bachelor degree majoring in industrial analysis. In 2011, he obtained a master's degree in MBA from China Europe International Business School (中歐國際工商學院). Mr. Wang worked at Anhui Tongling Institute of Non-ferrous Metals (安徽銅陵有色金屬研究院) as an engineer. He joined Shenzhen BYD Battery Company Limited as its chief engineer in February 1995. He is a Vice President and General Manager of Division 1 of the Company and a director of BYD Charity Foundation.



### Mao De-he

Mr. Mao De-he, born in 1956, Chinese national with no right of abode overseas, senior engineer. Mr. Mao graduated from Base 061 No. 7.21 University (零六一基地「七•二一」大學) majoring in mechanical manufacture and process in 1979. Mr. Mao worked as deputy head of processing at the technology institute of Factory 3407 of Guizhou Aeronautics Bureau (貴州航天局三四零七廠), deputy head and chief engineer of Shenzhen Construction Group Hong Wei Hydraulic Pressing Machine Factory (深圳建設集團宏威液壓機械廠), and deputy chief engineer of Shenzhen Bi Ge Battery Co. Limited. Mr. Mao joined Shenzhen BYD Battery Company Limited in 1996 and held positions as manager of the design department of Division 2, general manager of Division 2 and general manager of Division 15. He is a Vice President of the Company and the general manager of Division 16 of the Group and a director of BYD Charity Foundation.

### Lian Yu-bo

Mr. Lian Yu-bo, born in 1964, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. Lian graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in July 1986, with a bachelor degree majoring in aircraft manufacturing engineering. In September 2000, he obtained an professional MBA degree from Nanjing University. Mr. Lian joined the Company in February 2004 and is the vice president, chief engineer of the automobile business, general manager of Division 13. He is also a director and CEO of Shenzhen BYD Daimler New Technology Co., Ltd. and a director of BYD Charity Foundation.

### He Long

Mr. He Long, born in 1972, Chinese national with no right of abode overseas, master degree holder. Mr. He graduated from Peking University in 1999 and obtained a bachelor of science degree in applied chemistry, an LLB and a master degree in inorganic chemistry. Mr. He joined Shenzhen BYD Battery Company Limited in July 1999 and held positions as quality control manager of Division 1 and Division 2 and deputy general manager of Division 2 and vice-chairman of Foshan Jinhui Optoelectronic Material Co., Ltd. (佛山市金輝高科光電材料有限公司). He is a Vice President of the Company, general manager of Division 2 and a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. and a director of BYD Charity Foundation.

### Liu Huan-ming

Mr. Liu Huan-ming, born in 1963, Chinese national with no right of abode overseas, master degree holder, and a senior engineer. Mr. Liu graduated from Northeastern Institute of Technology (東北工學院) (currently known as "Northeastern University") in 1988 with a bachelor's degree and later a master's degree in Metallurgical physics. Mr. Liu worked for the Iron and Steel Institute of Panzhihua Iron and Steel Company in Sichuan (四川攀枝花鋼鐵公司鋼鐵研究院) and Benxi Iron and Steel Company in Liaoning (遼寧本溪鋼鐵公司). He joined the Company in March 1997, currently being the vice-president of the Company, general manager of Human Resources Office and Secretary-General of BYD Charity Foundation.

### Zhang Jin-tao

Mr. Zhang Jin-tao, born in 1958, Chinese national with no right of abode overseas, bachelor's degree holder, and a senior engineer. Mr. Liu graduated from Wuhan Institute of Technology (武漢工學院) (currently known as "Wuhan University of Technology") in 1982, majoring in casting process and equipment, with a bachelor's degree in engineering. From April 1997 to February 1998, he went to Fukushima High-tech Center in Japan for further study. Mr. Zhang worked for several companies, including state-owned Factory 612, Factory 446 and Monkey King Group Company (猴王集團公司), and was a member of National Welding Committee for Standardization and Welding Slice Technology Committee, and the vice-chairman of Hubei Province Machinery Manufacturing Technology Association. Mr. Zhang joined the Company in February 2000, holding posts such as manager of engineering department, manager of electric vehicle project department, general manager of Division 14 and Division 8. He currently is vice-president of the Company and general manager of Division 17.

### Luo Hong-bin

Mr. Luo Hong-bin, born in 1966, Chinese national with no right of abode overseas, master's degree holder. Mr. Luo graduated from Air Force Engineering University in 1990, with a master's degree in computer application. Mr. Luo joined the Company in October 2003. He served as various posts including manager of the third Electronics Sub-division of Division 15 and director of the Institute of Electric vehicles. He currently is vice-president of the Company, general manager of Division 14 and president of the Electric Power Research Institute.

# CORPORATE GOVERNANCE REPORT

The Board of Directors believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole. To this end, we strive to promote and uphold the highest standard of corporate governance.

The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the "Code") except for the deviation from the code provision A.2.1 which provides 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 power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Group. The Board believes that this structure is conducive to 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 that this appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

## BOARD OF DIRECTORS

Accountable to the Shareholders, the Board of Directors is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies.

## THE DIRECTORS

As of the date of this report, the Board comprises six Directors. There are one Executive Director who is the President, two Non-Executive Directors and three Independent Non-Executive Directors. Detailed biographies outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on page 16 and page 17 of this annual report.

The Group believes that its Non-executive and Independent Directors composition are well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group for the Year under review.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence as required under the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and senior management with the extent of this insurance being reviewed each year.

The Board met seventeen times this year to discuss the Group's overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matter is specifically addressed to the Board for its decision. Topics discussed at these Board meetings include interim and annual results; recommendations on the remuneration of Directors, supervisors, recommendations of auditors, approval of major capital project; dividend policies; and other significant operational and financial matters.

The Directors decide on corporate strategies, approve overall business plans and supervise the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management included the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the implementation of internal control procedures; and the ensuring of compliance with relevant statutory requirements and other regulations and rules.

In accordance with the Company's Articles of Association and related Board resolutions, each Board member and each member of the Supervisory Committee is appointed for a term of 3 years, being the period from 11 June 2011 to 10 June 2014, but the appointment period for Mr. Li Lian-he is from 9 September 2011 to 10 June 2014.

## BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting; written notices are sent to all Directors 2 days before a provisional board meeting. The meeting agenda is set in consultation with members of the Board. The Board held seventeen meetings in 2011. The attendance of individual Director at the Board meetings is set out below:

Members of the Board	Number of Board Meetings Attended	Attendance Rate
<b>Executive Director</b>		
WANG Chuan-fu	17	100%
<b>Non-executive Directors</b>		
LU Xiang-yang	17	100%
XIA Zuo-quan	17	100%
David L. Sokol	2	100%
<b>Independent Non-executive Directors</b>		
LI Dong	17	100%
WU Chang-qi	17	100%
LI Lian-he	8	100%
LIN You-ren	3	100%

In furtherance of good corporate governance, the Board has set up a number of committees, including:

- the Audit Committee;
- the Remuneration Committee;
- the Nomination Committee; and
- the Strategy Committee.

Each Committee reports regularly to the Board of Directors, addressing major issues and findings with valuable recommendations for the decision making of the Board of Directors. The particulars of these Committees are set out hereunder.

## AUDIT COMMITTEE

One of the primary duties of the Audit Committee is to review the financial reporting process of the Group. As at 31 December 2011, Audit Committee consists of three independent non-executive Directors, namely Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, and a non-executive Director, Mr. Lu Xiang-yang, with Ms. Li Dong as the Chairman. Meetings were convened by the Company's Audit Committee and the Company's auditors to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and the provisions of the Code.

The Audit Committee held three meetings in 2011 to review the internal and external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters including financial statements for the year ended 31 December 2010, the six months ended 30 June 2011 and the nine months ended 30 September 2011, before recommending them to the Board for approval. The individual attendance of its members of the meetings is set out as follows:

Member of the Audit Committee	Number of Committee Meetings Attended	Attendance Rate
LU Xiang-yang	3	100%
LI Dong	3	100%
WU Chang-qi	3	100%
LI Lian-he	1	100%
LIN You-ren	1	100%

# CORPORATE GOVERNANCE REPORT (continued)

## REMUNERATION COMMITTEE

Pursuant to code provision B.1.1 of the Code, the Board of Directors established a Remuneration Committee on 27 June 2005. The primary role of the Remuneration Committee is to regularly review human resource management policies, make recommendations on the compensation and benefit plans of Directors and senior management, as well as setting performance goals for senior management of the Group. As at 31 December 2011, the Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Wu Chang-qi as the Chairman.

The Remuneration Committee has reviewed its terms of reference in 2011 to comply with the Code.

### Remuneration Policy for Directors

The primary goal of the Group's remuneration policy for Executive Directors is to enable the Company to retain and motivate Executive Directors by linking their compensation with their individual performance as measured against the corporate objectives and the Group's operating results and taking into accounts of the comparable market conditions. The principal elements of the remuneration package of Executive Directors include basic salary and discretionary bonus.

Recommendation on the remuneration of Non-Executive Directors which includes mainly the Director's fee is a matter for the Board as a whole. The Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors.

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director of the Company for the year ended 31 December 2011 are set out in note 9 to the financial statements.

## NOMINATION COMMITTEE

Pursuant to the relevant provision of the Code, the Group established the Nomination Committee. As at 31 December 2011, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Li Lian-he as the Chairman. The Nomination Committee has performed such duties as set out in the Code.

## STRATEGY COMMITTEE

The Group established the Strategy Committee on 20 March 2008 in accordance with the relevant provisions of the Code of Corporate Governance for Listed Companies (上市公司治理準則). As at 31 December 2011, the Strategy Committee comprised Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Mr. Xia Zuo-quan, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Wang Chuan-fu as the Chairman. The main duty of the Strategy Committee is to consider and make recommendations on the Company's long-term development strategy and major investment decisions.

## INDEPENDENT AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2011, the total remuneration paid to the international auditors, Ernst & Young and the domestic auditors, Ernst & Young Hua Ming, was RMB3,560,000 for audit services provided for the Company. The audit fee was approved by the Board.

The Board has proposed to re-appoint Ernst & Young as the international auditor of the Company for 2012 and Ernst & Young Hua Ming as the domestic auditors for 2012, which is subject to approval by shareholders at the forthcoming annual general meeting to be held on 8 June 2012.



## INTERNAL CONTROL

### Internal Control System

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness through the Audit Committee. The Company's system of internal control plays a key role in the management of risks that are significant to the fulfillment of its business objectives. Procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud. Procedures have also been designed for compliance of applicable laws, rules and regulations.

### Internal Audit

The Group has an Internal Audit Department which plays an important role in the Group's internal control framework. The tasks of the Department include regular review and audit of the practices, procedures and internal control systems on those areas of the Group's activities with the greatest perceived risks. Apart from conducting special reviews of areas of concern identified by management or the Audit Committee, the Department also conducts routine examinations and reviews on the soundness and effectiveness of general business management, thus achieving effective control and driving improvement in the overall business activities of the Company to the greatest extent possible.

The Internal Audit Department has direct access to the Audit Committee, and is under the supervision of the Audit Committee.

With the development of the Company, the Internal Audit Department has established various internal audit standard documents such as "Internal Audit System" and "Internal Control Standard of the Company", creating and strictly implementing a standardized auditing practice flow from risk evaluation → determination of the scope of auditing → approval of the auditing plan → announcement of audit → sufficient communication with the department to be audited prior to auditing → on-site auditing → communication and confirmation of auditing results → auditing issue improvement and feedback.

The annual work plan of internal audit is reviewed by the Audit Committee and a summary of major audit findings is reported regularly to the Audit Committee. During the reporting year, the Internal Audit Department reviewed the key operations of the Group, identified areas of concern and held constructive communications with the Audit Committee.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by its Directors. All Directors complied with their obligations under the Model Code regarding their securities transactions during the Year.

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2011.

## SHAREHOLDERS' RIGHTS

Under the Company's Articles of Association, any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Shareholders may send their enquiries requiring the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong. Other general enquiries can be directed to the Company through our Investor and Media Relations Consultant, whose contact information is disclosed in "Corporate Information" of this annual report.

## INVESTOR RELATIONS

The Company believes that effective communication with investors is essential for enhancing investors' knowledge and understanding of the Company's business performance and strategies. To achieve this, the Company pursues a proactive policy of promoting investor relations and communications. The main purpose of the Company's investor relations policy, therefore, is to enable investors to have access, on a fair and timely basis, to information that is reasonably required for making the best investment decisions.

# REPORT OF THE DIRECTORS

The directors of the Company (“Directors”) submit their report together with the audited consolidated accounts of BYD Company Limited (the “Company”) and its subsidiaries (together with the Company hereinafter collectively referred to as the “Group”) for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group are research, development, manufacture and sale of rechargeable batteries, handset components and assembly service as well as automobiles and related products. The activities of the Company’s subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group’s principal activities for the year ended 31 December 2011.

An analysis of the Group’s performance for the year ended 31 December 2011 by business and geographical segments is set out in Note 4 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on page 32 to page 103 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity and note 34 to the financial statements respectively.

## DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2011 amounted to approximately RMB14,208,000 (2010: RMB96,689,000).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2011, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB2,165,936,000 (2010: RMB1,220,343,000).

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Article of Association and there is no similar restriction against such rights under the laws of the PRC in respect of joint stock limited company, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2 and page 104 of this annual report.

## DIRECTORS

The Directors who held office during the year ended 31 December 2011 and up to the date of this report are:

- Executive director:  
Mr. Wang Chuan-fu
- Non-executive directors:  
Mr. Lu Xiang-yang  
Mr. Xia Zuo-quan  
Mr. David L. Sokol (resigned on 1 April 2011)
- Independent non-executive directors:  
Mr. Lin You-ren (Retired on expiry on 10 June 2011)  
Ms. Li Dong  
Mr. Wu Chang-qj  
Mr. Li Lian-he (Appointed on 9 September 2011)

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All existing Directors had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2011, but the contract period for Mr. Li Lian-he is from 9 September 2011 to 10 June 2014.

All existing Supervisors, had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2011.

# REPORT OF THE DIRECTORS (continued)

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company was a party and in which a Director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

## DIRECTORS REMUNERATIONS

The emolument payable to each Executive Director is based on (i) his duties and responsibilities; (ii) prevailing market conditions; and (iii) performance and profitability of the Company.

The emolument payable to each Non-Executive Director (including Independent Non-Executive Director) is based on the responsibilities and undertaking to the Board taking into account his experience and market practice for such post.

Details of the remuneration of the Directors are set out in note 9 to the financial statements.

## BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management of the Company are set out on pages 16 to 19.

## DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2011, 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 SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) were as follows:-

### A shares

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Mr. Wang Chuan-fu (Director)	570,642,580 (L)	36.56%	24.24%
Mr. Lu Xiang-yang (Director)	401,810,480 (L) (Note 1)	25.74%	17.07%
Mr. Xia Zuo-quan (Director)	124,977,060 (L)	8.01%	5.31%
Zhang Hui-bin (Supervisor)	1,702,400(L) (Note 2)	0.11%	0.07%

(L) – Long Position

Notes:

1. Out of these 401,810,480 A shares, 239,228,620 A shares were held by Mr. Lu in his personal capacity and 162,581,860 A shares were held by Guangzhou Youngy. Guangzhou Youngy is in turn held by Mr. Lu and his spouse as to 89.5% and 10.5% equity interests, respectively. Mr. Lu is therefore deemed to be interested in 162,581,860 A shares under the SFO.
2. The 1,702,400 A shares were held directly by Guangzhou Jianjin Information Technology Co., Ltd., which is in turn held by Zhang Hui-bin and his spouse as to 90% and 10% equity interests, respectively. Mr. Zhang is therefore deemed to be interested in 1,702,400 A shares under the SFO.

Saved as disclosed above, as at 31 December 2011, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



## SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 31 December 2011, so far as was known to 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 (Cap.571 of the Laws of Hong Kong), or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:-

### 1. A shares

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Guangzhou Youngy ( <i>Note 1</i> )	162,581,860 (L)	10.42%	6.91%
Yang Long-zhong ( <i>Note 2</i> )	78,725,740 (L)	5.04%	3.34%

(L) - Long position

Notes:

1. Guangzhou Youngy is owned by Mr. Lu Xiang-yang, a non-executive director of the Company, as to 89.5%. Mr. Lu is therefore deemed to be interested in 162,581,860 A shares held by Guangzhou Youngy under the SFO.
2. Mr. Yang Long-zhong is a member of the senior management, and is the vice president of the Company and the general manager of the Company's Sales & Marketing Division.

# REPORT OF THE DIRECTORS (continued)

## 2. H shares

Name	Number of H shares	Approximate percentage of shareholding in total issued H shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Berkshire Hathaway Inc. (note 1)	225,000,000(L)	28.37%	9.56%
MidAmerican Energy Holdings Company (note 1)	225,000,000(L)	28.37%	9.56%
Li Lu (note 2)	55,511,200(L)	7.00%	2.36%
LL Group, LLC (note 2)	55,511,200(L)	7.00%	2.36%
FIL Limited (note 3)	39,711,986(L)	5.01%	1.69%

(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, MidAmerican Energy Holdings Company which is directly interested in 225,000,000 H shares.
2. LL Group, LLC was deemed to be interested in 55,511,200 H shares (L) through its controlled corporation, LL Investment Partners, L.P. Li Lu, as controlling shareholder of LL Group, LLC was also deemed to be interested in 55,511,200 H shares.
3. FIL Limited was interested as investment manager in 39,711,986 H shares (L).

The total issued share capital of the Company as at 31 December 2011 was RMB2,354,100,000, divided into 1,561,000,000 A shares of RMB1.00 each and 793,100,000 H shares of RMB1.00 each, all fully paid up.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2011.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2011 attributable to the Group's major suppliers and customers are as follows:

### Purchases

— the largest supplier	13.68%
— the five largest suppliers combined	19.15%

### Sales

— the largest customer	15.58%
— the five largest customers combined	35.90%

None of the directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the major suppliers or customer noted above.

## CONNECTED TRANSACTIONS

There was no connected transaction entered into by the Group during the year ended 31 December 2011 which is required to be disclosed under the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information which is publicly available to the Company and within the knowledge of its directors as at the date of this report, the directors confirm that the Company had sufficient public float as required by the Listing Rules.

## CONFIRMATION OF INDEPENDENCE

Each Independent Non-Executive Director has provided a written statement confirming his Independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company assessed that each Independent Non-Executive Director continues to be independent.

## AUDITORS

Ernst & Young, the Company's international auditors, and Ernst & Young Hua Ming, the Company's domestic accountants, will retire. A resolution will be proposed at the forthcoming annual general meeting to be held on 8 June 2012 to appoint Ernst & Young as the international auditor of the Company for 2012 and Ernst & Young Hua Ming as the domestic accountants for 2012.

On behalf of the Board

**Wang Chuan-fu**

*Chairman*

Shenzhen, The PRC, 23 March 2012

# REPORT OF THE SUPERVISORY COMMITTEE

In 2011, in accordance with the principle of being accountable to all shareholders, the Supervisory Committee of the Company fully complied with the duties to supervise and ensure that the resolutions as passed in the Shareholders' General Meetings were consistently implemented, the legal interest of shareholders was protected and the duties conferred under the Articles of Association and in the Shareholders' General Meetings were completed in accordance with the Company Law, the Articles of Association and the relevant provisions, in order to facilitate a disciplined operation and sustainable development of the Company.

## 1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD AND RESOLUTIONS PASSED IN SUCH MEETINGS

On 12 March 2011, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2010 was considered and approved accordingly.

On 22 August 2011, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2011 was considered and approved accordingly.

## 2. PROGRESS OF THE WORK OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee of the Company performed its supervisory functions in a fiduciary manner. The Supervisory Committee duly supervised and examined the Company's financial situation, the Board of Directors' execution of the resolutions passed in the Shareholders' General Meeting, operational decisions of the management, the operations of the Company in compliance with the laws, the acts of the Directors, supervisors and senior management, and the connected transactions entered into with its controlling shareholder. The Supervisory Committee considered that:

- (1) The operating activities of the Company and its subsidiaries in 2011 did not violate the Company Law, the Articles of Association, financial accounting procedures and the laws and regulations of the PRC.
- (2) During the discharge of their duties in 2011, the directors, supervisors and senior management of the Company fulfilled their fiduciary duties by acting lawfully, regularized management, explored for innovation, with discipline to protect the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles of Association or the laws and regulations of the PRC.
- (3) The auditors presented an unqualified auditors' report. The report indicates the financial statements give a true and fair view of the financial results and operations of the Company.

**Dong Jun-qing**

*Chairman of the Supervisory Committee*

23 March 2012



## TO THE SHAREHOLDERS OF BYD COMPANY LIMITED

(Registered in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of BYD Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Ernst & Young

Certified Public Accountants

22nd Floor  
CITIC Tower  
1 Tim Mei Avenue, Central,  
Hong Kong

23 March 2012

# CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>REVENUE</b>	5	<b>46,312,282</b>	46,685,349
Cost of sales		<b>(39,445,257)</b>	(38,420,975)
Gross profit		<b>6,867,025</b>	8,264,374
Other income and gains	5	<b>988,114</b>	531,891
Government grants and subsidies	7	<b>301,221</b>	353,679
Selling and distribution costs		<b>(1,799,757)</b>	(2,175,881)
Research and development costs	6	<b>(1,373,861)</b>	(1,403,459)
Administrative expenses		<b>(2,125,636)</b>	(1,917,889)
Other expenses		<b>(388,567)</b>	(254,619)
Finance costs	8	<b>(742,262)</b>	(281,383)
Share of profits and losses of:			
Jointly-controlled entities		<b>7,022</b>	25,554
An associate		<b>(5,815)</b>	—
<b>PROFIT BEFORE TAX</b>	6	<b>1,727,484</b>	3,142,267
Income tax expenses	11	<b>(132,408)</b>	(223,677)
<b>PROFIT FOR THE YEAR</b>		<b>1,595,076</b>	2,918,590
<b>PROFIT FOR THE YEAR</b>			
Attributable to:			
Owners of the parent	12	<b>1,384,625</b>	2,523,414
Non-controlling interests		<b>210,451</b>	395,176
		<b>1,595,076</b>	2,918,590
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic and diluted			
– For profit for the year		<b>RMB0.60</b>	RMB1.11

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>PROFIT FOR THE YEAR</b>		<b>1,595,076</b>	2,918,590
<b>OTHER COMPREHENSIVE INCOME</b>			
Available-for-sale investments:			
Changes in fair value		<b>15,192</b>	—
Income tax effect		—	—
		<b>15,192</b>	—
Exchange differences on translation of foreign operations		<b>(126,053)</b>	7,833
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>		<b>(110,861)</b>	7,833
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,484,215</b>	2,926,423
Attributable to:			
Owners of the parent	12	<b>1,319,439</b>	2,528,745
Non-controlling interests		<b>164,776</b>	397,678
		<b>1,484,215</b>	2,926,423

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	30,723,383	24,877,113
Prepaid land lease payments	15	4,207,601	4,386,785
Goodwill	16	65,914	65,914
Other intangible assets	17	2,415,091	1,222,772
Non-current prepayments	25	4,327,200	4,172,190
Long term receivable		17,500	—
Investments in jointly-controlled entities	19	285,966	59,160
Investment in an associate	20	286,010	—
Available-for-sale investments	21	15,192	—
Deferred tax assets	32	586,479	371,337
Property under development	22	1,170,839	166,851
<b>Total non-current assets</b>		<b>44,101,175</b>	<b>35,322,122</b>
<b>CURRENT ASSETS</b>			
Inventories	23	6,595,797	6,537,852
Trade and bills receivables	24	9,782,082	8,152,800
Prepayments, deposits and other receivables	25	2,296,072	1,869,370
Due from the jointly-controlled entities	39(c)	57,464	—
Pledged deposits	26	311,060	13,784
Cash and cash equivalents	26	3,737,386	1,978,735
<b>Total current assets</b>		<b>22,779,861</b>	<b>18,552,541</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	27	17,235,934	11,033,448
Other payables and accruals	28	3,523,600	3,196,861
Advances from customers		1,870,520	2,864,656
Deferred income	29	94,253	54,435
Interest-bearing bank and other borrowings	30	11,341,822	11,003,490
Tax payable		222,884	204,758
Provision	31	338,565	317,565
<b>Total current liabilities</b>		<b>34,627,578</b>	<b>28,675,213</b>
<b>NET CURRENT LIABILITIES</b>		<b>(11,847,717)</b>	<b>(10,122,672)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>32,253,458</b>	<b>25,199,450</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>32,253,458</b>	25,199,450
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	30	<b>7,079,247</b>	3,049,000
Deferred income	29	<b>1,193,015</b>	999,374
Other liabilities		<b>1,060</b>	—
Total non-current liabilities		<b>8,273,322</b>	4,048,374
Net assets		<b>23,980,136</b>	21,151,076
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	33	<b>2,354,100</b>	2,275,100
Reserves	34	<b>18,770,417</b>	16,185,219
		<b>21,124,517</b>	18,460,319
Non-controlling interests		<b>2,855,619</b>	2,690,757
Total equity		<b>23,980,136</b>	21,151,076

Director

Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

## Attributable to owners of the parent

	Issued capital RMB'000 (note 33)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 34)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	2,275,100	1,368,590	4,349,366	1,145,518	(48,650)	6,841,650	750,783	16,682,357	2,344,770	19,027,127
Profit for the year	—	—	—	—	—	2,523,414	—	2,523,414	395,176	2,918,590
Other comprehensive income for the year:	—	—	—	—	5,331	—	—	5,331	2,502	7,833
Total comprehensive income for the year	—	—	—	—	5,331	2,523,414	—	2,528,745	397,678	2,926,423
Final 2009 dividends declared	—	—	—	—	—	—	(750,783)	(750,783)	—	(750,783)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(51,691)	(51,691)
Government subsidies designated to increase the reserve fund	—	—	4,736	—	—	(4,736)	—	—	—	—
Appropriation to statutory surplus reserve fund	—	—	—	312,695	—	(312,695)	—	—	—	—
At 31 December 2010 and 1 January 2011	2,275,100	1,368,590*	4,354,102*	1,458,213*	(43,319)*	9,047,633*	—	18,460,319	2,690,757	21,151,076
Profit for the year	—	—	—	—	—	1,384,625	—	1,384,625	210,451	1,595,076
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	—	—	15,192	—	—	—	—	15,192	—	15,192
Exchange differences on translation of foreign operations	—	—	—	—	(80,378)	—	—	(80,378)	(45,675)	(126,053)
Total comprehensive income for the year	—	—	15,192	—	(80,378)	1,384,625	—	1,319,439	164,776	1,484,215
Issue of shares	79,000	1,343,000	—	—	—	—	—	1,422,000	1,010	1,423,010
Share issue expenses	—	(68,165)	—	—	—	—	—	(68,165)	—	(68,165)
Loss on deemed disposal of subsidiaries	—	—	(9,076)	—	—	—	—	(9,076)	9,076	—
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(10,000)	(10,000)
Government subsidies designated to increase the reserve fund	—	—	4,613	—	—	(4,613)	—	—	—	—
Appropriation to statutory surplus reserve fund	—	—	—	259,685	—	(259,685)	—	—	—	—
At 31 December 2011	2,354,100	2,643,425*	4,364,831*	1,717,898*	(123,697)*	10,167,960*	—	21,124,517	2,855,619	23,980,136

\* These reserve accounts comprise the consolidated reserves of RMB18,770,417,000 (2010: RMB16,185,219,000) in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>1,727,484</b>	3,142,267
Adjustments for:			
Finance costs	8	<b>742,262</b>	281,383
Share of profits and losses of jointly-controlled entities and an associate		<b>(1,207)</b>	(25,554)
Bank interest income	6	<b>(54,822)</b>	(27,431)
Government grants and subsidies		<b>(72,660)</b>	(82,541)
Loss on disposal of items of non-current assets	6	<b>9,414</b>	41,051
Gain on settlement of derivative instruments		<b>—</b>	(217)
Gain on disposal of an investment in a jointly-controlled entity	6	<b>(502,543)</b>	—
Depreciation	14	<b>2,515,718</b>	2,016,615
Impairment of inventories	6	<b>186,811</b>	41,647
Impairment of trade receivables	24	<b>158,210</b>	10,947
Impairment losses of trade receivables reversed	24	<b>(11,954)</b>	(43,033)
Impairment of property, plant and equipment	14	<b>80,179</b>	—
Impairment of other intangible assets	17	<b>72,000</b>	—
Recognition of prepaid land lease payments	15	<b>83,614</b>	67,631
Impairment of available-for-sale investments	21	<b>—</b>	11,139
Amortisation of other intangible assets	17	<b>161,948</b>	165,062
		<b>5,094,454</b>	5,598,966
Increase in inventories		<b>(244,756)</b>	(2,171,092)
(Increase)/Decrease in trade and bills receivables		<b>(2,092,611)</b>	1,660,916
Increase in prepayments, deposits and other receivables		<b>(348,138)</b>	(1,399,716)
Increase in amounts due from the jointly-controlled entities		<b>(57,464)</b>	—
Increase in a long term receivable		<b>(17,500)</b>	—
Increase in property under development		<b>(298,648)</b>	—
Increase/(Decrease) in trade and bills payables		<b>5,384,057</b>	(485,210)
Increase/(Decrease) in other payables and accruals		<b>(172,585)</b>	756,267
Decrease in advances from customers		<b>(994,136)</b>	(476,309)
Increase in provision for warranties		<b>21,000</b>	68,715
Cash generated from operations		<b>6,273,673</b>	3,552,537
Interest received		<b>54,822</b>	27,431
Taxes paid		<b>(343,969)</b>	(441,030)
Net cash flows from operating activities		<b>5,984,526</b>	3,138,938

# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Net cash flows from operating activities		5,984,526	3,138,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(7,245,107)	(8,113,939)
Increase in non-current prepayments		(469,891)	(2,425,714)
Increase in prepaid land lease payments		(269,670)	(2,275,757)
Receipt of government grants		285,950	697,178
Receipt of investment income from a jointly-controlled entity		13,129	—
Additions to other intangible assets	17	(1,427,483)	(620,694)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		85,272	80,138
Proceeds from disposal of an investment in a jointly-controlled entity		495,619	—
Proceeds from settlement of derivative instruments		—	1,123
Decrease in pledged deposits		—	19,939
Acquisition of a subsidiary	35	—	(36,039)
Capital contributions to an associate		(90,000)	—
Capital contributions to the jointly-controlled entities		(300,538)	(9,000)
Net cash flows used in investing activities		(8,922,719)	(12,682,765)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,422,000	—
Share issue expenses		(53,801)	—
Investment from a non-controlling shareholder		1,010	—
Proceeds from issue of corporate bonds		1,000,000	—
Corporate bonds issue expenses		(6,911)	—
New bank loans		18,189,099	12,719,565
Repayment of bank loans		(14,455,683)	(2,328,309)
Interest paid		(1,055,771)	(405,492)
Dividends paid		—	(750,783)
Dividends paid to a non-controlling shareholder		(330)	(51,705)
Increase in pledged deposits		(297,276)	—
Factoring expense		(6,310)	—
Net cash flows from financing activities		4,736,027	9,183,276
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		1,978,735	2,316,826
Effect of foreign exchange rate changes, net		(39,183)	22,460
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	26	2,780,372	1,205,763
Non-pledged time deposits with original maturity of less than three months when acquired	26	1,268,074	786,756
Pledged time deposit for banking facilities	26	(311,060)	(13,784)
Cash and cash equivalents as stated in the statement of financial position		3,737,386	1,978,735

# STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	1,524,375	1,632,760
Investments in subsidiaries	18	5,507,844	3,913,332
Investment in an associate	20	291,825	—
Prepaid land lease payments	15	26,928	27,610
Other intangible assets	17	37,143	36,229
Non-current prepayments	25	6,824	204,446
Available-for-sale investments	21	8,470	—
Total non-current assets		7,403,409	5,814,377
<b>CURRENT ASSETS</b>			
Inventories	23	424,586	304,990
Trade and bills receivables	24	883,830	1,078,558
Tax recoverable		4,738	4,738
Prepayments, deposits and other receivables	25	522,138	75,774
Due from subsidiaries	18	7,924,888	5,519,190
Cash and cash equivalents	26	103,771	88,593
Total current assets		9,863,951	7,071,843
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	27	913,356	840,689
Other payables and accruals	28	356,537	283,677
Advanced from customers		24,844	39,074
Interest-bearing bank borrowings	30	2,551,908	1,960,432
Due to subsidiaries	18	3,074,156	3,336,042
Total current liabilities		6,920,801	6,459,914
<b>NET CURRENT ASSETS</b>		2,943,150	611,929
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,346,559	6,426,306
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	30	2,916,935	1,409,000
Net assets		7,429,624	5,017,306
<b>EQUITY</b>			
Issued capital	33	2,354,100	2,275,100
Reserves	34(b)	5,075,524	2,742,206
Total equity		7,429,624	5,017,306

Director

Director

# NOTES TO FINANCIAL STATEMENTS

31 December 2011

## 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 have been listed on The Stock Exchange of Hong Kong Limited since 31 July 2002. The registered office of the Company is located at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products. The activities of the Company's subsidiaries are set out in note 18.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants the ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the Group's net current liabilities of approximately RMB11,847,717,000 as at 31 December 2011, the consolidated financial statements have been prepared on a going concern basis as it is the directors' contention that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 39 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 19 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).  
In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.  
The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.
- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>4</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>5</sup>
HKFRS 10	<i>Consolidated Financial Statements</i> <sup>4</sup>
HKFRS 11	<i>Joint Arrangements</i> <sup>4</sup>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>4</sup>
HKFRS 13	<i>Fair Value Measurement</i> <sup>4</sup>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>3</sup>
HKAS 12 Amendments	Amendment to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>
HKAS 19 (2011)	<i>Employee Benefits</i> <sup>4</sup>
HKAS 27 (2011)	<i>Separate Financial Statements</i> <sup>4</sup>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> <sup>4</sup>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>5</sup>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.



## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and rewording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of “currently has a legally enforceable right of set-off” and some gross settlement systems may be considered equivalent to net settlements. The Group expects to adopt the amendments from 1 January 2014.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

### Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

### Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit-sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

### Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate and is not individually tested for impairment.

The results of associate are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in associate is treated as non-current assets and is stated at cost less any impairment losses.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person,
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Except for moulds, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

	Estimated useful lives	Residual value
Freehold land	Not depreciated	—
Buildings	10 to 50 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	—
Machinery and equipment	5 to 10 years	5%
Motor vehicles	5 years	5%
Office equipment and fixtures	5 years	5%

The unit of production method is used to write off the cost of moulds.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress representing property and plant under construction is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses. The development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, except for those of new energy vehicles which are amortised using the unit of production method, commencing from the date when the products are put into commercial production.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (other than goodwill) (continued)

#### *Industrial proprietary rights*

Industrial proprietary rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

#### *Know-how*

Know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

#### *Software*

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### *Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

#### *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing loans and borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

### Derivative financial instruments

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Cost of moulds is determined at the actual cost incurred in the production process. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.



## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (e) dividend income, when the shareholders' right to receive payment has been established; and
- (f) subcontracting income and assembly service income, when the relevant services have been rendered.

### Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

### Employee benefits

#### *Employees' leave entitlements*

Employees' entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employees' entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### *Retirement benefit obligations*

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at rates ranging from 10% to 11% of the basic salary predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The Group provides no retirement or termination benefits other than those described above.

The costs of employee retirement benefits are recognised in the income statement in the year on an accrual basis.

#### *Medical benefits*

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC are expensed as incurred.

#### *Housing fund*

The Group contributes on a monthly basis to a defined contribution housing fund plan organised by the PRC government. Contributions to this plan by the Group are expensed as incurred.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating lease*

The Group has entered into commercial property leases on its investment property portfolio. As a lessor, the Group has determined, based on an evaluation of the terms and conditions of the agreements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

The Group has entered into contractual operating contracts on certain plant and machinery. As a lessee, the Group has determined, based on evaluation of terms and conditions of the agreements, as all the rewards and risks of ownership of these assets have not been transferred to the Group, they are accounted for as operating leases.

##### *Deferred tax on withholding tax arising from the distributions of dividends*

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considered that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 32 to the financial statements.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was RMB65,914,000 (2010: RMB65,914,000). Further details are included in note 16 to the financial statements.

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

##### *Depreciation and amortisation*

The Group calculates the depreciation of items of property, plant and equipment and amortisation of intangible assets on the straight-line basis over their estimated useful lives or on the unit of production basis and after taking into account their estimated residual value, estimated useful lives or estimated total production quantities, commencing from the date the items of property, plant and equipment and intangible assets are placed into use. The estimated useful lives or the total production reflects the directors' estimate of the period that the Group intends to derive future economic benefits from the use of the Group's items of property, plant and equipment or intangible assets.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, tax rate and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2011 was RMB586,479,000 (2010: RMB371,337,000). Further details are included in note 32 to the financial statements.

#### *Development costs*

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2011, the best estimate of the carrying amount of capitalised development costs was RMB2,334,587,000 (2010: RMB1,133,697,000). Further details are contained in note 17 to the financial statements.

#### *Warranty provisions*

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Management reviews and adjusts the provision to recognise the best estimate at the end of the each reporting period.

#### *Allowance for doubtful receivables*

Management makes provision for doubtful accounts by determining whether there is any objective evidence affecting collectability, like the insolvency of the debtor or the possibility of serious financial difficulties. Management re-estimates the allowance for bad debts at the end of each reporting period.

#### *Write-down of inventories based on the lower of cost and market*

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the rechargeable batteries and other products segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries principally for mobile phones, electric tools and other portable electronic instruments and new energy products;
- (b) the mobile handset components and assembly service segment comprises the manufacture and sale of mobile handset components such as housings, keypads and the provision of assembly services;
- (c) the automobiles and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components; and
- (d) the "others" segment comprises, principally, the non-manufacturing business of the Group.

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, finance costs, dividend income, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, goodwill, available-for-sale investments and other unallocated head office and corporate assets, as these assets are managed on a group basis.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	4,620,074	19,556,707	22,135,501	—	46,312,282
Intersegment sales	751,941	626,528	66,108	—	1,444,577
Others including other gross income from sales of raw materials and disposal of scrap materials	317,977	354,161	872,785	—	1,544,923
Taxes and surcharges	14,414	61,541	893,759	—	969,714
	<b>5,704,406</b>	<b>20,598,937</b>	<b>23,968,153</b>	<b>—</b>	<b>50,271,496</b>
<b>Reconciliation:</b>					
Elimination of intersegment sales					(1,444,577)
Elimination of other gross income					(1,544,923)
Elimination of taxes and surcharges					(969,714)
Revenue – sales to external customers					46,312,282
<b>Segment results</b>					
Reconciliation:	(121,524)	1,035,755	1,898,305	(4)	2,812,532
Elimination of intersegment results					(345,978)
Interest income					54,822
Dividend income and unallocated gains					581,157
Corporate and other unallocated expenses					(632,787)
Finance costs					(742,262)
Profit before tax					1,727,484
<b>Segment assets</b>	<b>12,620,120</b>	<b>18,433,707</b>	<b>35,043,063</b>	<b>54</b>	<b>66,096,944</b>
<b>Reconciliation:</b>					
Elimination of intersegment receivables					(1,653,208)
Elimination of intersegment sales unrealised profit					(158,950)
Corporate and other unallocated assets					2,596,250
Total assets					66,881,036
<b>Segment liabilities</b>	<b>2,521,836</b>	<b>6,662,830</b>	<b>16,323,717</b>	<b>—</b>	<b>25,508,383</b>
Reconciliation:					
Elimination of intersegment payables					(1,653,208)
Corporate and other unallocated liabilities					19,045,725
Total liabilities					42,900,900

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
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### Other segment information:

Impairment losses of items of property, plant and equipment recognised in the income statement	—	80,179	—	—	80,179
Impairment losses of items of other intangible assets recognised in the income statement	—	—	72,000	—	72,000
Loss on disposal of items of property, plant and equipment	2,321	1,025	6,068	—	9,414
Depreciation and amortisation	524,149	1,013,455	1,256,051	—	2,793,655
Capital expenditure	3,340,338	953,661	6,177,929	—	10,471,928

Year ended 31 December 2010	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
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### Segment revenue

Sales to external customers	4,581,758	20,553,382	21,550,209	—	46,685,349
Intersegment sales	195,028	405,914	87,695	—	688,637
Others including other gross income from sales of raw materials and disposal of scrap materials	419,029	232,046	452,336	—	1,103,411
Taxes and surcharges	3,568	13,108	642,980	—	659,656
	5,199,383	21,204,450	22,733,220	—	49,137,053

### Reconciliation:

Elimination of intersegment sales					(688,637)
Elimination of other gross income					(1,103,411)
Elimination of taxes and surcharges					(659,656)
Revenue – sales to external customers					46,685,349

<b>Segment results</b>	252,350	1,606,877	1,742,896	(89)	3,602,034
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### Reconciliation:

Elimination of intersegment results					(27,639)
Interest income					27,431
Dividend income and unallocated gains					583,323
Corporate and other unallocated expenses					(761,499)
Finance costs					(281,383)
Profit before tax					3,142,267

#### 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Rechargeable Batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
<b>Segment assets</b>	9,914,907	13,222,035	27,981,856	59	51,118,857
<b>Reconciliation:</b>					
Elimination of intersegment receivables					(723,044)
Elimination of intersegment sales unrealised profit					(51,633)
Corporate and other unallocated assets					3,530,483
<b>Total assets</b>					<b>53,874,663</b>
<b>Segment liabilities</b>	1,813,153	3,809,745	12,463,625	1	18,086,524
<b>Reconciliation:</b>					
Elimination of intersegment payables					(723,044)
Corporate and other unallocated liabilities					15,360,107
<b>Total liabilities</b>					<b>32,723,587</b>
<b>Other segment information:</b>					
Impairment losses of items of property, plant and equipment recognised in the income statement	—	—	—	—	—
Loss on disposal of items of property, plant and equipment	10,375	23,595	7,081	—	41,051
Depreciation and amortisation	413,000	825,122	1,011,186	—	2,249,308
Capital expenditure	1,412,757	814,675	9,359,717	—	11,587,149*

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

#### Geographical information

##### (a) Revenue from external customers

	2011 RMB'000	2010 RMB'000
China (including Hong Kong, Macau and Taiwan)	<b>39,396,563</b>	39,676,134
India	<b>1,474,640</b>	1,176,011
Hungary	<b>438,818</b>	1,005,453
Brazil	<b>160,737</b>	150,790
Others	<b>4,841,524</b>	4,676,961
	<b>46,312,282</b>	46,685,349

The revenue information above is based on the location of the customers.



# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information (continued)

#### (b) Non-current assets

	2011 RMB'000	2010 RMB'000
China (including Hong Kong, Macau and Taiwan)	42,978,474	34,229,398
India	430,043	573,150
Hungary	24,411	71,481
Others	49,076	76,756
	<b>43,482,004</b>	<b>34,950,785</b>

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

### Information about a major customer

Revenue of approximately RMB7,217,542,000 (2010: RMB8,501,119,000) was derived from sales made by the rechargeable battery and other products segment and mobile handset components segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of assembly services rendered.

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

	Notes	Group	
		2011 RMB'000	2010 RMB'000
<b>Revenue</b>			
Sale of goods		37,977,519	37,579,719
Assembly service income		8,114,581	9,105,630
Processing charges		220,182	—
		<b>46,312,282</b>	<b>46,685,349</b>
<b>Other income</b>			
Subcontracting income		—	2,122
Bank interest income	6	54,822	27,431
Gross rental income		26,160	9,615
Gain on disposal of scrap		305,173	274,717
Penalty from suppliers		26,991	56,354
Amounts overdue and unable to be collected by creditors		14,853	56,463
Others		57,572	105,189
<b>Gains</b>			
Gain on disposal of an investment in a jointly-controlled entity	6	502,543	—
		<b>988,114</b>	<b>531,891</b>

## 6. PROFIT BEFORE TAX

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

		Group	
	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		31,449,876	29,998,863
Cost of services provided		7,808,570	8,380,465
Depreciation	14	2,515,718	2,016,615
Impairment of property, plant and equipment**	14	80,179	—
Impairment of other intangible assets**	17	72,000	—
Amortisation of other intangible assets other than development costs****	17	38,493	32,715
Research and development costs:			
Deferred expenditure amortised*	17	123,455	132,347
Current year expenditure		1,373,861	1,403,459
		<b>1,497,316</b>	1,535,806
Minimum lease payments under operating leases:			
Land and buildings located in Mainland China		20,632	20,724
Auditors' remuneration		9,707	7,240
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		6,934,657	5,963,563
Welfare		94,088	90,111
Retirement benefit scheme contributions		401,829	339,696
		<b>7,430,574</b>	6,393,370
Amortisation of land lease payments	15	83,614	67,631
Amortisation of assets related to the "Contractual Operation Contract"		32,375	32,375
Loss on disposal of items of property, plant and equipment**		9,414	41,051
Foreign exchange differences, net**		39,875	101,174
Impairment of trade receivables	24	158,210	10,947
Impairment losses of trade receivables reversed	24	(11,954)	(43,033)
Impairment of inventories***		186,811	41,647
Impairment of available-for-sale investments	21	—	11,139
Product warranty provision	31	270,346	246,005
Bank interest income		(54,822)	(27,431)
Gain on disposal of an investment in a jointly-controlled entity ^		(502,543)	—

\* The amortisation of deferred development costs for the year is included in "Administrative expenses" in the consolidated income statement.

\*\* The impairment of property, plant and equipment, impairment of other intangible assets, net foreign exchange differences and loss on disposal of items of property, plant and equipment for the year are included in "Other expenses" in the consolidated income statement.

\*\*\* The impairment of inventories for the year is included in "Cost of sales" in the consolidated income statement.

\*\*\*\* The amortisation of other intangible assets other than development costs for the year is included in "Administrative expenses" in the consolidated income statement.

^ Gain on disposal of an investment in a jointly-controlled entity is included in "Other income and gains" in the consolidated income statement.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 7. GOVERNMENT GRANTS AND SUBSIDIES

	Group	
	2011	2010
	RMB'000	RMB'000
<b>Related to assets</b>		
Subsidies on research and development activities for automobile and related products (note (a))	42,318	23,801
Others	30,342	19,540
<b>Related to income</b>		
Subsidies on research and development activities for automobile and related products (note (a))	—	39,200
Subsidies on basic research and development activities (note (b),(c),(d),(e))	110,040	184,886
Interest subsidy (note (f))	20,000	5,000
Others	98,521	81,252
	<b>301,221</b>	<b>353,679</b>

- (a) In 2008, BYD Auto SZ, a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB864,647,000 which were provided by the local government to support automotive research and development activities. The government grants did not specify any repayment terms or other conditions that are required to be met. For the year ended 31 December 2011, RMB42,318,000 was recognised as government grant income (2010: RMB63,001,000) as a result of BYD Auto SZ incurring research and development costs expenses which included amounts incurred by the Company and its fellow subsidiaries.
- (b) In 2011, Changsha BYD Auto Co., Ltd ("Changsha Auto"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB50,000,000 which were provided by the Economy Commission of Changsha City to support automotive research and development activities. For the year ended 31 December 2011, RMB50,000,000 was recognised as income from government grants upon Changsha Auto incurring research and development costs expenses (2010: RMB150,000,000).
- (c) In August 2011, BYD Automobile Co., Ltd ("BYD XiAn QC"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB30,000,000 which were provided by the Xi'an High-tech Zone to support fundamental research activities for new energy vehicles. For the year ended 31 December 2011, RMB30,000,000 was recognised as income from government grants upon BYD XiAn QC incurring research cost expenses.
- (d) In 2011, Shangluo BYD Industry Co., Ltd ("Shangluo BYD"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB20,550,000 which were provided by the Shangluo Bureau of Finance to support fundamental research activities for solar photovoltaic and semiconductor lighting industrial development. For the year ended 31 December 2011, RMB16,710,000 was recognised as income from government grants upon Shangluo BYD incurring research costs expenses.
- (e) In November 2011, BYD (Huizhou) Co., Ltd ("BYD HZ"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB13,330,000 which were provided by the Huizhou Daya Bay Economic Development Zone Industrial Trade Development Council to support fundamental research activities for semiconductor lighting projects. For the year ended 31 December 2011, RMB13,330,000 was recognised as income from government grants upon BYD HZ incurring research costs expenses.
- (f) In August 2011, BYD Auto Co., Ltd ("BYD XiAn QC"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB20,000,000 which were provided by the Xi'an High-tech Zone as a liquidity loan interest subsidy.

## 8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Interest on bank borrowings	841,962	235,853
Bank charges for discounted notes	229,126	177,230
	<b>1,071,088</b>	413,083
Less: Interest capitalised	<b>(328,826)</b>	(131,700)
	<b>742,262</b>	281,383

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.45% (2010: 4.76%).

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Fees	413	450
Other emoluments:		
Salaries, allowances and benefits in kind	6,414	6,409
Pension scheme contributions	6	6
	<b>6,420</b>	6,415
	<b>6,833</b>	6,865

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 RMB'000	2010 RMB'000
Ms. Li Dong	150	150
Mr. Wu Chang-qi	150	150
Mr. Lin You-ren (resigned on 10 June 2011)	67	150
Mr. Li Lian-he (appointed on 9 September 2011)	46	—
	<b>413</b>	450

There was no other emolument payable to the independent non-executive directors during the year (2010: Nil).

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

### (b) Executive director, non-executive directors and supervisors

2011	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:				
Mr. Wang Chuan-fu	—	4,067	—	4,067
Non-executive directors:				
Mr. Lu Xiang-yang	—	150	—	150
Mr. Xia Zuo-quan	—	150	—	150
Supervisors:				
Ms. Yan Chen	—	1,099	3	1,102
Mr. Zhang Hui-bin	—	50	—	50
Mr. Li Yong-zhao	—	50	—	50
Ms. Wang Zhen	—	798	3	801
Mr. Dong Jun-qing	—	50	—	50
	—	6,414	6	6,420

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

2010	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:				
Mr. Wang Chuan-fu	—	4,017	—	4,017
Non-executive directors:				
Mr. Lu Xiang-yang	—	150	—	150
Mr. Xia Zuo-quan	—	150	—	150
Mr. David L.Sokol (resigned on 1 April 2011)	—	—	—	—
Supervisors:				
Ms. Yan Chen	—	1,023	3	1,026
Mr. Zhang Hui-bin	—	50	—	50
Mr. Li Yong-zhao	—	50	—	50
Ms. Wang Zhen	—	919	3	922
Mr. Dong Jun-qing	—	50	—	50
	—	6,409	6	6,415

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director. Details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2010: four) non-director, highest paid employees for the year are as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	19,396	18,169
Pension scheme contributions	15	15
	<b>19,411</b>	18,184

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2011	2010
RMB4,500,001 to RMB5,000,000	4	4

## 11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company and its subsidiaries registered in the PRC are subject to Corporate Income Tax. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which became effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic-invested and foreign-invested enterprises from 1 January 2008 has decreased from 33% to 25%. Pursuant to the transitional arrangement under the New CIT Law, the income tax rate applicable to certain PRC subsidiaries will be gradually increased from the existing rate of 18% to the unified rate of 25% over a five-year transitional period.

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year.

Certain subsidiaries operating in Mainland China are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation and a 50% relief from income tax for the next three years.

	2011 RMB'000	2010 RMB'000
Group:		
Current – Hong Kong		
Charge for the year	58,791	873
Current – Mainland China		
Charge for the year	288,759	408,214
Deferred (note 32)	(215,142)	(185,410)
Total tax charge for the year	<b>132,408</b>	223,677

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group	2011		2010	
	RMB'000	%	RMB'000	%
Profit before tax	1,727,484		3,142,267	
Tax at the statutory tax rate	431,870	25.0	785,567	25.0
Lower tax rate for specific provinces or local authority	(265,636)	(15.4)	(521,090)	(16.6)
Profits attributable to jointly-controlled entities and an associate	(2,027)	(0.1)	(4,279)	(0.1)
Expenses not deductible for tax	38,134	2.2	32,121	1.0
Tax losses not recognised	76,244	4.4	67,223	2.1
Tax losses utilised from previous periods	(43,074)	(2.5)	(51,412)	(1.6)
Super-deduction of research and development costs	(103,103)	(6.0)	(84,453)	(2.7)
Tax charge at the Group's effective rate	132,408	7.7	223,677	7.1

## 12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a profit of RMB1,050,013,000 (2010: profit of RMB159,350,000) which has been dealt with in the financial statements of the Company (note 34(b)).

## 13. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,314,600,000 (2010: 2,275,100,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2011	2010
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,384,625	2,523,414
<b>Number of shares</b>		
	2011	2010
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year.	2,314,600,000	2,275,100,000



## 14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2011</b>							
At 31 December 2010 and at 1 January 2011:							
Cost	6,880,678	12,592	14,855,875	129,749	2,225,397	7,401,358	31,505,649
Accumulated depreciation and impairment	(553,023)	(6,341)	(5,272,547)	(50,653)	(745,972)	—	(6,628,536)
Net carrying amount	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
At 1 January 2010, net of accumulated depreciation and impairment							
	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
Additions	25,828	11,468	2,101,373	18,096	506,628	5,987,831	8,651,224
Disposals	(2)	(4,481)	(74,417)	(1,343)	(10,311)	(2,921)	(93,475)
Impairment	—	—	(80,179)	—	—	—	(80,179)
Depreciation provided during the year	(177,297)	(3,024)	(1,871,366)	(20,663)	(443,368)	—	(2,515,718)
Transfers	881,498	—	3,038,969	152	273,805	(4,194,424)	—
Exchange realignment	(66,931)	—	(45,374)	(243)	(1,748)	(1,286)	(115,582)
At 31 December 2011, net of accumulated depreciation and impairment	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383
<b>At 31 December 2011:</b>							
Cost	7,718,238	19,271	19,732,024	141,635	2,969,497	9,190,558	39,771,223
Accumulated depreciation and impairment	(727,487)	(9,057)	(7,079,690)	(66,540)	(1,165,066)	—	(9,047,840)
Net carrying amount	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383

\* The land situated in Hungary with a cost of HUF283,736,000 being equivalent to RMB7,349,000 (2010: equivalent to RMB8,994,000) is freehold and not depreciated; the land situated in Japan with a cost of JPY300,000,000 being equivalent to RMB21,835,000 (2010: equivalent to RMB21,895,000) is freehold and not depreciated.

\*\* As at 31 December 2011, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB2,218,072,000 (2010: RMB1,850,680,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

At 31 December 2011, certain items of the Group's machinery with a net carrying amount of approximately RMB327,793,000 (2010: RMB266,000) were pledged to secure general banking facilities granted to the Group; certain items of the Group's construction in progress with a net carrying amount of approximately RMB272,998,000 (2010: Nil) were pledged to secure general banking facilities granted to the Group (note 30a).

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2010</b>							
At 31 December 2009 and at 1 January 2010:							
Cost	5,944,856	19,830	11,581,737	91,543	1,512,239	4,580,974	23,731,179
Accumulated depreciation and impairment	(409,914)	(9,263)	(3,883,216)	(39,928)	(481,929)	—	(4,824,250)
Net carrying amount	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929
At 1 January 2010, net of							
accumulated depreciation and impairment	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929
Additions	58,714	4,791	1,729,111	41,468	491,835	5,766,051	8,091,970
Transfers from investment properties	1,927	—	—	—	—	—	1,927
Acquisition of a business (note 35)	24,810	—	3,214	—	—	—	28,024
Disposals	(4,142)	(8,178)	(110,238)	(2,187)	(377)	(6,383)	(131,505)
Write-off impairment	—	—	10,746	—	30	—	10,776
Depreciation provided during the year	(152,871)	(929)	(1,567,977)	(12,535)	(282,303)	—	(2,016,615)
Transfers	873,945	—	1,824,540	797	239,890	(2,939,172)	—
Exchange realignment	(9,670)	—	(4,589)	(62)	40	(112)	(14,393)
At 31 December 2010, net of							
accumulated depreciation and impairment	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
At 31 December 2010:							
Cost	6,880,678	12,592	14,855,875	129,749	2,225,397	7,401,358	31,505,649
Accumulated depreciation and impairment	(553,023)	(6,341)	(5,272,547)	(50,653)	(745,972)	—	(6,628,536)
Net carrying amount	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113

#### 14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2011</b>						
At 31 December 2010 and at 1 January 2011:						
Cost	1,161,359	1,067,049	11,013	156,605	116,499	2,512,525
Accumulated depreciation and impairment	(144,342)	(637,972)	(9,039)	(88,412)	—	(879,765)
Net carrying amount	1,017,017	429,077	1,974	68,193	116,499	1,632,760
At 1 January 2011, net of accumulated depreciation and impairment	1,017,017	429,077	1,974	68,193	116,499	1,632,760
Additions	11,470	12,197	681	9,228	27,683	61,259
Disposals	(4,481)	(604)	(74)	(375)	(405)	(5,939)
Depreciation provided during the year	(27,660)	(116,150)	(856)	(19,039)	—	(163,705)
Transfers	4,524	25,152	45	8,936	(38,657)	—
At 31 December 2011, net of accumulated depreciation	1,000,870	349,672	1,770	66,943	105,120	1,524,375
At 31 December 2011:						
Cost	1,172,565	1,080,816	11,107	169,187	105,120	2,538,795
Accumulated depreciation and impairment	(171,695)	(731,144)	(9,337)	(102,244)	—	(1,014,420)
Net carrying amount	1,000,870	349,672	1,770	66,943	105,120	1,524,375

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2010</b>						
At 31 December 2009 and at 1 January 2010:						
Cost	1,152,091	1,109,015	15,974	261,451	56,411	2,594,942
Accumulated depreciation and impairment	(114,548)	(583,558)	(11,151)	(128,548)	—	(837,805)
Net carrying amount	1,037,543	525,457	4,823	132,903	56,411	1,757,137
At 1 January 2010, net of accumulated depreciation and impairment						
Additions	4,789	31,948	1,018	26,649	77,363	141,767
Disposals	—	(41,567)	(2,867)	(74,103)	(168)	(118,705)
Depreciation provided during the year	(25,315)	(95,954)	(1,047)	(25,123)	—	(147,439)
Transfers	—	9,193	47	7,867	(17,107)	—
At 31 December 2010, net of accumulated depreciation	1,017,017	429,077	1,974	68,193	116,499	1,632,760
At 31 December 2010:						
Cost	1,161,359	1,067,049	11,013	156,605	116,499	2,512,525
Accumulated depreciation and impairment	(144,342)	(637,972)	(9,039)	(88,412)	—	(879,765)
Net carrying amount	1,017,017	429,077	1,974	68,193	116,499	1,632,760

## 15. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January	4,475,372	1,696,963	28,299	28,814
Additions	604,621	2,961,723	—	164
Transferred to property under development	(683,024)	(115,966)	—	—
Recognised during the year	(83,614)	(67,631)	(682)	(679)
Exchange realignment	(6,992)	283	—	—
Carrying amount at 31 December	4,306,363	4,475,372	27,617	28,299
Current portion included in prepayments, deposits and other receivables	(98,762)	(88,587)	(689)	(689)
Non-current portion	4,207,601	4,386,785	26,928	27,610

The leasehold lands held under medium term leases and a long term lease with amounts of RMB4,178,644,000 and RMB28,957,000 are situated in Mainland China and India, respectively.

As at 31 December 2011, the Group was still in the process of obtaining the land use right certificates for certain leasehold lands with a carrying amount of RMB84,973,000 (2010: RMB229,575,000). In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.

## 16. GOODWILL

Group	RMB'000
At 1 January 2010:	
Cost	68,274
Accumulated impairment	(9,671)
Net carrying amount	58,603
Cost at 1 January 2010, net of accumulated impairment	58,603
Acquisition of a business (note 35)	7,311
Impairment during the year	—
Cost and net carrying amount at 31 December 2010	65,914
At 31 December 2010:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2011, net of accumulated impairment	65,914
Impairment during the year	—
Cost and net carrying amount at 31 December 2011	65,914
At 31 December 2011:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914

### Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the automobile and related products cash-generating unit, which is a reportable segment, for impairment testing:

The recoverable amount of the automobile and related products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11%-13% (2010: 13%). The growth rate used to extrapolate the cash flows of the automobile and related products unit beyond the five-year period is 0%-3% (2010: 0%).

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	<b>Automobiles and related products</b>	
	2011	2010
	RMB'000	RMB'000
Carrying amount of goodwill	<b>65,914</b>	65,914

Key assumptions were used in the value in use calculation of the automobiles and related products cash-generating units for 31 December 2011 and 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

**Budgeted gross margins** – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

**Discount rate** – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

**Raw materials price inflation** – The basis used to determine the value assigned to raw materials price inflation is the forecast price index during the budget year.

The values assigned to key assumptions are consistent with external information sources.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 17. OTHER INTANGIBLE ASSETS

Group	Development costs RMB'000	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
<b>31 December 2011</b>					
Cost at 1 January 2011, net of accumulated amortisation and impairment	1,133,697	21,752	2,198	65,125	1,222,772
Additions - internal development	1,396,345	—	—	—	1,396,345
Additions - acquired	—	1,941	—	29,197	31,138
Disposal	—	(484)	—	(727)	(1,211)
Amortisation provided during the year	(123,455)	(8,145)	(309)	(30,039)	(161,948)
Impairment during the year*	(72,000)	—	—	—	(72,000)
Exchange realignment	—	—	—	(5)	(5)
At 31 December 2011	2,334,587	15,064	1,889	63,551	2,415,091
At 31 December 2011:					
Cost	2,894,777	62,096	6,053	186,815	3,149,741
Accumulated amortisation and impairment	(560,190)	(47,032)	(4,164)	(123,264)	(734,650)
Net carrying amount at 31 December 2011	2,334,587	15,064	1,889	63,551	2,415,091
<b>31 December 2010</b>					
Cost at 1 January 2010, net of accumulated amortisation and impairment	667,082	27,725	5,551	70,395	770,753
Additions - internal development	598,962	—	—	—	598,962
Additions - acquired	—	792	—	20,940	21,732
Acquisition of a business (note 35)	—	—	—	704	704
Disposal	—	(1,311)	(2,657)	(345)	(4,313)
Amortisation provided during the year	(132,347)	(5,454)	(696)	(26,565)	(165,062)
Exchange realignment	—	—	—	(4)	(4)
At 31 December 2010	1,133,697	21,752	2,198	65,125	1,222,772
At 31 December 2010:					
Cost	1,530,141	59,989	6,053	158,580	1,754,763
Accumulated amortisation and impairment	(396,444)	(38,237)	(3,855)	(93,455)	(531,991)
Net carrying amount at 31 December 2010	1,133,697	21,752	2,198	65,125	1,222,772

\* An impairment provision of RMB72,000,000 was made to development costs in the year ended 31 December, 2011. The recoverable amount is determined by the present value of the cash generating unit's estimated future cash flows.

Deferred development costs are stated at cost less any impairment losses. The development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, except for those of new energy vehicles which are amortised using the unit of production method, commencing from the date when the products are put into commercial production.

## 17. OTHER INTANGIBLE ASSETS (continued)

Company	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
<b>31 December 2011</b>				
Cost at 1 January 2011, net of accumulated amortisation	2,742	2,198	31,289	36,229
Additions – acquired	1,272	—	16,165	17,437
Disposal	—	—	(58)	(58)
Amortisation provided during the year	(840)	(309)	(15,316)	(16,465)
At 31 December 2011	3,174	1,889	32,080	37,143
At 31 December 2011:				
Cost	17,579	6,053	87,904	111,536
Accumulated amortisation	(14,405)	(4,164)	(55,824)	(74,393)
Net carrying amount at 31 December 2011	3,174	1,889	32,080	37,143
<b>31 December 2010</b>				
Cost at 1 January 2010, net of accumulated amortisation	3,986	2,579	46,360	52,925
Additions – acquired	—	—	7,513	7,513
Disposal	(330)	(50)	(9,052)	(9,432)
Amortisation provided during the year	(914)	(331)	(13,532)	(14,777)
At 31 December 2010	2,742	2,198	31,289	36,229
At 31 December 2010:				
Cost	16,307	6,053	71,797	94,157
Accumulated amortisation	(13,565)	(3,855)	(40,508)	(57,928)
Net carrying amount at 31 December 2010	2,742	2,198	31,289	36,229



# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	5,507,844	3,913,332

At the end of the reporting period, except for the amounts of approximately RMB3,621,804,000 of loans to subsidiaries which are unsecured, bear interest at a rate of 3.55% to 7.32% per annum and are payable within one year, all amounts due from/to subsidiaries in the Company's current assets and current liabilities are unsecured, interest-free, and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Lithium Batteries Co., Ltd. ("BYD Li-ion")***	PRC/ Mainland China	RMB160,000,000	100%	—	Research, development, sale and manufacture of Li-ion batteries
Shanghai BYD Company Limited ("BYD SH")***	PRC/ Mainland China	US\$63,500,000	74.99%	25.01%	Research, development, sale and manufacture of Li-ion batteries
BYD (H.K.) Co., Limited ("BYD HK")	Hong Kong	HK\$31,230,000	100%	—	Sale of the Company's products, after sales services and investment business
BYD Automobile Company Limited ("BYD XiAn QC")***	PRC/ Mainland China	RMB1,351,010,101	99%	—	Research, development, sale and manufacture of automobiles
Shanghai BYD Automobile Company Limited ("BYD Auto SH")***	PRC/ Mainland China	RMB10,000,000	90%	10%	Research, development, sale and manufacture of automobiles and battery- powered bicycles
Beijing BYD Mould Company Limited ("BYD Mould")**	PRC/ Mainland China	RMB80,000,000	75.63%	24.37%	Design and manufacture of moulds
BYD Precision Manufacture Company Limited ("BYD Precision")****	PRC/ Mainland China	US\$145,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Shenzhen BYD Electronic Parts Co., Limited ("BYD Electronic Parts")**	PRC/ Mainland China	RMB400,000,000	96%	4%	Production and sale of NiMH, NiCD and other batteries, hardware products, instruments and flexible printed circuit boards

## 18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Microelectronics Co., Limited ("BYD Microelectronics")***	PRC/ Mainland China	US\$40,000,000	17.5%	82.5%	Design, production and sale of integrated circuits
BYD Industry and Commerce Co., Limited, Huizhou ("BYD HZ")***	PRC/ Mainland China	US\$150,000,000	34%	66%	Research, development, manufacture and sale of components of mobile handsets and other consumer electronics; Development, sale and leasing of residential properties and property management (provided only to employees of the Company);
Huizhou BYD Battery Company Limited ("BYD HZ Battery")***	PRC/ Mainland China	US\$150,000,000	10%	90%	Research, development, sale and manufacture of Li-ion batteries and accessories
Shenzhen BYD Auto Company Limited ("Shenzhen BYD Auto")***	PRC/ Mainland China	US\$448,000,000	73.05%	26.95%	Research and development of automobiles
BYD Electronic (International) Company Limited ("BYD Int'l")**	Hong Kong	HK\$440,000,000	—	65.76%	Investment holding
Golden Link Worldwide Limited ("Golden Link")	British Virgin Islands	US\$50,000	—	100%	Investment holding
Beijing BTC Wireless Limited Company ("BYD BTC")***	PRC/ Mainland China	RMB20,000,000	—	69%	Development and design of wireless communications terminal equipment
BYD Electronic Company Limited ("BYD Electronic")^	Cayman Islands	HK\$50,000	—	65.76%	Investment holding
Lead Wealth International Limited ("Lead Wealth")^	British Virgin Islands	US\$50,000	—	65.76%	Investment holding
BYD (Tianjin) Company Limited ("BYD Tianjin")****^	PRC/ Mainland China	US\$40,000,000	—	65.76%	High-level assembly and painted circuit board assembly
BYD (Huizhou) Electronic Company Limited ("BYD Huizhou Electronic")****^	PRC/ Mainland China	US\$110,000,000	—	65.76%	High-level assembly

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Auto Sales Company Limited ("BYD Auto Sales")**	PRC/ Mainland China	RMB1,050,000,000	4.28%	94.77%	Sale and distribution of automobiles; provision of related after sales services
BYD Electronic Hungary Kft ("Hungary Electronic")^	Hungary	HUF500,000	—	65.76%	Manufacture and sale of mobile handset components
BYD Electronics India Private Limited ("BYD India")^	India	RS2,500,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Changsha BYD Auto Company Limited ("Changsha Auto")**	PRC/ Mainland China	RMB500,000,000	—	100%	Research and development of auto mobiles and components
Changsha BYD Coach Company Limited ("Changsha Coach")**	PRC/ Mainland China	RMB121,780,000	—	100%	Research and development of coaches
Shaoguan BYD Auto Company Limited ("Shaoguan BYD")**	PRC/ Mainland China	RMB30,000,000	—	100%	Research and development of automobiles and components
Shangluo BYD Industry Company Limited ("Shangluo BYD")***	PRC/ Mainland China	RMB370,000,000	91%	9%	Research, development, manufacture and sale of solar batteries and solar arrays

\* BYD Int'l is a subsidiary with its shares listed on the Hong Kong Stock Exchange.

\*\* These subsidiaries are registered as limited companies under PRC law.

\*\*\* These subsidiaries are registered as Sino-foreign joint ventures under PRC law.

^ These subsidiaries were wholly owned by BYD Int'l, one of the Company's subsidiaries.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2011 RMB'000	2010 RMB'000
Share of net assets	<b>285,966</b>	59,160

The Group's trade receivable balances due from the jointly-controlled entities are disclosed in note 39(c) to the financial statements.

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of registered capital held	Place of registration	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Shenzheng Pengcheng Electric Car Rental Company Limited ("Shenzhen Pengcheng")	RMB20,000,000	PRC/ Mainland China	45%	40%	45%	Taxi business, advertising and rental of electric vehicles
Shenzhen BYD Daimler New Technology Co., Ltd. ("BDNT")	RMB600,000,000	PRC/ Mainland China	50%	50%	50%	Research, development, sale and manufacture of automobiles

All of the above investments are held by BYD Auto SZ, which is 100% indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2011 RMB'000	2010 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	<b>234,637</b>	53,456
Non-current assets	<b>188,005</b>	31,284
Current liabilities	<b>(133,525)</b>	(25,580)
Net assets	<b>289,117</b>	59,160
Share of the jointly-controlled entities' results:		
Revenue	<b>6,786</b>	56,501
Income	—	1,193
	<b>6,786</b>	57,694
Total expenses	<b>(25,526)</b>	(28,268)
Tax	—	(3,872)
Profit after tax	<b>(18,740)</b>	25,554

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 20. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	—	—	291,825	—
Shares of net assets	154,772	—	—	—
Goodwill on acquisition	131,238	—	—	—
	<b>286,010</b>	—	<b>291,825</b>	—

Particulars of the associate are as follows:

Name	Particulars of registered capital held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activities
Tibet Xigaze Zabuye Lithium Hi-Tech Co., Ltd (“Zabuye Lithium”)	RMB930,000,000	PRC/Main land China	18%	Research, development, sale and manufacture of lithium-boron series products

According to Zabuye Lithium’s Articles of Association, 2 out of 11 directors are appointed by the Company representing significant influence over Zabuye Lithium. The investment in Zabuye Lithium is classified as an interest in the associate.

The above investment in an associate is directly held by the Company.

The above associate has been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group’s associate extracted from its management accounts or financial statements:

	2011 RMB'000	2010 RMB'000
Assets	919,030	—
Liabilities	61,655	—
Revenues	93,654	—
Loss	(39,866)	—

## 21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Listed equity investments, at fair value:				
China Mainland	15,192	11,139	8,470	6,210
Impairment	—	(11,139)	—	(6,210)
	<b>15,192</b>	—	<b>8,470</b>	—

During the year, the gross gain in respect of the Group’s available-for-sale investments recognised in other comprehensive income amounted to RMB15,192,000 (2010: Nil).

## 22. PROPERTY UNDER DEVELOPMENT

	Group	
	2011 RMB'000	2010 RMB'000
Land in Mainland China held under medium term leases, at cost:		
At the beginning of year	115,966	—
Additions	683,024	115,966
At 31 December	798,990	115,966
Development expenditure, at cost:		
At the beginning of year	50,885	—
Additions	320,964	50,885
At 31 December	371,849	50,885
	1,170,839	166,851
Properties under development expected to be recovered:		
After more than one year	1,170,839	166,851

## 23. INVENTORIES

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Raw materials	1,754,086	2,172,018	73,138	74,245
Work in progress	1,932,692	1,588,463	145,357	129,728
Finished goods	2,386,645	2,315,228	185,516	101,017
Moulds held for production	522,374	462,143	20,575	—
	6,595,797	6,537,852	424,586	304,990

At 31 December 2011, the Group's inventories with a carrying amount of RMB261,625,000 (2010: RMB87,426,000 ) were pledged as security for the Group's bank loans, as further detailed in note 30(a) to the financial statements.

## 24. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Trade receivables	5,747,594	5,543,153	792,640	963,193
Bills receivable	4,319,314	2,756,210	185,747	210,811
Impairment	(284,826)	(146,563)	(94,557)	(95,446)
	9,782,082	8,152,800	883,830	1,078,558

For sales under the automobiles and related products segment, payment in advance, mainly in the form of bank bills, is normally required. 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 Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 26% (2010: 31%) and 60% (2010: 75%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 24. TRADE AND BILLS RECEIVABLES (continued)

An 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:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within three months	8,591,923	7,643,668	774,598	999,408
Four to six months	1,005,191	504,990	108,766	79,060
Seven months to one year	170,288	4,142	466	90
Over one year	14,680	—	—	—
	<b>9,782,082</b>	8,152,800	<b>883,830</b>	1,078,558

At 31 December 2011, the Group pledged bills receivable of RMB75,675,000 (2010: RMB29,169,000) to secure the Group's bank loans, as further detailed in note 30 (a) to the financial statements.

The movements in the provision for impairment of trade and bills receivables are as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	146,563	260,972	95,446	133,295
Impairment of trade receivables (note 6)	158,210	10,947	414	145
Impairment losses reversed (note 6)	(11,954)	(43,033)	—	(13,763)
Written off as uncollectible	(8,269)	(82,836)	(1,303)	(24,231)
Exchange realignments	276	513	—	—
At 31 December	<b>284,826</b>	146,563	<b>94,557</b>	95,446

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB245,555,000 (2010: RMB99,933,000) with a carrying amount before provision of RMB392,755,000 (2010: RMB99,933,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

A aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	8,696,894	7,258,902	726,255	964,087
Less than one year past due	927,504	892,042	156,984	114,386
	<b>9,624,398</b>	8,150,944	<b>883,239</b>	1,078,473

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are amounts due from Guangdong Youngy Financial Leasing Co., Limited ("Youngy Financial Leasing"), a company in which a director of the Company is a controlling shareholder, of RMB10,000,000 (2010: Nil), which are repayable on similar credit terms to those offered to the major customers of the Group.



## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Non-current portion</b>				
Prepayment for property, plant and equipment	4,327,200	3,889,684	6,824	2,621
Prepayments for land use rights	—	80,681	—	—
Prepayment for an investment in an associate	—	201,825	—	201,825
	<b>4,327,200</b>	4,172,190	<b>6,824</b>	204,446
<b>Current portion</b>				
Prepayments	697,490	698,873	21,857	12,169
Deposits and other receivables	1,551,195	1,135,218	496,810	59,878
Loans to staff	47,387	35,279	3,471	3,727
	<b>2,296,072</b>	1,869,370	<b>522,138</b>	75,774

None of the financial assets included in the above balances is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

On 20 July 2009, Shenzhen BYD Auto and 天津市鑫星實業有限公司 signed the "Contractual Operation Contract", pursuant to which Shenzhen BYD Auto contracted with 天津市鑫星實業有限公司 for assets such as machinery and equipment and power systems located at He Jin, Shanxi province for the manufacture of automobile components and parts (such as wheels) with a term of four years starting from 20 July 2009 until 20 July 2013. The total contracting fee was RMB129,500,000, in which RMB18,885,000 and RMB32,375,000 were included in the non-current portion of the prepayment for property, plant and equipment and current portion of prepayments, respectively.

## 26. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

Notes	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash and bank balances	2,780,372	1,205,763	103,771	88,593
Time deposits	1,268,074	786,756	—	—
	<b>4,048,446</b>	1,992,519	<b>103,771</b>	88,593
Less: Restricted bank deposit:				
Pledged deposit (i)	(311,060)	(13,784)	—	—
Cash and cash equivalents (ii)	<b>3,737,386</b>	1,978,735	<b>103,771</b>	88,593

Notes:

- (i) At 31 December 2011, the pledged bank deposit of RMB311,060,000 (2010: RMB13,784,000) was pledged for banking facilities of RMB311,060,000 (2010: for banking facilities of RMB13,784,000).
- (ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB2,964,096,000 (2010: RMB1,379,604,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (iii) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 27. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within three months	11,630,385	10,042,146	570,159	755,526
Three to six months	5,382,666	799,404	338,422	81,765
Six months to one year	111,911	118,907	668	1,024
One to two years	65,023	44,504	1,857	1,243
Two to three years	22,914	11,244	1,113	368
Over three years	23,035	17,243	1,137	763
	<b>17,235,934</b>	11,033,448	<b>913,356</b>	840,689

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

## 28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Other payables	1,884,912	1,347,371	214,800	146,061
Accruals	357,125	846,292	34,630	40,975
Accrued payroll	1,281,563	1,003,198	107,107	96,641
	<b>3,523,600</b>	3,196,861	<b>356,537</b>	283,677

Other payables are non-interest-bearing and have an average term of three months.

## 29. DEFERRED INCOME

	Group	
	2011 RMB'000	2010 RMB'000
At 1 January	1,053,809	432,339
Received during the year	347,500	892,564
Released to the income statement	(114,041)	(271,094)
At 31 December	<b>1,287,268</b>	1,053,809
Less: Portion classified as current liabilities	<b>(94,253)</b>	(54,435)
Non-current portion	<b>1,193,015</b>	999,374

### 30. INTEREST-BEARING BANK BORROWINGS

Group	Effective interest rate (%)	2011		Effective interest rate (%)	2010	
		Maturity	RMB'000		Maturity	RMB'000
<b>Current</b>						
Bank loans - Secured	4.76-14.04 LIBOR+	2012	4,569,380	3.60-5.45 LIBOR+	2011	3,031,737
Bank loans - Unsecured	300bps-510bps	2012	664,340	230bps-280bps	2011	321,073
	4.00-14.00 LIBOR+ 550bps	2012	4,749,364	3.42-5.52	2011	6,443,612
Current portion of long term bank loans - Secured	5.81-7.05	2012	792,500	4.00-5.27	2011	57,068
Current portion of long term bank loans - Unsecured	5.76-6.35	2012	538,200	3.60-5.53	2011	1,150,000
			11,341,822			11,003,490
<b>Non-current</b>						
Bank loans - Secured	5.56-7.05 LIBOR+ 550bps	2013-2018	2,822,499	5.04-5.85	2012-2013	1,490,000
Bank loans - Unsecured	4.76-7.38 LIBOR+ 320bps-420bps	2018	28,558	—	—	—
		2013-2018	2,288,800	5.04-5.60	2012-2018	1,559,000
		2014	945,135	—	—	—
			6,084,992			3,049,000
Corporate bonds - unsecured	4.81	2014	994,255	—	—	—
			7,079,247			3,049,000
			18,421,069			14,052,490

Company	Effective interest rate (%)	2011		Effective interest rate (%)	2010	
		Maturity	RMB'000		Maturity	RMB'000
<b>Current</b>						
Bank loans - Secured	8.00-9.70	2012	49,004	3.80	2011	1,000
Bank loans - Unsecured	4.00-7.87 LIBOR+ 550bps	2012	1,936,666	5.00-5.52	2011	809,432
		2012	28,038	—	—	—
Current portion of long term bank loans - Unsecured	5.76-6.35	2012	538,200	3.60-5.53	2011	1,150,000
			2,551,908			1,960,432
<b>Non-current</b>						
Bank loans - Unsecured	4.76-7.32 LIBOR+ 320bps-420bps	2013-2018	1,971,800	5.04-5.34	2012-2018	1,409,000
		2014	945,135	—	—	—
			2,916,935			1,409,000
			5,468,843			3,369,432

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 30. INTEREST-BEARING BANK BORROWINGS (continued)

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Analysed into:</b>				
Bank loans repayable:				
Within one year	11,341,822	11,003,490	2,551,908	1,960,432
In the second year	2,967,934	901,500	1,634,367	509,000
In the third to fifth years, inclusive	2,805,302	1,697,500	982,568	450,000
After five years	311,756	450,000	300,000	450,000
	<b>17,426,814</b>	14,052,490	<b>5,468,843</b>	3,369,432
Corporate bonds				
In the third year	994,255	—	—	—
	<b>18,421,069</b>	14,052,490	<b>5,468,843</b>	3,369,432

Notes:

- (a) Certain of the Group's bank loans are secured by:
- the pledge of the Group's bills receivable, which had an aggregate carrying value at the end of the reporting period of approximately RMB75,675,000 (2010: RMB29,169,000) (note 24);
  - mortgages over the Group's machineries, which had an aggregate carrying value at the end of the reporting period of approximately RMB327,793,000 (2010: RMB266,000) (note 14);
  - mortgages over the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB272,998,000 (2010: Nil) (note 14);
  - no floating charges over certain of the Group's machinery lading (2010: RMB9,534,000); and
  - floating charges over certain of the Group's inventories bill totalling RMB261,625,000 (2010: RMB87,426,000) (note 23)
- In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB8,523,173,000 (2010: RMB4,773,483,000) as at the end of the reporting period.
- (b) The carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values.
- (c) Except for bank loans of RMB1,666,072,000 (2010: RMB493,056,000) which are denominated United States dollars, all borrowings are in RMB.
- (d) On 20 April 2011, BYD HK issued CNY denominated 1,000,000,000 corporate bonds. The bonds are denominated in CNY, have a maturity of three years due in 2014, and bear a fixed interest rate of 4.5% per annum from and including 28 April 2011 payable semi-annually in arrears on or nearest to 28 April and 28 October in each year.

## 31. PROVISION

Group	Product warranties	
	RMB'000 2011	RMB'000 2010
At 1 January	317,565	248,850
Additional provision	270,346	246,005
Amounts utilised during the year	(249,346)	(177,290)
At 31 December	<b>338,565</b>	317,565

The Group provides warranties on automobiles and the undertaking to repair or replace items that fail to perform satisfactorily. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

## 32. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

### Deferred tax assets

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accruals and provision for warranties RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2011	113,580	14,232	124,274	10,669	108,582	—	371,337
Deferred tax credited to the income statement during the year (note 11)	46,053	18,554	13,612	13,438	24,535	98,950	215,142
At 31 December 2011	159,633	32,786	137,886	24,107	133,117	98,950	586,479
At 1 January 2010	80,207	37,882	21,382	5,459	40,997	—	185,927
Deferred tax credited to the income statement during the year (note 11)	33,373	(23,650)	102,892	5,210	67,585	—	185,410
At 31 December 2010	113,580	14,232	124,274	10,669	108,582	—	371,337

The Group has tax losses arising in Mainland China of RMB500,258,000 (2010: Nil) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The Group has accumulated tax losses arising in Mainland China of RMB676,148,000 (2010: RMB600,452,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has tax losses arising in India of RMB105,694,000 (2010: RMB119,938,000) that will expire in one to eight years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Tax losses	781,842	720,390	50,279	25,780
Deductible temporary differences	1,859,436	2,279,425	323,023	338,955
	2,641,278	2,999,815	373,302	364,735

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2011, no provision has been made to recognise deferred tax liabilities arising on the future distribution of retained profits from these subsidiaries as the Company controls the dividend policy of these subsidiaries and in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,923,245,000 at 31 December 2011 (2010: RMB3,151,800,000).

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 33. SHARE CAPITAL

Shares	2011 RMB'000	2010 RMB'000
Authorised, issued and fully paid:		
2,354,100,000 (2010: 2,275,100,000) ordinary shares of RMB1 each	<b>2,354,100</b>	2,275,100

On June 2010, with the approval from the China Securities Regulatory Commission ("CSRC"), the Company was listed and commenced trading on the Shenzhen Stock Exchange. 79,000,000 new A Shares of RMB1 each were issued at a price of RMB18 per share. Upon completion, the registered capital of the Company increased from RMB2,275,100,000 to RMB2,354,100,000.

## 34. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for business enterprises, a portion of the profits of the Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the Group's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of capital after such usage.

### (b) Company

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010		1,368,590	(225,407)	362,745	1,076,928	2,582,856
Total comprehensive income for the year	12	—	—	—	159,350	159,350
Appropriate to statutory surplus reserve fund		—	—	15,935	(15,935)	—
At 31 December 2010		1,368,590	(225,407)	378,680	1,220,343	2,742,206
Profit for the year	12	—	—	—	1,050,013	1,050,013
Other comprehensive income for the year: Change in fair value of available-for-sale investments, net of tax		—	8,470	—	—	8,470
Total comprehensive income for the year		—	8,470	—	1,050,013	1,058,483
Appropriate to statutory surplus reserve fund		—	—	104,420	(104,420)	—
Issue of ordinary shares		1,274,835	—	—	—	1,274,835
At 31 December 2011		2,643,425	(216,937)	483,100	2,165,936	5,075,524

### 35. BUSINESS COMBINATION

On 31 March 2010, TATEBAYASHI MOULDING Co., Ltd., a wholly-owned subsidiary of the Company, acquired these assets and related business of a moulding factory in Gunmaken, Tatebayashi, Japan (“Tatebayashi Factory”) at a consideration of JPY491,000,000 (equivalent to approximately RMB36,039,000). Tatebayashi Factory is engaged in the manufacture of auto moulds.

The fair value of the identifiable assets of Tatabayashi Factory as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on 31 March 2010 RMB'000	Carrying amount as at 31 March 2010 RMB'000
Property, plant and equipment	14	28,024	35,335
Other intangible asset	17	704	704
		28,728	
Goodwill on acquisition	16	7,311	
Satisfied by cash		36,039	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(36,039)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(36,039)

Since the acquisition, Tatebayashi Factory had contributed RMB2,069,000 to the Group’s turnover whereas a loss of RMB3,648,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year ended 31 December 2010, the revenue of the Group and the profit of the Group for that year would have been RMB46,685,349,000 and RMB2,918,590,000 respectively.

## 36. CONTINGENT LIABILITIES

- (a) In June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising from the June 2007 Action. In essence, the Plaintiffs alleged that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action 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 Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000 and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the Company has given an indemnity in favour of other Defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the Company to the indemnified parties will not cover loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents. The service of writs on all of the Defendants has been duly acknowledged.

On 2 November 2007, the Company and its subsidiary, BYD Hong Kong Limited ("BYD Hong Kong"), which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the Company and BYD Hong Kong. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff. The Group also filed a counterclaim on 2 October 2009 against the Plaintiffs, including Foxconn Precision Component (Beijing) Co., Ltd., the documents of which have been served on all parties of the Plaintiffs. The counterclaim mainly related to the release of defamatory remarks to prejudice the Defendants' reputation and the interference with the Defendants' business, and the request for remedies by the Plaintiffs.

Based on the legal opinions issued by the Group's litigation legal counsels to the Group, the ultimate outcome of the litigation is not yet determinable given the early stage of the proceedings. Accordingly no liability accrual has been recorded by the Group.



## 36. CONTINGENT LIABILITIES (continued)

(b) Damage compensation dispute between Ingenico S.A and the Company

Ingenico S.A, established in France, filed a litigation against the Company on 29 April 2010 with the Commercial Court in Nanterre District, France on the grounds that the Company breached the contractual obligations for its damages caused by the defects of the lithium batteries provided, and asked for an order that the Company shall indemnify the total amount of EUR 9,703,000 for the physical loss it has suffered from and may suffer from in the future, company image damage, and legal cost. On 8 October 2010, the Company officially received the indictment and service of process through the international despatching procedures stipulated in the Hague Convention.

Based on the legal opinion issued by the Company's litigation lawyer, in light of the preliminary stage of the legal process and that the Company can defense against the appeal proposed by the plaintiff on the basis of the favourable evidence, the ultimate outcome of the litigation is not yet determinable. Accordingly, no liability has been accrued by the Group.

(c) The Atlantic maritime case

1) The third-party litigation maritime case (No. 08 civ 9352(AKH))

On 10 September 2008, the Company exported and sold to Spectrum Brands, Inc. 360 cartons of Ni-MH batteries with the trademark of "Rayovac", which were loaded inside a container (No. APLU9087454) in cargo hold No. 5 of the ship "M/V APL PERU". The ship owner is HLL Atlantic Schiffahrts GmbH. The ship operator is Hanseatic Lloyd Schiffahrt GmbH & Co. KG. On around 5 October 2008, the cargo inside the container (No. APLU9087454) caught fire, resulting in the damages to the ship and other cargo aboard.

On 31 October 2008, six companies (the "plaintiffs"), including Chris Sports North America, Inc., being the interest holders of the cargo aboard the ship, launched a lawsuit to the Southern District Federal Court in New York State against the four companies (the "defendants"), including the ship owner HLL Atlantic Schiffahrts GmbH, the ship operator Hanseatic Lloyd Schiffahrt GmbH & Co. KG and the cargo carrier Laufer Group International Ltd., on the grounds of the cargo carriers violating the carriage obligations based on the facts of the maritime transport. On 2 March 2009, the plaintiffs in the case requested to add another carrier Hyundai Merchant Marine Co. as one more defendant, demanding that all defendants compensate for the total amount of loss of USD428,328.50.

On 10 September 2009, the defendants in the case (No. 08civ9352(AKH)), Atlantic Schiffahrts GmbH and Hanseatic Lloyd Schiffahrt GmbH & Co. KG, launched a third-party litigation against BYD and Spectrum Brands, Inc., demanding the court to order the Company and Spectrum Brands, Inc. to bear the losses and expenses totaling USD250,000, as well as demanding for other damage liabilities.

On 8 October 2010, the Company was duly served the third-party statement of claims and the court summons.

2) The maritime case (No. 10-CV-06108)

On 7 May 2010, 41 plaintiffs, including David Peyser Sportswear, Inc. and National Liability and Fire Company, launched a lawsuit against five defendants, including the Company and Spectrum Brands, Inc., at the District Court of Washington in Seattle. All the plaintiffs requested all the defendants to compensate for the loss of approximately USD6,000,000, plus general average and the cost of litigation (case no. CV 09-00169-RAJ). This case was based on the same facts as the aforementioned case 08civ9352(AKH). On 17 August 2010, the case has been transferred to the jurisdiction of the Southern District Federal Court in New York State, the case number was changed to 10-CV-06108.

On 4 November 2010, the Company was duly served the plaintiffs' statement of claims and the summons.

During the reporting period, there was no significant progress for the above-mentioned cases, which are still at the initial stage. Pursuant to the legal advice from the Group's litigation lawyers, in view of the proceedings which are still at an early stage, the outcome of the proceedings cannot be determined. As a result, it is uncertain whether the litigation may result in the Group's obligation to compensate. In addition, if the litigation may result in compensation obligations of the Group, the compensation amount cannot be measured reliably. The Group has not made any provision for the contingent liability concerned.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 36. CONTINGENT LIABILITIES (continued)

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	—	—	<b>38,968,825</b>	5,240,958

As at 31 December 2011, the banking facilities guaranteed to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB8,523,173,000 (2010: RMB4,773,483,000).

## 37. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to five years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Within one year	<b>3,469</b>	10,585
In the second to fifth years, inclusive	<b>1,172</b>	2,226
	<b>4,641</b>	12,811

## 38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Land and buildings(i)	1,862,363	1,474,670
Plant and machinery(ii)	4,398,742	4,737,428
Capital contribution in respect of investments(iii)	—	700,000
	<b>6,261,105</b>	6,912,098
Authorised, but not contracted for:		
Capital contributions payable to a jointly-controlled entity	—	15,643
	<b>6,261,105</b>	6,927,741

Notes:

- (i) Included in the above capital commitment is a commitment with regard to the under-mentioned BYD Automobile Plant II Project, the Shaoguan Base Project and the Changsha Sedan Project with the total amount of RMB408,017,000 (2010: RMB574,075,000);
- (ii) Included in the above capital commitments is a commitment with regard to the under-mentioned BYD Automobile Plant II project, the Shaoguan Base project and the Changsha Sedan Project with the total amount of RMB473,379,000 (2010: RMB629,521,000);
- (iii) On 18 June 2010, the Company and Compagnie Générale de Location d'Equipements ("CGL") entered into a "Joint Venture Contract on the Establishment of BYD Auto Finance Company Limited", for the establishment of BYD Auto Finance Company Limited (the "Finance Company") in Shenzhen. The registered capital of the Finance Company was RMB 500 million, of which the Company contributed RMB 400 million, representing 80% equity interest of the Finance Company; CGL contributed Euro equivalent of RMB100 million, representing 20% equity interest of the Finance Company. In view of the CGL's opinion that risks in the automobile market in China were on the increase, the JV parties differed in judgments toward business risks and could not reach a consensus in certain aspects including the operating strategy. Therefore, the Company and CGL agreed to terminate the existing cooperation of the JV Contract and the Finance Company and completed the signed and sealed matters on 4 July 2011(the "Termination"). The Termination would not have material impact on the Company's financial position and performances.

### (a) BYD Automobile Plant II Project

BYD Auto Company Limited ("BYD Auto"), a subsidiary of the Company, will invest in construction of the "BYD Automobile Plant II Project" in the Xi'an High-Tech Zone, with an investment amount of RMB4.46 billion, the project is the production of vehicles and automobile components. After completion of the project, the annual production capacity will reach 200,000 vehicles and automobile components.

### (b) Shaoguan Base Project

Shenzhen BYD Auto Co. Ltd. ("Shenzhen BYD Auto"), a fully-owned subsidiary of the company, entered into an investment agreement with the People's Government of Shaoguan City, Guangdong Province. According to the agreement, Shenzhen BYD Auto proposed to build a state-level test track and automobile component production plant within the Dongguan-Shaoguan Industrial Transferred Zone (the "Shaoguan Base Project"). The total investment of the project will amount to approximately RMB1.5 billion. Shenzhen BYD Auto undertook that Shaoguan BYD would be fully commissioned in two years after the land use right is obtained and the gross output is expected to exceed RMB1 billion in three years and the fiscal contribution to the tax revenue will be approximately RMB80 million per year .

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 38. COMMITMENTS (continued)

### (c) Changsha Sedan Project

Shenzhen BYD Auto, a subsidiary of the Company, entered into an BYD Automobile Park investment agreement with the Management Committee of the Hunan Environmental Industrial Park and the Changsha Economic Commission. According to the agreement, Shenzhen BYD Auto proposed to establish a production project with an annual output of approximately 400,000 units of automobiles in the Hunan Environmental Industrial Park. The total investment of the project will amount to approximately RMB3 billion. Shenzhen BYD Auto undertook that the gross output is expected to exceed RMB10 billion after the plants has been fully commissioned for three years.

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:	<b>21,873</b>	16,602

## 39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Group	
		2011	2010
		RMB'000	RMB'000
Jointly-controlled entities			
Sales of products	(i)	<b>58,890</b>	12,812
Sales of raw materials	(ii)	<b>767</b>	—
Sales of machinery	(iii)	<b>2,533</b>	—
Service income	(iv)	<b>82,576</b>	—
Sales of products to Youngy Financial Leasing, a company in which a director of the Company is a controlling shareholder	(v)	<b>8,547</b>	—

Notes:

- (i) The sales of products to the jointly-controlled entities, were made according to the published prices;
- (ii) The sales of raw materials to BDNT, a jointly-controlled entity, were made according to the published prices;
- (iii) The sales of machinery to BDNT, a jointly-controlled entity, were made at net book values;
- (iv) The service income from jointly-controlled entities were made according to the published prices;
- (v) The directors consider that the sales of products to Youngy Financial Leasing were made according to the published prices. The outstanding balance owing by the Company as at 31 December 2011 was RMB10,000,000 (2010: Nil). Details are disclosed in note 24 to the financial statements.

### 39. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties:

In 2011, the Group entered into a series of cooperate agreements (the "Agreements") with BDNT, including a Service Agreement on Development of New Electronic Vehicles In China and a Framework Agreement on Product and Distribute of New Electronic Vehicles. According to the Agreements, the Group will provide services to BDNT on design and development of new electric vehicles (the "Vehicles"), manufacture and sell the Vehicles to BDNT. The transactions occurred under the Agreements in the year ended 31 December 2011 was in note 39(a) to the financial statements. Expected transaction amount in 2012 is about RMB438,856,000.

(c) Outstanding balances with related parties:

The amounts due from Shenzhen Pengcheng and BDNT of RMB44,467,000(2010: Nil) and RMB12,997,000(2010: Nil), respectively. Balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2011 RMB'000	2010 RMB'000
Short term employee benefits	35,818	35,994
Pension scheme contributions	30	30
	<b>35,848</b>	<b>36,024</b>

Further details of directors' emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items set out in note39(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets	Group		
	Loans and receivables RMB'000	Available- for-sale investments	Total RMB'000
Long term receivable	17,500	—	17,500
Available-for-sale investments	—	15,192	15,192
Trade and bills receivables	9,782,082	—	9,782,082
Due from the jointly-controlled entities	57,464	—	57,464
Financial assets included in prepayments, deposits and other receivables	316,818	—	316,818
Pledged deposits	311,060	—	311,060
Cash and cash equivalents	3,737,386	—	3,737,386
	<b>14,222,310</b>	<b>15,192</b>	<b>14,237,502</b>

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2011	Group	
	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	17,235,934	17,235,934
Financial liabilities included in other payables and accruals	1,653,340	1,653,340
Interest-bearing bank and other borrowings	18,421,069	18,421,069
	<b>37,310,343</b>	<b>37,310,343</b>

2010	Group	
	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	8,152,800	8,152,800
Financial assets included in prepayments, deposits and other receivables	172,261	172,261
Pledged deposits	13,784	13,784
Cash and cash equivalents	1,978,735	1,978,735
	<b>10,317,580</b>	<b>10,317,580</b>

2010	Group	
	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	11,033,448	11,033,448
Financial liabilities included in other payables and accruals	1,247,219	1,247,219
Interest-bearing bank borrowings	14,052,490	14,052,490
	<b>26,333,157</b>	<b>26,333,157</b>

Financial assets	2011			2010	
	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Total RMB'000
Available-for-sale investments	—	8,470	8,470	—	—
Trade and bills receivables	883,830	—	883,830	1,078,558	1,078,558
Financial assets included in prepayments, deposits and other receivables	25,523	—	25,523	9,297	9,297
Due from subsidiaries	7,924,888	—	7,924,888	5,519,190	5,519,190
Cash and cash equivalents	103,771	—	103,771	88,593	88,593
	<b>8,938,012</b>	<b>8,470</b>	<b>8,946,482</b>	<b>6,695,638</b>	<b>6,695,638</b>

#### 40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities	Company			
	2011		2010	
	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	913,356	913,356	840,689	840,689
Financial liabilities included in other payables and accruals	212,190	212,190	128,432	128,432
Interest-bearing bank borrowings	5,468,843	5,468,843	3,369,432	3,369,432
Due to subsidiaries	3,074,156	3,074,156	3,336,042	3,336,042
	<b>9,668,545</b>	<b>9,668,545</b>	7,674,595	7,674,595

#### 41. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

##### Group

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Financial assets</b>				
Long term receivable	17,500	—	17,500	—
Available-for-sale investments	15,192	—	15,192	—
Trade and bills receivables	9,782,082	8,152,800	9,782,082	8,152,800
Due from the jointly-controlled entities	57,464	—	57,464	—
Financial assets included in prepayments, deposits and other receivables	316,818	172,261	316,818	172,261
Pledged deposits	311,060	13,784	311,060	13,784
Cash and cash equivalents	3,737,386	1,978,735	3,737,386	1,978,735
	<b>14,237,502</b>	10,317,580	<b>14,237,502</b>	10,317,580

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Financial liabilities</b>				
Trade and bills payables	17,235,934	11,033,448	17,235,934	11,033,448
Financial liabilities included in other payables and accruals	1,653,340	1,247,219	1,653,340	1,247,219
Interest-bearing bank and other borrowings	18,421,069	14,052,490	18,421,069	14,052,490
	<b>37,310,343</b>	26,333,157	<b>37,310,343</b>	26,333,157

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 41. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

### Company

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Financial assets</b>				
Available-for-sale investments	8,470	—	8,470	—
Trade and bills receivables	883,830	1,078,558	883,830	1,078,558
Financial assets included in prepayments, deposits and other receivables	25,523	9,297	25,523	9,297
Due from subsidiaries	7,924,888	5,519,190	7,924,888	5,519,190
Cash and cash equivalents	103,771	88,593	103,771	88,593
	<b>8,946,482</b>	<b>6,695,638</b>	<b>8,946,482</b>	<b>6,695,638</b>

### Company

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Financial liabilities</b>				
Trade and bills payables	913,356	840,689	913,356	840,689
Financial liabilities included in other payables and accruals	212,190	128,432	212,190	128,432
Interest-bearing bank borrowings	5,468,843	3,369,432	5,468,843	3,369,432
Due to subsidiaries	3,074,156	3,336,042	3,074,156	3,336,042
	<b>9,668,545</b>	<b>7,674,595</b>	<b>9,668,545</b>	<b>7,674,595</b>

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 following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 on similar terms, credit risk and remaining maturities.

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



## 41. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

### Assets measured at fair value:

#### Group

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments – listed	15,192	—	—	15,192

The Group did not have any financial assets measured at fair value as at 31 December 2010.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

#### Company

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments – listed	8,470	—	—	8,470

The Company did not have any financial assets measured at fair value as at 31 December 2010.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, restricted bank deposits, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2011, approximately 20% (2010: 47%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Group			Company		
	Increase/ (decrease) in basis points RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000	
<b>2011</b>						
RMB	25	(24,804)	—	(13,144)	—	
RMB	(25)	24,804	—	13,144	—	
<b>2010</b>						
RMB	25	(10,122)	—	(5,898)	—	
RMB	(25)	10,122	—	5,898	—	

\* Excluding retained profits and exchange fluctuation reserve

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue is predominately in USD and RMB and certain portion of the bank loans is denominated in USD. The Group entered into forward currency contracts and tends to accept foreign currency exchange risk avoidance or allocation terms when arriving at purchase and sales contracts to minimise its transactional currency exposures. The Group takes rolling forecast on foreign currency revenue and expenses and matches the currency and amount incurred, so as to alleviate the impact on business due to exchange rate fluctuation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Group		
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in owners' equity* RMB'000
<b>2011</b>			
If RMB weakens against US\$	5	1,926	(23,697)
If RMB strengthens against US\$	(5)	(1,926)	23,697
If RMB weakens against HK\$	5	(106)	—
If RMB strengthens against HK\$	(5)	106	—
<b>2010</b>			
If RMB weakens against US\$	5	(58,039)	—
If RMB strengthens against US\$	(5)	58,039	—
If RMB weakens against HK\$	5	24	—
If RMB strengthens against HK\$	(5)	(24)	—

\* Excluding retained profits and exchange fluctuation reserve

### Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 26% (2010: 31%) and 60% (2010: 75%) the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2011

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes. Except for the non-current portion of interest-bearing bank loans, all borrowings mature in less than one year.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

### Financial liabilities

Group	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowings	—	4,332,275	7,716,044	5,675,443	944,865	18,668,627
Trade and bills payables	110,972	11,630,384	5,494,578	—	—	17,235,934
Other payables	430,146	947,647	306,396	67,500	—	1,751,689
Corporate bonds	—	—	—	1,000,000	—	1,000,000
	541,118	16,910,306	13,517,018	6,742,943	944,865	38,656,250

Group	2010					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowings	—	3,656,771	7,706,545	2,895,008	490,605	14,748,929
Trade and bills payables	1,711,516	8,213,283	1,108,649	—	—	11,033,448
Other payables	208,145	311,722	727,352	—	—	1,247,219
	1,919,661	12,181,776	9,542,546	2,895,008	490,605	27,029,596

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

Company	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowings	—	659,586	1,663,663	3,016,936	300,000	5,640,185
Guarantees given to banks in connection with facilities granted to subsidiaries	8,523,173	—	—	—	—	8,523,173
Trade and bills payables	4,107	570,160	339,089	—	—	913,356
Other payables	55,337	150,094	6,759	—	—	212,190
Due to subsidiaries	3,074,156	—	—	—	—	3,074,156
	<b>11,656,773</b>	<b>1,379,840</b>	<b>2,009,511</b>	<b>3,016,936</b>	<b>300,000</b>	<b>18,363,060</b>

Company	2010					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank borrowings	—	42,218	2,062,559	1,138,039	490,605	3,733,421
Guarantees given to banks in connection with facilities granted to subsidiaries	4,773,483	—	—	—	—	4,773,483
Trade and bills payables	435,618	328,467	76,604	—	—	840,689
Other payables	73,391	10,484	44,557	—	—	128,432
Due to subsidiaries	3,336,042	—	—	—	—	3,336,042
	<b>8,618,534</b>	<b>381,169</b>	<b>2,183,720</b>	<b>1,138,039</b>	<b>490,605</b>	<b>12,812,067</b>

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a 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 borrowings less cash and cash equivalents. Equity represents equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follows:

Group	2011 RMB'000	2010 RMB'000
Interest-bearing bank and other borrowings	18,421,069	14,052,490
Less: Cash and cash equivalents	(3,737,386)	(1,978,735)
Net debt	14,683,683	12,073,755
Equity attributable to owners of the parent	21,124,517	18,460,319
Gearing ratio	70%	65%

## 43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2012.

# FIVE YEAR FINANCIAL SUMMARY

As 31 December 2011

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
<b>REVENUE</b>	<b>46,312,282</b>	46,685,349	39,469,454	26,788,253	21,211,213
Cost of sales	<b>(39,445,257)</b>	(38,420,975)	(30,904,723)	(21,569,417)	(16,963,526)
Gross profit	<b>6,867,025</b>	8,264,374	8,564,731	5,218,836	4,247,687
Other income and gains	<b>988,114</b>	531,891	297,857	332,845	279,160
Government grants and subsidies	<b>301,221</b>	353,679	389,623	359,098	6,173
Selling and distribution costs	<b>(1,799,757)</b>	(2,175,881)	(1,489,708)	(935,386)	(648,187)
Research and development costs	<b>(1,373,861)</b>	(1,403,459)	(1,283,316)	(1,163,091)	(695,221)
Administrative expenses	<b>(2,125,636)</b>	(1,917,889)	(1,507,711)	(1,483,547)	(846,646)
Other expenses	<b>(388,567)</b>	(254,619)	(207,105)	(472,838)	(211,665)
Finance costs	<b>(742,262)</b>	(281,383)	(255,388)	(491,945)	(388,421)
Share of profits and losses of jointly-controlled entities	<b>7,022</b>	25,554	—	—	—
An associate	<b>(5,815)</b>	—	—	—	—
<b>PROFIT BEFORE TAX</b>	<b>1,727,484</b>	3,142,267	4,508,983	1,363,972	1,742,880
Income tax expense	<b>(132,408)</b>	(223,677)	(430,543)	(88,323)	(40,551)
<b>PROFIT FOR THE YEAR</b>	<b>1,595,076</b>	2,918,590	4,078,440	1,275,649	1,702,329
Attributable to:					
Equity holders of the parent	<b>1,384,625</b>	2,523,414	3,793,576	1,021,249	1,611,711
Minority interests	<b>210,451</b>	395,176	284,864	254,400	90,618
	<b>1,595,076</b>	2,918,590	4,078,440	1,275,649	1,702,329
<b>TOTAL ASSETS</b>	<b>66,881,036</b>	53,874,663	40,735,597	32,891,145	29,288,491
<b>TOTAL LIABILITIES</b>	<b>(42,900,900)</b>	(32,723,587)	(21,708,470)	(19,553,773)	(16,878,232)
<b>NON-CONTROLLING INTERESTS</b>	<b>(2,855,619)</b>	(2,690,757)	(2,344,770)	(2,051,804)	(1,702,141)
<b>NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)</b>	<b>21,124,517</b>	18,460,319	16,682,357	11,285,568	10,708,118





比亞迪股份有限公司  
BYD COMPANY LIMITED