



比亞迪股份有限公司  
BYD COMPANY LIMITED

Stock code 股份代號: 1211

ANNUAL REPORT  
2015 年報

A perspective view of a paved road with white lane markings, stretching from the foreground into the distance. The road is flanked by lush green grass. In the background, a modern city skyline with several skyscrapers is visible under a bright blue sky with scattered white clouds. The text 'TOWARDS A NEW ERA' is painted in large, white, bold, sans-serif capital letters on the road surface, with a small white triangle pointing upwards above the word 'TOWARDS'.

*TOWARDS  
A NEW ERA*



# 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 and photovoltaic 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 technological superiority to actively develop business relating to the area of new energy products.

BYD is one of the leading rechargeable battery manufacturers in the global arena. Major clients include leading handset manufacturers such as Samsung, Microsoft and Huawei, as well as global electric 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, electric tools, electric toys and other portable electronic devices and electric products.

As one of the world's leading suppliers for handset components and assembly operations, the Group can provide customers with vertically integrated one-stop services from whole product design, components manufacturing to whole product assembly services, with the product portfolio covering handsets, tablets, notebook computers and other consumer electronic products, but the Group does not produce its own brand of whole products. Main customers of the business include Samsung, Apple, Huawei, Lenovo, Vivo, HTC, Microsoft and other intelligent mobile terminal leaders.

Since tapping into the automobile business in 2003, by leveraging its advanced technology and cost advantages and international quality products, the Group has achieved remarkable growth in the automobile business and has rapidly grown into a leading brand of automobile production in China with domestic self-owned brand. As a pioneer in the research and development and promotion of new energy vehicles in the world, the Group's extensive skills and its leading market share in the new energy vehicles area have established the leading position of BYD in the global new energy vehicles sector.

In September 2008, MidAmerican Energy Holdings Company (now renamed as Berkshire Hathaway Energy), 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 9.09% of the Company's total share 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 electric vehicles. 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 area for BYD's future development. By leveraging its technology and quality 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及光伏業務、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，主要客戶包括三星、微軟及華為等手機領導廠商，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。

作為全球領先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從整機設計、部件生產到整機組裝的垂直整合的一站式服務，產品覆蓋手機、平板電腦、筆記本電腦及其他消費類電子產品等領域，但不生產自有品牌的整機產品。該業務的主要客戶包括三星、蘋果、華為、聯想、步步高、HTC及微軟等智能移動終端領導廠商。

自二零零三年拓展汽車業務以來，憑藉集團產品領先的技術及成本優勢及具備國際標準的卓越質量，集團的汽車業務實現高速增長，迅速成長為中國自主品牌汽車生產的領先品牌。作為全球新能源汽車研發和推廣的先驅，集團於新能源汽車領域擁有雄厚的技術積累、領先的市場份額，奠定了比亞迪於全球新能源汽車領域的行業領導地位。

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，現更名為Berkshire Hathaway Energy）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9.09%），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範疇，憑藉自身在新能源業務領域的技術和品質優勢，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>40</b>	Consolidated Statement of Profit or Loss
<b>4</b>	Corporate Information	<b>41</b>	Consolidated Statement of Comprehensive Income
<b>6</b>	Chairman's Statement	<b>42</b>	Consolidated Statement of Financial Position
<b>12</b>	Management Discussion and Analysis	<b>44</b>	Consolidated Statement of Changes in Equity
<b>21</b>	Directors, Supervisors and Senior Management	<b>46</b>	Consolidated Statement of Cash Flows
<b>27</b>	Corporate Governance Report	<b>48</b>	Notes to Financial Statements
<b>33</b>	Report of the Directors	<b>124</b>	Five Year Financial Summary
<b>38</b>	Report of the Supervisory Committee		
<b>39</b>	Independent Auditors' Report		

# Financial Highlights

## Five-Year Comparison of Key Financial Figures

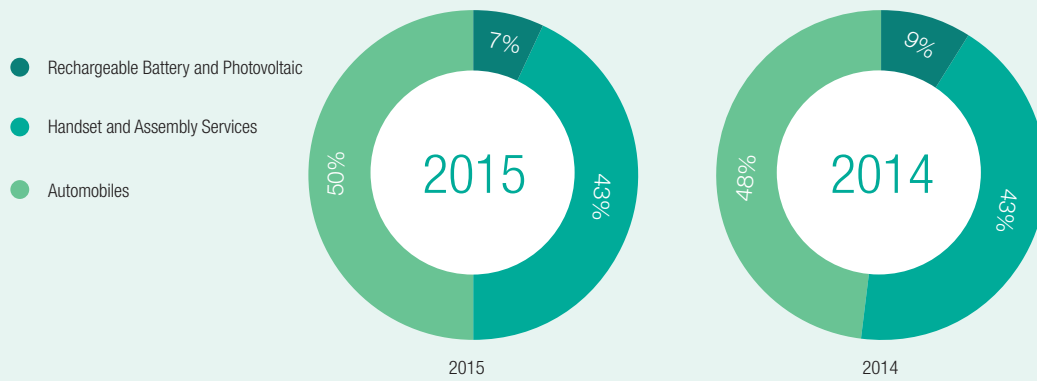
	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<b>77,611,985</b>	55,366,384	49,767,887	44,380,858	46,312,282
Gross profit	<b>11,859,244</b>	7,623,458	6,516,314	5,126,328	6,867,025
Gross profit margin (%)	<b>15</b>	14	13	12	15
Profit attributable to equity holders of the parent	<b>2,823,441</b>	433,525	553,059	81,377	1,384,625
Net profit margin (%)	<b>3.6</b>	0.8	1	0.2	3

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	<b>32,294,404</b>	25,365,597	21,709,764	21,196,984	21,124,517
Total assets	<b>115,485,755</b>	94,008,855	78,014,834	70,007,807	66,881,036
Gearing ratio (%) (Note)	<b>109</b>	103	94	71	70
Current ratio (times)	<b>0.82</b>	0.77	0.69	0.63	0.66
Trade and bills receivables turnover (days)	<b>116</b>	118	86	83	71
Inventory turnover (days)	<b>73</b>	71	68	67	62

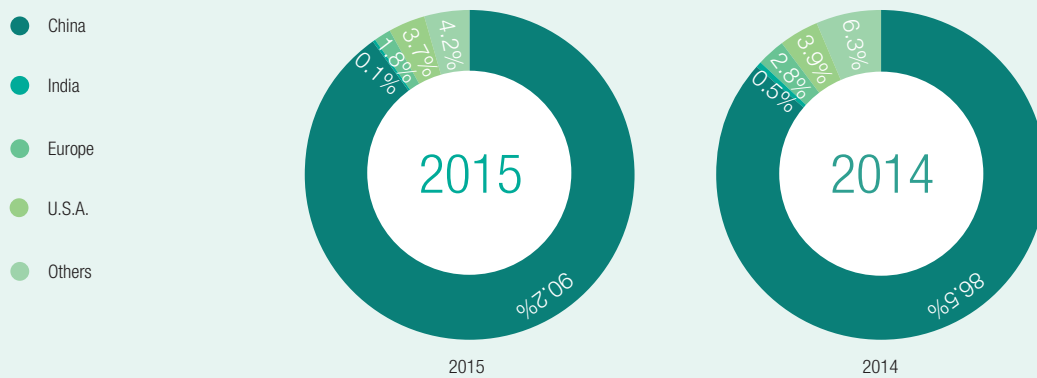
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

# Financial Highlights

## Turnover Breakdown by Product Categories



## Turnover Breakdown by Locations of Customers



# Corporate Information

## Executive Director

Wang Chuan-fu

## Non-executive Directors

Lv Xiang-yang

Xia Zuo-quan

## Independent Non-executive Directors

Wang Zi-dong

Zou Fei

Zhang Ran

## Supervisors

Dong Jun-qing

Li Yong-zhao

Wang Zhen

Yan Chen

Huang Jiang-feng

## Company Secretary

Li Qian

## Audit Committee

Lv Xiang-yang

Wang Zi-dong

Zou Fei

Zhang Ran (Chairman)

## Remuneration Committee

Wang Chuan-fu

Xia Zuo-quan

Wang Zi-dong

Zou Fei (Chairman)

Zhang Ran

## Nomination Committee

Wang Chuan-fu

Lv Xiang-yang

Wang Zi-dong (Chairman)

Zou Fei

Zhang Ran

## Strategy Committee

Wang Chuan-fu (Chairman)

Lv Xiang-yang

Xia Zuo-quan

Wang Zi-dong

Zou Fei

## Authorized Representatives

Wang Chuan-fu

Li Qian

## Legal Address

Yan An Road

Kuichong

Longgang District

Shenzhen

Guangdong Province

The PRC

## International Auditors

Ernst & Young

## Domestic Auditors

Ernst & Young Hua Ming (LLP)

# Corporate Information

## 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 (The Stock Exchange of Hong Kong Limited) ("Hong Kong Stock Exchange")  
A Shares: 002594 (Shenzhen Stock Exchange)

# Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2015 (the "Year").

In 2015, the Chinese economy entered the "new normal" as economic growth began to rely on the optimization of economic structure, upgrades in industry structure, innovation and entrepreneurship in an effort to invoke new economic momentum. Within the Year, competition in the Chinese automobile market has become increasingly fierce, especially in the conventional gas-powered vehicle sector in which the market growth rate continued to decelerate. By contrast, the new energy vehicle market recorded explosive in the past year benefiting from favorable governmental policies, comprehensive product offerings and technological advancement. Meanwhile, steady growth of the smart phone market bolstered the development of the phone components and assembly industry. Most notably, the metal casings' market expanded from producing only for high end models to including middle and low end models as well, providing diversified and quality products to global consumers with outstanding texture and performance. As for the rechargeable battery industry, the market for traditional batteries is still developing steadily; however, the photovoltaic market was still affected by fierce competition. Nevertheless, thanks to overall sales improvement and cost reductions, losses in our PV business continued to decline.

Against this backdrop, turnover of the Group increased by 40.18% to RMB77,612 million during the Year. Profit attributable to owners of the parent Company increased by 551.28% to RMB2,823 million. Earnings per share were RMB1.12. The Board did not recommend the payment of dividends.

As a leading business promoter and technological innovator of the new energy vehicle industry, BYD Holdings managed to rank first in the world in overall sales of new energy vehicles in 2015. BYD's new energy vehicles showed full market coverage within the Year, and the "7+4" strategic plan achieved preliminary results with an all-round development of new energy private cars, buses, taxis, intercity coaches, logistics cars and forklifts; the company's products can be found in 190 cities across 43 countries and regions in 6 continents around the world. In the private car sector, the plug-in hybrid vehicle "Qin" (秦) continued to rank first among sales of new energy vehicles in China. Together with the "Tang" (唐) model launched in the Year, the two

models accounted for almost 80% of the market share of all plug-in hybrid passenger vehicle in the country. In the public transportation sector, BYD continued to lead the electrification of global public transportation, rapidly opening new markets overseas and establishing an excellent brand identity. In the warehouse vehicle sector, BYD's full electric forklifts were used in several provinces and cities in China, helping the storage industry realize "green transportation". With the launch of various new products and the optimization in product portfolios, the revenue and profitability of new energy vehicles continued to improve. Despite the drop in sales due to unfavorable industry environment in regards to the conventional vehicle sector, the Group fully capitalized on the booming SUV market, launching a gas version of the SUV model "Song" (宋). The "Song" was well received in the market, reporting rapid increases in sales volume. The high-end SUV model S7 also secured excellent sales.

As for the handset component and assembly business, the Group maintained close cooperative relations with leading domestic and overseas mobile manufacturers. BYD also proactively expanded the customer base, and secured contracts from leading domestic and overseas handset brands to manufacture a portion of their middle to high end flagship models. Metal casings and structures were becoming increasingly utilized in the smart phone market and were gradually introduced to the middle to low-end handset market. In the assembly business, the Company successfully secured a large number of orders from domestic well-known mobile handset manufacturers, which resulted in a quick increase in the assembly business revenue.

In its rechargeable battery and new energy business, the Group, as a global leading company in the developing and promoting the applications of batteries, continued to improve the energy density of lithium ferrous phosphate ("LFP") batteries while lowering the cost. At the same time, it strove to develop new types of batteries with a higher energy density, in attempt to increase the mileage and overall competitive advantage of its new energy vehicles. As for its solar energy business, the Group expedited market expansion and actively increased its overseas presence, continuing to cut losses in this sector.

In order to optimize capital structure and resource allocation, strengthen its strategic focus and accelerate business evolution, the Group sold all the equity of its subsidiary Shenzhen BYD Electronic Component Limited in February 2015. In June, the Group completed the employee stock ownership plan and established the profit sharing mechanism between shareholders and the staff to lay a solid foundation for the future



# Chairman's Statement

sustainable development in the long term. At the end of 2015, the non-public offering of A shares application of the Group was approved. After the offering, the Group will further increase the production capacity of power batteries and expedite research and development in new energy vehicles in order to accelerate its business development in new energy vehicles. In addition, the Group's new subsidiary auto-financing company officially went into operation during Year, bringing in a new source of revenue and profit potential.

In 2016, the first year of the "13th Five-year Plan", it is expected that the Chinese economy will maintain steady development with promising prospects for emerging industries. The Chinese automobile industry will also enter a new monumental period by undergoing transformation and evolution. It is expected that the government will continue its support of the new energy vehicle industry, allowing it to maintain a high growth rate. The Group will continue to expand the "7+4" layout, and with BYD's superiority in technology and product quality, it will strive to improve market penetration, expand market share and boost brand image in order to promote sustained improvement in revenue and profitability of its new energy vehicle sector.

It is predicted that product demand for metal cases in the handset component and assembly business will increase as their usage in middle to lower level models rise accordingly while the demand for smart phone upgrades is foreseen to maintain steady growth. The Group will continue to step up cooperation with domestic and overseas handset brands and manufacturers and actively obtain more orders from new clients in effort to improve the revenue and profit from this sector.

In the rechargeable battery and photovoltaic business, the Group will closely monitor market conditions and continue to expand the production capacity in power batteries in order to capitalize on the rapid development of the new energy vehicle industry. Its solar energy business will aim to improve business revenue and profitability by continuously increasing its effort in market development and continuing with its cost-control measures.

BYD will remain committed in its contribution to environmental protection with its "three green energy dreams", namely solar power energy, energy storage and transmission, and new energy vehicles, and aims to provide green energy solutions with zero pollution and emissions across the industry chain from power generation, to storage and usage. On behalf of BYD, I would like to express gratitude to our customers, business partners, investors and shareholders for their support and trust in the Group and all the staff members for their diligence in the past year. BYD will continue to expedite the development of all of its businesses and focus on maximizing returns to shareholders.

**Wang Chuan-fu**

*Chairman*

Shenzhen, the PRC, 28 March 2016





Innovations • Technology

**Green Tomorrow**









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Continuous Development

**Move Ahead  
Steadily**

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# Management Discussion and Analysis

## Industry analysis and review

### Automobile business

The global economy underwent in-depth adjustment in 2015, and was characterized by the sluggish recovery of developed economies and slower growth of emerging markets. In China, the economic growth dwindled to 6.9% in 2015 as the Chinese government pressed on with reforms and economic restructuring. The move was aimed at driving economic growth through an optimized economic structure, upgrade of industries and innovation under the “new normal” of the country’s economy.

Against the backdrop of the challenging and complex economic situations at home and abroad, China’s automobile market maintained stable growth. According to the statistics released by China Association of Automobile Manufacturers (CAAM), the country produced a total of 24.503 million units in 2015, up by 3.3% while the sales of automobiles there rose by 4.7% year-on-year to 24.598 million units. The country ranked first globally in terms of the production and domestic sales of automobiles for seven consecutive years.

New energy automobile was the highlight of China’s automobile market due to explosive growth in its sales in 2015. According to the statistics released by the Equipment Industry Department of the Ministry of Industry and Information Technology of the People’s Republic of China (PRC), the sales of new energy automobiles surged by 3.4 times year-on-year to 331 thousand units. In particular, sales of pure electric vehicles grew by 4.5 times to 247,000 units while those of plug-in hybrid vehicles increased by 1.8 times to 84,000 units. As to new energy passenger vehicles, sales of pure electric passenger vehicles grew by 3 times while plug-in hybrid vehicles increased by 2.5 times.

On the other hand, China’s market for traditional fuel vehicles continued to slow down and face more intense competition. The noteworthy bright spot was sport utility vehicles (“SUV”), whose sales maintained the momentum of rapid growth and became an important growth engine of China’s automobile market. In 2015, sales of Chinese brand passenger vehicles increased by 15.3% year-on-year to 8.74 million units, accounting for 41.3% of the total sales of passenger vehicles, up by 2.9 percentage points year-on-year.



# Management Discussion and Analysis

The automobile industry has faced thorny issues such as energy conservation and environmental protection. To address the prominent problems of energy shortage and environmental pollution, the global automobile industry has been stepping up efforts to speed up R&D and commercialization of new energy automobiles. In China, the development and promotion of new energy automobile has become a national strategy, supported by the Central Government with policies on fiscal subsidies, reduction or exemption of tax and construction of charging equipment. According to the plan, the number of battery charging and swapping stations is scheduled to increase to 12,000 by 2020 while the number of charging piles is scheduled to grow to 4.8 million to meet the 5 million new energy vehicles' demand for charging nationwide.

## Handset components and assembly business

According to statistics from IDC, an authoritative global market research institution, the global smartphone shipments grew by 9.8% year-on-year to 1.43 billion units in 2015, recording a single-digit growth for the first time and indicating a significant slowdown. However, China's smartphone brands continued to achieve good results in sales despite the near saturation of the global market and economic downturn. The Chinese brands which ranked among the world's top twelve smartphone manufacturers had a combined share of almost a quarter of the global market. Meanwhile, the new smartphone models launched by Chinese domestic manufacturers gained increasing popularity among consumers at home and abroad due to their outstanding performance and appearance. They maintained rapid sales growth in the global market.

According to the data released by the Ministry of Industry and Information Technology of the PRC, domestic handset shipments grew by 14.6% year-on-year to 518 million units in 2015, including 457 million units of smartphones, which represented a 17.7% year-on-year increase. The domestic smartphone shipments were 30% more than the international smartphone shipments in 2015, making China continue to be the largest smartphone market in the world. To cope with the near saturation of the smartphone market and intense market competition and to attract more customers, handset manufacturers have extended the application of metallic casings and metal structural components from high-end models to mid-range and low-end ones, providing more diverse and high-quality handset products for consumers around the world.

## Rechargeable batteries and photovoltaic business

During the year, sales of consumer electronic products continued to slow down around the world, resulting in weak demand for lithium batteries and nickel batteries. In 2015, the photovoltaic industry witnessed opportunities and challenges, as evidenced by the rapid growth in global installed capacity of solar power and the record high of newly installed capacity in China on one hand, and intense market competition that exerted downward pressure on the batteries' prices on the other hand. To tap into the promotion and popularity of new energy automobiles, battery manufacturers increased their investment in the development of power batteries and expanded their production capacity to seize the opportunities arising from the rapid growth of the market.

## Business review

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the automobile business, including new energy automobiles and traditional fuel vehicles, and handset components and assembly business, as well as rechargeable battery and photovoltaic business. During the year, the Group's revenue was approximately RMB77,612 million, representing a year-on-year increase of 40.18%. Revenue generated by the business of automobiles and related products rose by 48.21% year-on-year to approximately RMB38,934 million. In particular, revenue from the new energy automobile business increased by approximately 1.62 times year-on-year to approximately RMB18,975 million, accounting for 24.45% of the Group's total revenue, becoming a major source of revenue and profit of the Company. The revenue from the handset components and assembly business amounted to approximately RMB32,928 million, up by 36.54% year-on-year. The revenue from the rechargeable battery and photovoltaic businesses was about RMB5,750 million, up by 15.46% year-on-year. The automobile business, handset components and assembly business and rechargeable battery and photovoltaic business accounted for 50%, 43% and 7% respectively of the Group's total revenue.

## Automobile business

As a company which spearheaded the innovation in and commercialization of new energy automobiles, BYD seized the historic opportunities arising from the surging growth in the new energy automobile industry during the Year. It strategically strengthened the research and development of and the investment in the business of

# Management Discussion and Analysis

new energy automobiles to satisfy the strong demand for that type of vehicles. For instance, it reinforced its technological advantages and introduced superior new models and enhanced its battery production capacity. During the year, BYD's new energy automobile business achieved rapid growth because it put new capacity for battery production into operation. Sales of BYD's new energy automobiles surged by 208.13% year-on-year to 58 thousand units. As a result, BYD ranked number one in the global market for new energy automobiles, reinforcing its leading position in that industry.

As for passenger vehicles, plug-in hybrid vehicle models of "Qin" maintained its popularity and continued to top the new energy automobile sales chart in China. During the Year, the Group launched its first plug-in hybrid SUV vehicle "Tang" under the 542 strategy which possesses the advantages of three-engine power, high efficiency and swift response. The model received overwhelming response from consumers since its introduction and the monthly sales soon reached 5,000. The supply hardly meets its demand. During the Year, "Tang" and "Qin" takes up to 80% of the market share of plug-in hybrid vehicle in China and continues to dominate the new energy automobile individual market. The launch of more new products in the future is expected to further optimize the product portfolio, boost the sales of new energy automobiles and enhance the economies of scale, thus increasing the revenue and profitability of the new energy automobile business.

As a leader in the new energy automobile industry, BYD expedited its worldwide promotion of new energy automobiles during the year, reaching out to 190 cities in 43 countries and regions in six continents, including mainstream automobile markets such as the United States, Germany, the United Kingdom ("UK") and Japan. In the market of public transport, BYD continued to spearhead the electrification of the global public transportation. In 2015, the Group continued to promote the use of pure electric buses and taxis in the global market. After successfully securing the orders from Sweden at the beginning of the year, the Group achieved a breakthrough in the Asian market in February by providing five K9 electric buses for Japan, thus becoming the first Chinese automobile brand to establish a foothold in the Japanese

market. In April, BYD received an order for sixty K9 pure electric buses from Long Beach Transit, a public transit operator in California, breaking the record of the largest order for electric buses in the United States. In May, the Group entered into a contract with Marcopolo, the largest bus body maker in Brazil, for strategic cooperation in the field of pure electric school buses. In Europe, BYD and Alexander Dennis Limited (ADL), a coach builder in UK, entered into an agreement to bring a green and environmentally friendly public transit system to London. BYD's pure electric buses and taxis were well received around the world thanks to their stable performance. Through these developments, BYD built up a strong brand image in the overseas markets.

In domestic market, the market coverage of the Group's new energy automobiles was extended to more than 10 cities in China, including Shenzhen, Nanjing, Hangzhou, Zhuhai, Dalian, Tianjin, Guangzhou, Xi'an and Changsha. As at the end of 2015, e6 pure electric taxis and K9 pure electric buses were put into operation in Shenzhen, and their accumulated mileages amounted to 360 million km and 100 million km respectively. The maximum mileages for a single vehicle of e6 pure electric taxi was 0.79 million km while that of K9 pure electric bus was 0.3 million km, setting the world record for the longest ride. During the year, the Group continued with its "7+4" strategy and introduced pure electric forklift trucks in several provinces and cities in China to increase market coverage of new energy automobiles, facilitating the "green transportation", electrification and environmental protection in the warehousing sector. In October 2015, T8 pure electric street sweeping trucks, jointly produced by BYD and Beijing Environmental Sanitation Engineering Group Ltd., were launched to complete the task of street sweeping for the military parade on China's national day, demonstrating China's green technology capability and strength in high-end manufacturing.

During the year, the Group continued to expand the production capacity for new energy automobile batteries and gradually put it into operation. Embodying the leading proprietary equipment technology, BYD's new power battery factory has been equipped with the advanced fully automated production line to prepare for the anticipated growth in the sales of new energy automobiles.

# Management Discussion and Analysis

In 2015, BYD's total automobile sales amounted to approximately 380 thousand units, representing a year-on-year increase of 1.23%. A breakdown shows that sales of the Group's traditional fuel vehicle dropped by 9.73% to approximately 320 thousand units due to the automobile market's slowdown. During the year, the Group tapped into the strong demand in the domestic SUV market, and drove the rapid growth of its SUV product line by stepping up the promotion of its high-end SUV model S7 and by introducing the gasoline-fuelled version of the new SUV model "Song" in October. As for passenger vehicle business, the strong sales of the latest F3 model brought new momentum for the sales growth of the Group's traditional fuel vehicles. During the year, traditional vehicle business recorded revenue of approximately RMB18,553 million, representing a year-on-year increase of 4.75%.

Committed to its "three green energy dreams", BYD used solar power, energy storage power stations and new energy vehicles to develop a zero-emission and zero-pollution green-energy solution for the whole value chain of the power sector, from power generation, storage and transmission to usage. As a result, BYD earned some accolades and a high reputation worldwide in recognition for this move, including special recognition under the *UN-DESA Energy Grant* and Zayed Future Energy Prize. BYD was the only Chinese new energy automobile enterprise to be invited to attend the United Nations Climate Change Conference (COP21) held in Paris in November 2015 and to put forward a green-technology solution for combatting global climate changes at the conference on behalf of Chinese enterprises.

## Handset components and assembly business

As one of the most competitive handset component and assembly service suppliers in the world, BYD provides complete handset design, component manufacturing and assembly services for both domestic and overseas handset manufacturers through a one-stop business model which features vertical integration. As consumers have higher requirements for handset appearance and the overall user experience, handset manufacturers gradually adopt more metal cases and metal components for more handset models. The adoption of metal cases and metal components in the mid-range and high-end smartphones continued to increase and also started in the mid-range and low-end handsets. To capitalize on the rapid growth of the metal component

industry, the Group was actively expanding its production capacity to meet the market's growing demand for the metal components.

In 2015, the revenue from the handset components and assembly business of the Group amounted to approximately RMB32,928 million, up by approximately 36.54% year on year. During the year, the Group made use of its accumulated experience in the metal component sector, advanced technologies and mature manufacturing techniques to continue its close cooperation with the leading domestic and overseas manufacturers. The Group actively sought for new clients and received orders for mid-range and high-end flagship handset models from various leading mobile phone brands. The double whammy of market slowdown and fierce competition weighed on the profits of the handset manufacturers worldwide and the effect spilled over into the upstream suppliers, including the Group. The Group's plastic components business faced downward pressure as the manufacturers were converting from plastic to metal for materials of the cases of certain smartphones, tablets and other mobile smart terminals.

## Rechargeable Batteries and Photovoltaic Business

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries, which are widely used in portable electronic devices, including handsets, digital cameras, power tools and electrical toys. The Group is also actively researching on and developing power batteries, energy storage batteries and solar battery products, and is committed to applying such products to new energy vehicles, energy storage stations and solar power stations, etc. During the Year, the Group's rechargeable battery and photovoltaic business recorded revenue of approximately RMB5,750 million, representing a year-on-year increase of approximately 15.46%.

During the Year, the Group built the world's largest manufacturing base for lithium-iron-phosphate batteries to support the expansion of its businesses of new energy vehicles and energy storage products in the global market. As a world's leading manufacturer of power batteries, the Group continued to increase the energy density of the lithium-iron-phosphate batteries while lowering the costs. It also simultaneously researched on and developed new batteries of higher energy density to raise the new energy vehicles' mileage and enhance its overall competitiveness.

# Management Discussion and Analysis

As a leading new energy company in the world, BYD has been actively developing the international market with its core technologies and excellent products. Its solar energy solutions have been successfully adopted in the United States, Germany, the United Kingdom, Japan, India and South Africa. During the year, the Group continued to expedite the market expansion and actively bolster its sales. The solar energy business continued to narrow the loss during the year.

BYD's energy storage business accelerated its development in the global new energy market, especially the overseas markets. Its energy storage products continued to make new sales records in the markets of the United States, Japan, Australia, South Africa and China. In the United States' market, the Group won a contract to supply its products to a 31.5 MW commercial energy storage project of Invenergy LLC, a world-renowned clean energy enterprise in Illinois. This represented the largest order of the same kind by volume placed by an energy storage project in the United States. Meanwhile, the Group received orders for its energy storage systems from a power transmission system firm in Italy and also succeeded in developing other overseas markets such as those of Germany and Australia. In addition, BYD actively developed the domestic market by promoting energy storage stations in the country.

## Optimization of Business Structure and Capital Structure

With a view to concentrating resources on the development of its core businesses, sharpening its strategic focus, accelerating its business transformation and upgrade and improving its asset structure and resource allocation, the Group entered into "the strategic cooperation, asset transfer in consideration of non-public offering shares and cash framework agreement" with Holitech Technology Co., Ltd. (合力泰科技股份有限公司) in February 2015. According to the agreement, the Group shall sell its entire equity interest in Shenzhen BYD Electronic Components Co., Ltd., which is under the Group. In September, Holitech obtained an approval from the China Securities Regulatory Commission ("CSRC") for the transaction and during the year completed the relevant procedures for acquiring the 100% equity interest in Shenzhen BYD Electronic Components Co., Ltd.

In June 2015, the Group established the employee shareholding scheme for its staff to share the profits generated from the Company's long-term growth. The scheme is aimed at establishing and perfecting the system of the sharing of benefits between the workers and business owners and at aligning the interests of the Company, shareholders and employees. This will help to attract and retain outstanding management talents and core members in the business, develop the entire staff into a cohesive workforce and ultimately enhance the Company's competitiveness. This is conducive to the Company's long-term, sustainable and healthy development, which can lead to consistent and good returns to shareholders.

In June 2015, the Group announced its proposal for a non-public offering of A shares with an aim to raise fund of up to RMB15 billion. The proceeds will be used for projects such as expansion of production capacity for lithium ferrous phosphate ("LFP") batteries and for research and development of new energy vehicles. The move would help to eliminate the bottleneck in the Group's power battery production, safeguard the Group's supply of power batteries for its new energy vehicles now and in the future, and accelerate the research and development of basic technologies for the new energy vehicles and new models of such vehicles. In December 2015, according to the review results of the Stock Issuance Examination and Verification Committee of the CSRC, the Company's application for issuing A shares was approved and the Company obtained the formal approval papers in January 2016. The completion of the non-public offering will also significantly improve the Group's financial strength and optimize its capital structure, thereby laying a solid foundation for the Company's strategic objectives.

In July 2015, CSRC granted the Company an approval for issuing corporate bonds publicly in an aggregate nominal value of not more than RMB3 billion in multiple tranches. In addition, BYD Auto Finance Company was formally established during the year with the aim of boosting the sales of BYD's automobiles and generating additional income and profit for the Group.

## Prospect and Strategy

Looking ahead to 2016, the first year of the 13th Five-year Plan, China's is expected to press ahead with its economic restructuring. This will be conducive to fast development of emerging industries. For instance, the new energy automobile industry is expected to receive continuous and strong support from the government and to maintain



# Management Discussion and Analysis

its rapid growth. The Group will continue to uphold the development philosophy of “Technology, Quality and Responsibility” and will focus on the development of new energy-related businesses with its technological advantages in the industries of automobiles and batteries and its three core technologies, namely new energy automobile batteries, motors and electric control. The Group will strive to develop its new energy automobile business and seek for breakthroughs with the aim of introducing an element of environmental protection and green technologies into the global automobile industry.

## Automobile Business

In 2016, China’s automobile market will enter an era when it will manage only slight growth and will face more intense competition. The country’s spending on passenger vehicles is estimated to increase mildly on the back of the ongoing urbanization and the continued, stable growth in the GDP. In particular, the market for sedans will continue to shrink moderately whereas the demand for SUV will be strong and grow rapidly.

As the development of new energy vehicles has been put on the agenda of the national strategy, governments of various levels will give full support to all aspects of the new energy automobile industry. The new energy automobiles’ performance is being enhanced and their economic efficiency is more manifest. The development of new energy automobiles will be driven more by the industry’s fundamentals than government policies and will enter a phase of acceleration in full force. In particular, plug-in hybrid vehicles effectively solved the problem of the power system and mileage so they become a more suitable choice for the private car consumers. The Group is confident about the prospect of its new energy automobile business.

In the future, BYD will further extend the scope of applications of its new energy automobiles to continue its all-out effort to develop the market. In its private car business, the Group expects that its highly sought-after models “Qin” and “Tang” will continue to be the bestsellers. The steady expansion of production capacity will continue to drive the sales of the Group’s new energy vehicles. Leveraging on its advantages in new energy automobile development and the strong sales performance of the SUVs under its self-developed brands, the Group will launch the plug-in hybrid vehicle models “Song” and “Yuan” in 2016, to further consolidate and enhance the Group’s leading position in the new energy automobile market.

In the area of public transportation, the Group will expedite its expansion in the domestic and overseas markets. By leveraging BYD’s advanced technology and its products’ high quality, the Group will increase the market penetration and market share to enhance the influence of its brand on the international markets. In addition, the Group has already mapped out its “7+4” strategy (7 target markets for private cars, public buses, taxis, sanitation vehicles, inter-city transportation, logistic trucks and construction vehicles and 4 markets for special-duty vehicles for warehouses, airports, mines and ports) for the overall development of its new energy automobile business. The Group will step up efforts to develop vehicles for different market segments, namely those for urban commodity logistics, sanitation trucks and vehicles for warehousing. The move will help to popularize new energy commercial vehicles nationwide.

The industry of traditional fuel vehicles will continue to face a slowdown. Specifically, the growth in sales of passenger vehicles is expected to continue to decelerate. However, SUVs under the Group’s self-developed brands will still enjoy significant advantages in terms of versatility, driving experience and performance-price ratio, and they may add impetus to the development of China’s automobile market. To capitalize on the SUV market’s continued growth, the Group will actively develop new SUV models, position its products accurately for different consumer groups and enhance market segmentation in order to boost the development of its traditional fuel vehicle business.

In addition, adopting the Internet technology and smart driving in vehicles has gradually become a trend in the automobile industry. Computerization of automobile will be an important direction of the automobile industry. The Group will actively adopt the Internet technology and smart driving in its vehicles to create a smart automobile system, develop a cloud platform for vehicles to provide users with an integrated, smart driving solution, bringing to them a more convenient, comfortable and safer driving experience.

## Handset Components and Assembly Business

An IDC report estimates that the growth in smartphone shipments will gradually decelerate to a compound annual growth rate of 7.4% from 2015 to 2019. The slowdown will lead to more intense market competition. Handset manufacturers will tend to launch new models with metallic cases to make the products more appealing. It is expected that, in the future, metallic cases will see its market penetration in the industry of mid-range and high-end smartphones to continue its increase and will make inroads into the industry of mid-range and low-end handsets. In the future, the Group will continue to raise the standards of the research and development of its technologies and the quality of its products. This will serve to strengthen its cooperation with

# Management Discussion and Analysis

the world's leading brand manufacturers. It will also strive to win more orders from new clients to secure the sustainable growth of its handset components and assembly business.

## Rechargeable Battery and Photovoltaic Businesses

For the business of rechargeable batteries, the Group will, on the one hand, continue to expand the scope of applications of lithium-ion batteries and nickel batteries in order to consolidate its market position. For power batteries, the Group will closely examine the market situation over the next few years, and will steadily expand its battery production capacity to match the rapidly increasing downstream demand. The Group will simultaneously develop new types of batteries with higher energy density, with a view to increasing the mileage and the overall competitiveness of its new energy vehicles. Meanwhile, the Group will further optimize the work flow in order to reduce unit production cost through economies of scale and further enhance the overall competitive edge of BYD's new energy automobiles.

For the photovoltaic business, the Group will continue to expand into overseas markets, expand the scope of applications of its products and enhance the revenue and profitability of this business. At the same time, as the world's leading power storage solution provider, BYD will put efforts to promote the application of storage system in more countries and regions across the globe.



## Forecast operating results for January to March 2016

Estimated operating results for January to March 2016: The net profit was positive with a year-on-year increase of over 50%.

Change (in percentage) of net profit attributable to shareholders of the listed company for January to March 2016	495.31%	to	644.13%
Range of net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2016	72,000	to	90,000
Net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2015	12,095		

Reasons for changes in results	During the first quarter in 2016, it is expected that traditional automobile business will develop at a steady pace. In terms of new energy automobile, K9 pure electric buses, plug-in hybrid vehicle models of "Qin" and "Tang" continued to demonstrate a strong developing trend, with a significant year-on-year increase in sales, which in turns lead to a sustained growth in the Group's income and profit. As for the handset components and assembly business, with the mass production of our leading high-end flagship handset models, coupled with securing new customers and new orders, the Group's handset component business maintains a good momentum of development. In terms of the solar energy business, the Group continues to spare no effort in controlling costs and expanding market coverage, and its profitability has been improved over the same period of last year.
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# Management Discussion and Analysis

## Financial Review

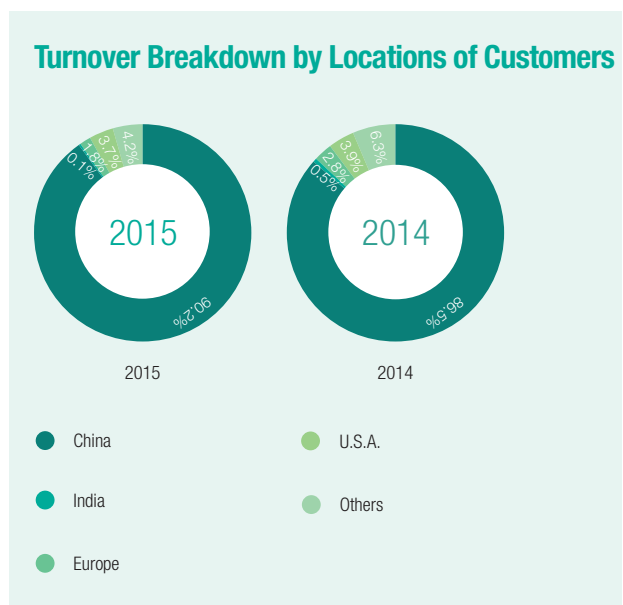
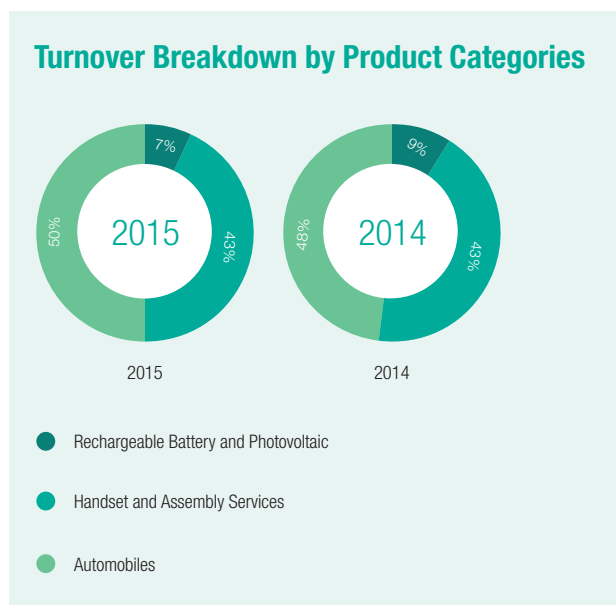
### Turnover and Profit attributable to owners of the Parent Company

During the Year, turnover increased by 40.18% as compared to that of 2014, which was mainly driven by Significant growth in sales of new energy automobiles and development of handset components and assembly business. Profit attributable to equity holders of the parent company increased by 551.28% as compared to the same period of the previous year, mainly attributable to expansion of the new energy automobile business and the gain arising from disposal of subsidiaries.



### Segmental Information

The charts below set out comparisons of the Group's turnover by product category for the years ended 31 December 2015 and 2014:



# Management Discussion and Analysis

## Gross Profit and Margin

During the Year, the Group's gross profit increased by approximately 55.56% to approximately RMB11,859 million. Gross profit margin increased from approximately 13.77% in 2014 to approximately 15.28% during the Year. The increase in gross profit margin was mainly due to higher percentage of revenue from new energy automobile business to total revenue and the increased gross profit margin.

## Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB3,842 million, compared with approximately RMB38 million in 2014. Total borrowings as at 31 December 2015, including all bank loans and bonds, were approximately RMB37,643 million, compared with approximately RMB30,152 million as at 31 December 2014. The maturity profile of the bank loans and bonds thereof spread over a period of fifteen years, with approximately RMB26,413 million repayable within one year and approximately RMB7,568 million in the second year, approximately RMB3,348 million within the third to the fifth years and approximately RMB314 million over five years. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

For the year ended 31 December 2015, turnover period of accounts and bills receivables was approximately 116 days, without apparent change as compared to approximately 118 days for the same period in 2014. The inventory turnover period was approximately 73 days for the year ended 31 December 2015 as compared to about 71 days for the same period in 2013 without significant change.

## Capital Structure

The Group's Financial Division is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 31 December 2015, borrowings were primarily settled in RMB, while cash and cash equivalents were primarily held in RMB 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 2015 were at fixed interest rates or floating interest rates for RMB loans and foreign currency loans.

## Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are settled in RMB 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 2015, the Group had approximately 200,000 employees. During the period, total staff cost accounted for approximately 17.22 % 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 2015, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
Domestic shares	1,561,000,000	63.05
H shares	915,000,000	36.95
Total	2,476,000,000	100.00

## Purchase, Sale or Redemption of Shares

The Company did not redeem any of its shares during the period from 1 January 2015 to 31 December 2015. 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

During the reporting period, the company had no 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's degree holder, senior engineer and younger cousin of Mr. Lv Xiang-yang. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently Central South University) in 1987 with a bachelor's 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's 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) ("BYD Industries", became BYD Company Limited on 11 June 2002) with Mr. Lv 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., vice chairman of Shenzhen Pengcheng Electric Automobiles Renting Co. Ltd., a director of Tianjin BYD Auto Co., Ltd., chairman of Sheng Shi Xin Di Electric Automobile Service Co., Ltd (盛世新迪電動汽車服務有限公司), an independent director of Renren Inc., a director of South University of Science and Technology of China 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), "The 2008 CCTV Man of the Year China Economy Innovation Award", Southern Guangdong Meritorious Service Award (南粵功勳獎) in 2011, and Zayed Future Energy Prize Lifetime Achievement Award (扎耶德未來能源獎個人終身成就獎) in 2014 and 2015 Best Business Leader in China, etc.

## Non-executive Directors

### Lv Xiang-yang

Mr. Lv Xiang-yang, born in 1962, Chinese national with no right of abode overseas, bachelor's degree holder, economist and elder cousin of Mr. Wang Chuan-fu. Mr. Lv 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 BYD Industries with Mr. Wang Chuan-fu. He is the Vice Chairman and a Non-Executive Director of the Company and also the chairman of Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司), Youngy Co., Ltd (融捷股份有限公司), and Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), chairman of Shenzhen Youngy Guarantee Company Limited (深圳融捷融資擔保有限公司), executive director and manager of Guangdong Youngy Financing Service Company Limited (廣東融捷融資服務有限公司), executive director of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司), executive director of Guangdong Youngy Optoelectronics Technology Co., Ltd (廣東融捷光電科技有限公司), executive director and general manager of Hefei Youngy Technology Industrial Company Limited (合肥融捷科技實業有限公司), executive director of Guangdong Youngy Supply Chain Management Co., Ltd (廣東融捷供應鏈管理有限公司), chairman of Shenzhen Youngy Asset Management Co., Ltd (深圳融捷資產管理有限公司), executive director of Shenzhen Qianhai Youngy Financial Services Company Limited (深圳前海融捷金融服務有限公司), executive director of Shenzhen Youngy Internet Financial Services Company Limited (深圳融捷互聯網金融服務有限公司), executive director of Shenzhen Qianhai Youngy High Technology Investment Company Limited (深圳前海融捷高新技術投資有限公司), chairman of Huaxun Fangzhou Co., Ltd (華訊方舟股份有限公司), chairman of Hainan Shiyin Energy Technology Co., Ltd (海南世銀能源科技有限公司), chairman of Shenzhen Huaxun Fangzhou Technology Co., Ltd (深圳市華訊方舟科技有限公司), director of Xinjiang Tianhai Tenghui Technology Co., Ltd (新疆天海騰惠科技股份有限公司), vice chairman of Guangzhou OED Technologies Co., Ltd (廣州奧翼電子科技有限公司), chairman of Anhui Youngy Investment Co., Ltd (安徽融捷投資有限公司), executive director of Guangdong Youngy Asset Management Co., Ltd (廣東融捷資產管理有限公司), executive director of Guangzhou Youngy Venture Capital Co., Ltd (廣州融捷風險投資有限公司), executive director of Shenzhen Qianhai Youngy Supply Chain Factoring Services Co., Ltd (深圳前海融捷供應鏈保理服務有限公司), executive director of Guangzhou Youngy Equity Investment Co., Ltd (廣州融捷股權投資有限公司) and vice chairman of BYD Charity Foundation.



# Directors, Supervisors and Senior Management

## Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master's 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 Guanghua 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 BYD Industries in 1997 and held positions as an executive Director and Vice President of the Company. He is a non-executive Director of the Company and chairman of Shenzhen Zhengxuan Investment (Holdings) Co., Ltd (深圳市正軒投資有限公司) and Beijing Zhengxuan Investment Co., Ltd (北京正軒投資有限公司), a director of Sinocompound Catalysts Co. Ltd. (formerly known as Zhangjiagang Aplica Technology Co., Ltd.) (江蘇欣諾科技催化劑有限公司, 前稱張家港雅普利華生物科技有限公司), a director of Shenzhen UniFortune Supply Chain Service Co.,Ltd. (深圳市聯合利豐供應鏈管理有限公司), chairman of Shenzhen Zhengxuan Venture Capital Co. Ltd. (深圳市正軒創業投資有限公司), chairman of Annuo Youda Gene Technology (Beijing) Co. Ltd. (安諾優達基因科技(北京)有限公司), a director of Guangdong Beizhi Cepin Network Technology Co., Ltd. (廣東倍智測聘網路科技股份有限公司), a director of ShenZhen Ramos Digital Technology Co., Ltd. (深圳市藍魔數碼科技有限公司), independent non-executive director of Mastercraft International Holdings Limited and vice chairman of BYD Charity Foundation.

## Independent Non-executive Directors

### Wang Zi-dong

Mr. Wang Zi-dong, born in 1958, Chinese national with no right of abode overseas, bachelor's degree holder and senior engineer. Mr. Wang graduated from Beijing Industrial Institute (currently known as Beijing Institute of Technology) (北京工業學院(現北京理工大學)) in 1982 with a bachelor's degree in engineering. Mr. Wang has been an independent Director of the Company since September 2014 and now serves as a researcher in China North Vehicle Research Institute (中國北方車輛研究所), a director of China North Vehicle Research Institute (Battery Test Center of National 863 Electric Vehicle) (中國北方車輛研究所(國家863 電動車動力電池測試中心)), an independent non-executive director of Cangzhou Mingzhu Plastic Material Co., Ltd (滄州明珠塑料股份有限公司) and Shenzhen Yinghe Polytron Technologies Inc. (深圳市贏合科技股份有限公司), and an independent director of Beijing Easpring Material Technology Co., Ltd (北京當升材料科技股份有限公司).

### Zou Fei

Mr. Zou Fei, born in 1973, Chinese national, doctoral degree holder, chartered financial analyst, member of Chinese Finance Association of America, and expert listed in "Thousand Talents Program" of the Organisation Department of the CPC Central Committee. Mr. Zou graduated from University of Texas in the United States with a master's degree in economics and a doctorate in finance. Mr. Zou served as a fund manager of American Century Investments and was managing director of the special investment department of China Investment Corporation (中國投資有限責任公司). He has also served in other capacities including as the former chairman of the board of Chinese Finance Association of America and the former board observer of Noble Group of Singapore. He has been as an independent Director of the Company since September 2014 and now serves as the president of Synergy Capital and an independent director of Delta Dunia Makmur TBK PT in Indonesia. He is also an independent director of China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司).

### Zhang Ran

Ms. Zhang Ran, born in 1977, Chinese national with no right of abode overseas, doctoral degree holder and associate professor. Ms. Zhang graduated from Beijing Jiao Tong University in 2002 with a bachelor degree of accountancy and a master degree in economics. She obtained a doctoral degree in accountancy from Leeds School of Business, University of Colorado at Boulder. Ms. Zhang held positions as a part-time lecturer in Leeds School of Business, University of Colorado at Boulder, and as an accounting and auditing tax commissioner in Bill Brooks CPA, Boulder, CO, USA. She has been an independent director of the Company since September 2014 and now serves as an associate professor of accounting and doctoral tutor in Guanghua School of Management of Peking University.

# Directors, Supervisors and Senior Management

## Supervisors

### Dong Jun-qing

Mr. Dong Jun-qing, born in 1934, Chinese national with no right of abode overseas, bachelor's degree holder, senior engineer at professor level. Mr. Dong graduated from Non-Ferrous Metal and Gold Faculty in Moscow, USSR in 1959, with a bachelor's 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 has been a Supervisor and the chairman of the Supervisory Committee since July 2002.

### Li Yong-zhao

Mr. Li Yong-zhao, born in 1961, Chinese national with no right of abode overseas, bachelor's degree holder, researcher level senior engineer. Mr. Li graduated from Xi'an Institute of Technology in August 1982 with a bachelor's 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 also 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 since May 2002, 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 has been a Supervisor of the Company since June 2008 and now serves 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.

### Wang Zhen

Ms. Wang Zhen, born in 1976, Chinese national with no right of abode overseas, bachelor's degree holder. Ms. Wang graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) (formerly known as 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 BYD Industries 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., a supervisor of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司), a supervisor of Shenzhen Shendianneng Electricity Co., Ltd (深圳市深電能售電有限公司) and a supervisor of BYD Charity Foundation.

### Yan Chen

Ms. Yan Chen, born in 1977, Chinese national with no right of abode overseas, bachelor's degree holder. Ms. Yan graduated from Beijing University of Aeronautics & Astronautics in July 2000 with a bachelor's degree. Ms. Yan joined BYD Industries 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 the chief executive officer of Shenzhen BYD Daimler New Technology Co., Ltd. (深圳比亞迪戴姆勒新技術有限公司) and also a supervisor of BYD Charity Foundation.

### Huang Jiang-feng

Mr. Huang Jiang-feng, born in 1980, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Huang graduated from Zhongnan University of Economics and Law in 2003 with a bachelor's degree in administration. Mr. Huang held positions in Sinopec Chenzhou Petroleum Branch in Hunan (中國石化湖南郴州石油分公司), Dongguan Hsu Fu Chi Foods Co., Ltd. (東莞徐記食品有限公司) and Guangzhou Office of Guosen Securities (國信證券廣州營業部). He has been working in Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) since August 2008, and has been a shareholder supervisor of the Company since September 2014 and now serves as a director and assistant to the president of Youngy Investment Holding Group Co., Ltd., general manager of Shenzhen Qianhai Youngy Financial Services Company Limited (深圳前海融捷金融服務有限公司), a supervisor of Shenzhen Qianhai Youngy High Technology Investment Company Limited (深圳前海融捷高新技術投資有限公司), a supervisor of Shenzhen Youngy Internet Financial Services Company Limited (深圳融捷互聯網金融服務有限公司), director and manager of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司) and general manager of Shenzhen Qianhai Youngy Supply Chain Factoring Services Co., Ltd (深圳前海融捷供應鏈保理服務有限公司).

# Directors, Supervisors and Senior Management

## Wu Jing-sheng

Mr. Wu Jing-sheng, born in 1963, Chinese national with no right of abode overseas, master's 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 BYD Industries in September 1995 as its financial manager. He is the Vice President and Chief Financial Officer of the Company, and also a non-executive director of BYD Electronic (International) Company Limited, a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd., a Supervisor of Qianhai Insurance Trading Centre (Shenzhen) Co., Ltd. (前海保險交易中心(深圳)股份有限公司), the chairman of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), the chairman of Shenzhen BYD Electric Car Investment Co., Ltd. (深圳市比亞迪電動汽車投資有限公司), a vice chairman of Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), chairman of Shenzhen Dicheng New Energy Co., Ltd. (深圳迪程新能源有限公司), a director of Shenzhen Shendianneng Electricity Co., Ltd. (深圳市深電能售電有限公司), chairman of Shenzhen Didi New Energy Vehicle Rental Co., Ltd. (深圳市迪滴新能源汽車租賃有限公司), chairman of BYD Auto Finance Company Limited (比亞迪汽車金融有限公司), chairman of Energy Storage Power Station (Hubei) Co., Ltd. (儲能電站(湖北)有限公司), director of Shenzhen Saidi New Energy Logistics Co., Ltd. (深圳賽迪新能源物流有限公司董事), chairman of BYD Charity Foundation and director of Shenzhen Easy Charging Technology Co., Ltd. (深圳充電易科技有限公司).

## Li Ke

Ms. Li Ke, born in 1970, Chinese national with the right of abode in the US, bachelor's degree holder. Ms. Li graduated from Fudan University in 1992 with a bachelor's degree in statistics. Ms. Li worked at Asia Resources (亞洲資源) and joined BYD Industries in September 1996. She severed various positions including Marketing Manager and General Sales Manager, executive director and chief executive officer of BYD Electronic (International) Company Limited and is a Vice President of the Company.

## Lian Yu-bo

Mr. Lian Yu-bo, born in 1964, Chinese national with no right of abode overseas, master's 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's degree majoring in aircraft manufacturing engineering. In September 2000, he obtained a professional MBA degree from Nanjing University. Mr. Lian joined the Company in February 2004 and is a vice president, chief engineer of the automobile business, and general manager of Division 13 of the Company. He is also a director 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's 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's degree in inorganic chemistry. Mr. He joined BYD Industries 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.

# Directors, Supervisors and Senior Management

## Liu Huan-ming

Mr. Liu Huan-ming, born in 1963, Chinese national with no right of abode overseas, master's 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 BYD Industries in March 1997, currently being the vice-president of the Company, general manager of Human Resources Office and Department of New Energy Vehicle Direct Sale Management, 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. Zhang 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 Hightech 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 BYD Industries in February 2000, holding posts such as manager of Engineering Department, manager of Electric Vehicle Project Department, and general manager of Division 14 and Division 8. He currently is vice president of the Company, general manager of Division 17, president of the Truck and Specialized Vehicle Research Institute and director of Hangzhou West Lake BYD New Energy Automobile Co., Ltd. (杭州西湖比亞迪新能源汽車有限公司) and director of Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司).

## 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 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.

## Li Qian

Mr. Li Qian, born in 1973, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1997, with a bachelor's degree in economics. He is currently studying an EMBA course at Guanghua School of Management of Peking University. Mr. Li was the auditor and business adviser of PwC China and Arthur Andersen, respectively, and the securities business representative of ZTE Corporation. Mr. Li joined the Company in August 2005 and is the secretary to the Board and Company Secretary of the Company. He is also a joint company secretary of BYD Electronic (International) Company Limited (stock code: 0285) and a supervisor of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd.

## Zhou Ya-lin

Ms. Zhou Ya-lin, born in 1977, Chinese national with no right of abode overseas, bachelor's degree holder. Ms. Zhou graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1999, with a bachelor's degree in economics. Ms. Zhou joined BYD Industries in March 1999 and is the Chief Accountant of the Company. She is also a director of Shenzhen BYD Electric Car Investment Co., Ltd. (深圳市比亞迪電動汽車投資有限公司), a director of Shenzhen Dicheng New Energy Co., Ltd (深圳迪程新能源有限公司) and a director of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司), a supervisor of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), BYD Auto Finance Company Limited (比亞迪汽車金融有限公司) and Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司).

# Directors, Supervisors and Senior Management

## Directors', supervisors' and senior management's remuneration during the reporting period

Name	Position	Status of employment	Total remuneration received from the Company (Unit: RMB'000)
Wang Chuan-fu	Chairman, Executive Director and President	Incumbent	4,115
Lv Xiang-yang	Vice-chairman and non-executive director	Incumbent	150
Xia Zuo-quan	Non-executive director	Incumbent	150
Wang Zi-dong	Independent Director	Incumbent	150
Zou Fei	Independent Director	Incumbent	150
Zhang Ran	Independent Director	Incumbent	150
Dong Jun-qing	Independent supervisor and chairman of the supervisory committee	Incumbent	50
Li Yong-zhao	Independent supervisor	Incumbent	50
Huang Jiang-feng	Shareholder supervisor	Incumbent	50
Wang Zhen	Staff representative supervisor	Incumbent	1,330
Yan Chen	Staff representative supervisor	Incumbent	1,333
Wu Jing-sheng	Vice president and Chief Financial Officer	Incumbent	4,549
Wang Nian-qiang	Vice president	Resigned	1,624
Li Ke	Vice president	Incumbent	2,473
Lian Yu-bo	Vice president	Incumbent	5,017
He Long	Vice president	Incumbent	3,756
Liu Huan-ming	Vice president	Incumbent	3,238
Zhang Jin-tao	Vice president	Incumbent	3,163
Luo Hong-bin	Vice president	Incumbent	3,290
Li Qian	Secretary to the Board and Company Secretary	Incumbent	1,335
Zhou Ya-lin	Chief Accountant	Incumbent	1,338
Total	—	—	37,461



# 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.

During the reporting period, except for the deviation from code provision A.2.1 as explained above, the Company had applied and complied with the principles and provisions of the Code.

## 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 is 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 21 and page 22 of this annual report.

The Group believes that its non-executive and independent non-executive 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 fourteen times this year to discuss the Group's overall strategy, operation, financial performance and review the status of regulatory compliance. 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 10 September 2014 to 10 September 2017.

# Corporate Governance Report

## Continuous Professional Development of Directors

Newly appointed Directors of the Company will be provided with relevant induction materials to assist them to fully understand their duties as a director under the requirements of the relevant laws and regulations, such as the Listing Rules of the Hong Kong Stock Exchange. This will also help the directors to gain insights in the Company's business and operation. In order to ensure adequate performance of duties by the independent non-executive Directors, the Company will also arrange on-site visits and sufficient communication with the management for the independent non-executive Directors. Pursuant to the corporate governance requirements, the Directors should participate in continuous professional development programme to develop and update their knowledge and skills. The particulars of the trainings of each Director are as follow:

Name of Director	Training/seminars	
	participated	Reading materials
<b>Executive Director</b>		
Mr. Wang Chuan-fu	✓	✓
<b>Non-executive Director</b>		
Mr. Lv Xiang-yang	✓	✓
Mr. Xia Zuo-quan	✓	✓
<b>Independent Non-executive Director</b>		
Mr. Wang Zi-dong	✓	✓
Mr. Zou Fei	✓	✓
Ms. Zhang Ran	✓	✓

## The Board's Diversity Policy

During the year, the Board has adopted the Diversity Policy, which sets out the approach to diversity of Board members. In determining the Board composition, the Company considers a range of diversity elements, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. All appointments of the Board will be made based on merit and objective criteria while taking into full account of the interest of Board's diversity.

The selection of candidate will be based on a range of diversity elements. The final decision will be made according to the strengths of the candidate and his/her contribution that would bring to the Board.

## 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 fourteen meetings in 2015. 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	14	100%
<b>Non-executive Directors</b>		
LV Xiang-yang	14	100%
XIA Zuo-quan	14	100%
<b>Independent Non-executive Directors</b>		
WANG Zi-dong	14	100%
ZOU Fei	14	100%
ZHANG Ran	14	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.

# Corporate Governance Report

## 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 2015, Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, and a non-executive Director, Mr. Lv Xiang-yang, with Ms. Zhang Ran 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 four meetings in 2015 to review the internal and external audit findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, deliberate its relationship, remuneration and appointment terms and independence with the external auditor with reference to its work performance and to make recommendations to the Board of Directors regarding the reappointment of the external auditor, as well as to discuss auditing, internal controls, risk management and financial reporting matters including financial statements for the year ended 31 December 2014, the three months ended 31 March 2015, the six months ended 30 June 2015 and the nine months ended 30 September 2015, before recommending them to the Board for approval, and performed its other duties under the Code. 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
LV Xiang-yang	4	100%
ZHANG Ran	4	100%
WANG Zi-dong	4	100%
ZOU Fei	4	100%

## 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 2015, the Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, with Mr. Zou Fei as the Chairman.

The Remuneration Committee has reviewed its terms of reference in 2015 to comply with the Code.

The Remuneration Committee held two meetings in 2015 to review the remuneration of Directors, supervisors and senior management of the Group. The individual attendance of its members of the meetings is set out as follows:

Member of the Remuneration Committee	Number of Committee Meetings	
	Attended	Attendance Rate
WANG Chuan-fu	2	100%
Xia Zuo-quan	2	100%
Zou Fei	2	100%
WANG Zi-dong	2	100%
ZHANG Ran	2	100%

# Corporate Governance Report

## 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 2015 are set out in note 9 to the financial statements.

## Remuneration of Senior Management

Remuneration by bands	Number of senior management
RMB0 to RMB3 million	3
RMB3 million to RMB6 million	7

## Nomination Committee

Pursuant to the relevant provision of the Code, the Group established the Nomination Committee. As at 31 December 2015, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lv Xiang-yang, Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, with Mr. Wang Zi-dong as the Chairman. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of individuals nominated for directorships and senior management, appointment or reappointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors and determining the policy for the nomination of Directors. The Nomination Committee has performed such duties as set out in the Code.

The Nomination Committee held one meetings in 2015 to review the qualification and election process of Directors, supervisors and senior management of the Group. The individual attendance of its members of the meetings is set out as follows:

Member of the Nomination Committee	Number of Committee Meetings	
	Attended	Attendance Rate
WANG Chuan-fu	1	100%
XIA Zuo-quan	1	100%
WANG Zi-dong	1	100%
ZOU Fei	1	100%
ZHANG Ran	1	100%

## 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 2015, the Strategy Committee comprised Mr. Wang Chuan-fu, Mr. Lv Xiang-yang, Mr. Xia Zuo-quan, Mr. Wang Zi-dong and Mr. Zou Fei, 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.

## Company Secretary

Mr. Li Qian, Company Secretary of the Company, is a full-time staff of the Group, and is familiar with the daily affairs of the Company. During the financial year, the Company Secretary had complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules. The biographical details of the Company Secretary are set out in the section Directors, Supervisors and Senior Management in this annual report.



# Corporate Governance Report

## Independent Auditors and their Remuneration

For the year ended 31 December 2015, the total remuneration paid to the international auditors, Ernst & Young and the domestic auditors, Ernst & Young Hua Ming (LLP), was RMB5,343,000 for audit services provided for the Company and its subsidiaries. The audit fee was approved by the Board. During the reporting period, the total remuneration in respect of the non-audit services provided by the external auditor of the Company was RMB1,051,000.

Item	2015	2014
Review of interim results	<b>RMB1,003,000</b>	RMB1,050,000
Other non-audit services	<b>RMB48,000</b>	RMB169,000

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2015.

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Board has proposed to re-appoint Ernst & Young as the international auditor of the Company for 2016 and Ernst & Young Hua Ming (LLP) as the domestic auditors for 2016, which is subject to approval by shareholders at the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection and reappointment of the external auditor during the year in review.

## 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. The Board of directors has conducted an annual review of the Group's internal control system through the Audit Committee of the Group and considers that the relevant system is appropriate and effective.

### 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 will report directly to the Audit Committee appointed by the Board of Directors at the functional level, and will report to the Chief Financial Officer at the administrative level.

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" and "Internal Control Assessment and Management Requirements", to conduct inspection at company level and business level through project audit and internal control test, so as to identify risks and enhance its management.

The annual and quarterly work plan of internal audit of departments is reviewed by the Audit Committee and reported to the Audit Committee regularly. Major audit findings will be reported to the Audit Committee on timely basis. 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.

# Corporate Governance Report

## 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. Having made specific enquiry of all Directors, the Company confirmed all Directors have 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 2015.

## 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.

On 21 July 2015, the Company adopted a new set of Articles of Association.

# 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 2015.

## Principal Activities and Geographical Analysis of Operations

The principal activities of the Group are rechargeable battery and photovoltaic business, handset components and assembly business as well as automobile business (including traditional fuel-powered vehicles and new energy vehicles). The activities of the Company’s subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group’s principal activities for the year ended 31 December 2015. Further discussion and analysis of principal activities are set out in the Management Discussion and Analysis on pages 12 to 18 of the annual report.

An analysis of the Group’s performance for the year ended 31 December 2015 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 2015 are set out in the consolidated financial statements and their notes on page 40 to page 123 of this annual report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2015.

## 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 33 to the financial statements respectively.

## Donations

Charitable and other donations made by the Group during the year ended 31 December 2015 amounted to approximately RMB12,440,000 (2014: RMB9,521,000).

## 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 32 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company as at 31 December 2015, calculated under the relevant legislation applicable in the PRC, the Company’s place of incorporation, amounted to approximately RMB3,125,665,000 (2014: RMB2,203,682,000).

## Bank Loans

As at 31 December 2015, details of bank loans of the Group are set out in note 29 to the financial statements.

## Material Acquisitions and Disposals of Subsidiaries and Associates

During the reporting period, save for the disposal of subsidiaries set out in note 35 to the financial statements, there was no material acquisition and disposition of subsidiaries and associates.

## 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 124 of this annual report.

## Directors

The Directors who held office during the year ended 31 December 2015 and up to the date of this report are:

- Executive director:  
Mr. Wang Chuan-fu
- Non-executive directors:  
Mr. Lv Xiang-yang  
Mr. Xia Zuo-quan
- Independent non-executive directors:  
Mr. Wang Zi-dong  
Mr. Zou Fei  
Ms. Zhang Ran

# Report of the Directors

## 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 10 September 2014.

All existing supervisors had signed or renewed their service contracts with the Company for a term of three years commencing on 10 September 2014.

## 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 and an entity related to 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 Remuneration

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 21 to 25.

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

As at 31 December 2015, 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 Securities and Futures Ordinance (Cap 571) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "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 for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the 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 of RMB1.00 each

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)	512,623,820 (L) (Note 1)	32.84%	20.70%
Mr. Lv Xiang-yang (Director)	401,910,480 (L) (Note 2)	25.75%	16.24%
Mr. Xia Zuo-quan (Director)	118,977,060 (L)	7.62%	4.81%

(L) – Long Position



# Report of the Directors

## Note:

1. The 512,623,820 A shares did not include the 3,727,700 A shares held by Mr. Wang in No.1 Assets Management Plan through E Fund BYD;
2. Of the 401,910,480 A shares, 239,228,620 A shares were held by Mr. Lv in his personal capacity and 162,681,860 A shares were held by Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) ("Youngy Investment", formerly known as Guangzhou Youngy Management & Investment Group Company Limited). Youngy Investment was in turn held by Mr. Lv and his spouse as to 89.5% and 10.5% equity interests, respectively. Mr. Lv was therefore deemed to be interested in 162,681,860 A shares under the SFO.

## H shares of RMB1.00 each

Name	Number of H shares	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued share capital
Mr. Wang Chuan-fu (Director)	1,000,000 (L)	0.11%	0.04%
Mr. Xia Zuo-quan (Director)	500,000 (L) (Note 1)	0.05%	0.02%

(L) – Long Position

## Note:

1. Of the 500,000 H shares, 195,000 H shares were held by Mr. Xia as a beneficial owner and 305,000 H shares were held by Sign Investments Limited, which was wholly-owned by Mr. Xia.

Saved as disclosed above, as at 31 December 2015, 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 Issuers.

## Shareholders with Notifiable Interests

As at 31 December 2015, to the best knowledge of the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were required to be entered in the register kept by the Company pursuant to Section 336 of the SFO:

### 1. A shares of RMB1.00 each

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Youngy Investment (Note 1)	162,681,860 (L)	10.43%	6.57%

(L) – Long position

## Note:

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

# Report of the Directors

## 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)	24.59%	9.09%
Berkshire Hathaway Energy (note 1)	225,000,000 (L)	24.59%	9.09%
Li Lu (note 2)	64,377,700 (L)	7.04%	2.60%
LL Group, LLC (note 2)	64,377,700 (L)	7.04%	2.60%
Morgan Stanley (note 3)	56,622,687 (L)	6.18%	2.29%
	46,658,353 (S)	5.09%	1.88%

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

### Notes:

- Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, Berkshire Hathaway Energy (formerly known as MidAmerican Energy Holdings Company) for the 225,000,000 H shares directly held by it.
- LL Group, LLC was deemed to be interested in 64,377,700 H shares (L) through its controlled corporation, Himlaya Capital Investors, L.P. (formerly known as LL Investment Partners, L.P.). Li Lu, being the controlling shareholder of Capital Investors, L.P. (formerly known as LL Group, LLC) was also deemed to be interested in 64,377,700 H shares.
- Morgan Stanley was deemed to be interested in a total of 56,622,687 H shares (L) and had a short position in 46,658,353 H shares through its controlled corporations. Of these shares, 25,257,856 H shares (L) and 18,442,399 H shares (S) were held by Morgan Stanley & Co. International plc; 13,855,326 H shares (L) and 27,634 H shares (S) were held by Morgan Stanley Capital Services LLC; 8,977,000 H shares (L) and 8,976,320 H shares (S) were held by MS Equity Financing Services (Luxembourg) S.A.; 3,430,500 H Shares (L) were held by Morgan Stanley Investment Management Inc.; 1,815,919 H shares (L) and 1,352,419 H shares (S) were held by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.; 1,654,982 H shares (L) were held by Morgan Stanley Smith Barney LLC; 1,447,604 H shares (L) and 17,886,581 H shares (S) were held by Morgan Stanley & Co. LLC; 176,000 H shares (L) were held by FUNDLOGIC SAS; 7,500 H shares (L) were held by Morgan Stanley Capital (Luxembourg) S.A.. All of these entities are either controlled or indirectly controlled by BlackRock, Inc.

Among the 56,622,687 H shares (L) held by Morgan Stanley, 20,506,494 H shares (L) were held through derivatives. Among the 46,658,353 H shares(S) held by Morgan Stanley, 376,284 H shares (S) were held through derivatives.

The total issued share capital of the Company as at 31 December 2015 was RMB2,476,000,000, divided into 1,561,000,000 A shares of RMB1.00 each and 915,000,000 H shares of RMB1.00 each, all 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 2015.

## Competition Business

During the financial year, no director acquired benefits by engaging in business that competes with that of the Company or its subsidiaries.

In September, 2009, Mr. Wang Chuan-fu, controlling shareholder of the Group, signed the Non-competition Undertakings to confirm with the Company that he would abide by the undertaking of not engaging in business that competes with that of the Company. Directors, including independent non-executive directors, have examined its compliance and confirmed that the controlling shareholder has abided by all the undertakings.

## Retirement Scheme

Currently, all PRC subsidiaries of the Group participate in defined contribution retirement schemes (the "Schemes") launched by local provincial and municipal governments in China, pursuant to which the Group makes contributions to the Schemes in accordance with the applicable percentage of the salary of eligible staff. Local government authorities assume the obligation in respect of all the pension payable to retired staff.

Save for the above contributions, the Group does not have any other major payment obligation in respect of pension benefits.

# Report of the Directors

## Major Customers and Suppliers

The percentage of purchases and sales for the year ended 31 December 2015 attributable to the Group's major suppliers and customers are as follows:

### Purchases

– the largest supplier	5.83%
– the five largest suppliers combined	12.69%

### Sales

– the largest customer	11.94%
– the five largest customers combined	34.07%

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 2015 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 auditor, and Ernst & Young Hua Ming (LLP), the Company's domestic accountant, will retire. A resolution will be proposed at the forthcoming annual general meeting to appoint Ernst & Young as the international auditor of the Company for 2016 and Ernst & Young Hua Ming (LLP) as the domestic accountant for 2016.

On behalf of the Board

**Wang Chuan-fu**

*Chairman*

Shenzhen, the PRC, 28 March 2016

# Report of the Supervisory Committee

In 2015, 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 27 March 2015, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2014 was considered and approved accordingly.

On 27 April 2015, the Supervisory Committee convened its meeting at the office of the Company, where the first quarterly report of the Company for 2015 was considered and approved accordingly.

On 3 June 2015, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on the proposed non-public issuance of A Shares was considered and approved accordingly.

On 26 August 2015, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2015 was considered and approved accordingly.

On 29 October 2015, the Supervisory Committee convened its meeting at the office of the Company, where the third quarterly report of the Company for 2015 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 2015 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 2015, 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 fairview of the financial results and operations of the Company.

The Supervisory Committee is confident in the prospects of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

**Dong Jun-qing**

*Chairman of the Supervisory Committee*

28 March 2016

# Independent Auditors' Report



Ernst & Young  
22/F, CITIC Tower  
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Central, Hong Kong

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## 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 set out on pages 40 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2016



# Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
<b>REVENUE</b>	5	77,611,985	55,366,384
Cost of sales		(65,752,741)	(47,742,926)
Gross profit		11,859,244	7,623,458
Other income and gains	5	1,991,326	922,648
Government grants and subsidies	7	581,177	798,446
Selling and distribution expenses		(2,867,992)	(2,228,758)
Research and development costs	6	(1,998,499)	(1,864,695)
Administrative expenses		(3,428,963)	(2,600,600)
Other expenses		(581,505)	(257,330)
Finance costs	8	(1,517,003)	(1,396,828)
Share of profits and losses of:			
Joint ventures		(245,802)	(121,276)
Associates		3,003	(1,113)
<b>PROFIT BEFORE TAX</b>	6	3,794,986	873,952
Income tax expense	11	(656,790)	(134,082)
<b>PROFIT FOR THE YEAR</b>		3,138,196	739,870
Attributable to:			
Owners of the parent	13	2,823,441	433,525
Non-controlling interests		314,755	306,345
		3,138,196	739,870
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	13		
Basic and diluted			
– For profit for the year		RMB1.12	RMB0.18

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
<b>PROFIT FOR THE YEAR</b>		3,138,196	739,870
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		1,311,215	(226)
Reclassification adjustments for gain included in the consolidated statement of profit or loss		–	(4,261)
– gain on disposal		–	(4,261)
Income tax effect	31	(327,804)	–
		983,411	(4,487)
Exchange differences on translation of foreign operations		(19,589)	6,594
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		963,822	2,107
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		963,822	2,107
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		4,102,018	741,977
Attributable to:			
Owners of the parent		3,796,021	437,595
Non-controlling interests		305,997	304,382
		4,102,018	741,977

# Consolidated Statement of Financial Position

31 December 2015

	<i>Notes</i>	<b>2015</b> RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	38,126,333	36,379,422
Prepaid land lease payments	15	4,655,610	4,448,034
Goodwill	16	65,914	65,914
Other intangible assets	17	7,102,816	6,306,965
Non-current prepayments	24	3,997,044	2,411,053
Long-term receivable		65,773	315,311
Investments in joint ventures	18	1,522,017	1,074,435
Investments in associates	19	366,698	339,118
Available-for-sale investments	20	3,071,357	35,000
Deferred tax assets	31	1,080,416	965,486
Property under development	21	912,635	833,875
<b>Total non-current assets</b>		<b>60,966,613</b>	<b>53,174,613</b>
<b>CURRENT ASSETS</b>			
Inventories	22	15,750,550	9,978,317
Trade and bills receivables	23	26,678,639	22,434,973
Prepayments, deposits and other receivables	24	3,280,091	2,923,167
Due from the joint ventures and associates	39(b)	1,800,859	976,892
Due from the related parties	39(b)	338,332	–
Completed property held for sale	21	56,038	67,729
Derivative financial instruments		18,207	–
Pledged deposits	25	316,895	363,698
Short-term deposits	25	268,600	139,051
Cash and cash equivalents	25	6,010,931	3,950,415
<b>Total current assets</b>		<b>54,519,142</b>	<b>40,834,242</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	26	30,655,830	25,851,020
Other payables	27	4,557,156	3,632,713
Advances from customers		2,438,009	3,582,610
Deferred income	28	155,629	146,406
Interest-bearing bank and other borrowings	29	26,412,860	19,172,635
Due to joint ventures and associates	39(b)	393,428	23,948
Due to related parties	39(b)	429,429	61,533
Tax payable		289,206	142,878
Provision	30	778,577	408,381
<b>Total current liabilities</b>		<b>66,110,124</b>	<b>53,022,124</b>
<b>NET CURRENT LIABILITIES</b>		<b>(11,590,982)</b>	<b>(12,187,882)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>49,375,631</b>	<b>40,986,731</b>

continued/...

# Consolidated Statement of Financial Position

31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		49,375,631	40,986,731
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	29	11,229,901	10,979,299
Deferred tax liabilities	31	568,149	–
Deferred income	28	1,546,108	1,110,021
Other liabilities		2,232	2,974
Total non-current liabilities		13,346,390	12,092,294
Net assets		36,029,241	28,894,437
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	32	2,476,000	2,476,000
Reserves	33	26,618,404	22,889,597
Perpetual loans	34	3,200,000	–
		32,294,404	25,365,597
Non-controlling interests		3,734,837	3,528,840
Total equity		36,029,241	28,894,437

Director  
Wang Chuan-fu

Director  
Lv Xiang-yang

# Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Statutory surplus reserve fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend			
	RMB'000 (note 34)	RMB'000	RMB'000	RMB'000 (note 35)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,354,100	2,643,425*	4,398,830*	1,965,745*	(162,181)*	10,392,140*	117,705	21,709,764	3,146,677	24,856,441
Profit for the year	–	–	–	–	–	433,525	–	433,525	306,345	739,870
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	–	–	(226)	–	–	–	–	(226)	–	(226)
Reclassification adjustments for gain included in the consolidated statement of profit or loss – gain on disposal of available-for-sale investments	–	–	(4,261)	–	–	–	–	(4,261)	–	(4,261)
Exchange differences on translation of foreign operations	–	–	–	–	8,557	–	–	8,557	(1,963)	6,594
Total comprehensive income for the year	–	–	(4,487)	–	8,557	433,525	–	437,595	304,382	741,977
Issue of shares	121,900	3,273,331	–	–	–	–	–	3,395,231	100,000	3,495,231
Share issue expenses	–	(53,193)	–	–	–	–	–	(53,193)	–	(53,193)
Final 2013 dividend declared	–	–	–	–	–	(6,095)	(117,705)	(123,800)	(22,219)	(146,019)
Government subsidies designated to increase the capital reserve	–	–	38,295	–	–	(38,295)	–	–	–	–
Appropriation to statutory surplus reserve fund	–	–	–	143,661	–	(143,661)	–	–	–	–
At 31 December 2014	2,476,000	5,863,563*	4,432,638*	2,109,406*	(153,624)*	10,637,614*	–	25,365,597	3,528,840	28,894,437



# Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Statutory surplus reserve fund	Exchange fluctuation reserve	Retained profits	Perpetual loans			
	RMB'000 (note 34)	RMB'000	RMB'000	RMB'000 (note 35)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>	<b>2,476,000</b>	<b>5,863,563*</b>	<b>4,432,638*</b>	<b>2,109,406*</b>	<b>(153,624)*</b>	<b>10,637,614*</b>	<b>-</b>	<b>25,365,597</b>	<b>3,528,840</b>	<b>28,894,437</b>
Profit for the year	-	-	-	-	-	2,823,441	-	2,823,441	314,755	3,138,196
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	-	-	983,411	-	-	-	-	983,411	-	983,411
Exchange differences on translation of foreign operations	-	-	-	-	(10,831)	-	-	(10,831)	(8,758)	(19,589)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>983,411</b>	<b>-</b>	<b>(10,831)</b>	<b>2,823,441</b>	<b>-</b>	<b>3,796,021</b>	<b>305,997</b>	<b>4,102,018</b>
Disposal of a subsidiary (note 35)	-	-	-	(30,543)	-	-	-	(30,543)	(100,000)	(130,543)
Issue of a perpetual loan (note 34)	-	-	-	-	-	-	3,200,000	3,200,000	-	3,200,000
Perpetual loan interest paid (note 12)	-	-	-	-	-	(36,671)	-	(36,671)	-	(36,671)
Government subsidies designated to increase the capital reserve	-	-	15,652	-	-	(15,652)	-	-	-	-
Appropriation to statutory surplus reserve fund	-	-	-	305,888	-	(305,888)	-	-	-	-
<b>At 31 December 2015</b>	<b>2,476,000</b>	<b>5,863,563*</b>	<b>5,431,701*</b>	<b>2,384,751*</b>	<b>(164,455)*</b>	<b>13,102,844*</b>	<b>3,200,000</b>	<b>32,294,404</b>	<b>3,734,837</b>	<b>36,029,241</b>

\* These reserve accounts comprise the consolidated reserves of RMB26,618,404,000 (2014: RMB22,889,597,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> RMB'000	2014 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,794,986	873,952
Adjustments for:			
Finance costs	8	1,517,003	1,396,828
Share of profits and losses of joint ventures and associates		242,799	122,389
Bank interest income	5	(53,421)	(104,675)
Dividend income from available-for-sale investments		(1,466)	–
Government grants and subsidies		(159,282)	(254,217)
Loss on disposal of items of non-current assets	6	36,051	(220,053)
Gain on disposal of a subsidiary		(1,438,165)	(186,494)
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)		–	(4,261)
Gain on disposal of derivative financial instrument		(13,012)	–
Gain on disposal of investment in associates		(526)	–
Depreciation	14	4,485,620	3,703,736
Impairment of inventories	6	180,577	159,754
Impairment of trade receivables	23	234,660	89,340
Impairment of prepayments, deposits and other receivables	24	54,748	–
Impairment losses of trade receivables reversed	23	(35,208)	(70,525)
Impairment of items of property, plant and equipment	14	–	78,315
Impairment of other intangible assets	17	116,871	37,000
Recognition of prepaid land lease payments	15	103,001	102,611
Amortisation of other intangible assets	17	827,996	508,500
		9,893,232	6,232,200
Increase in inventories		(6,223,543)	(1,917,519)
Increase in trade and bills receivables		(5,282,230)	(9,318,836)
Decrease/(Increase) in prepayments, deposits and other receivables		289,809	(623,024)
Increase in amounts due from joint ventures and associates		(1,162,299)	(726,883)
Decrease/(Increase) in a long-term receivable		249,538	(280,632)
Increase in property under development		(41,301)	(2,888)
Increase in derivative financial instrument		(18,207)	–
(Decrease)/Increase in advances from customers		(1,139,340)	2,246,075
Decrease in a completed property held for sale		11,691	534,298
Increase in trade and bills payables		5,599,511	3,057,247
Increase in other payables		903,680	731,263
Increase in amounts due to joint ventures and associates		369,480	23,948
Increase in amounts due to related parties		367,896	61,533
Increase in provision for warranties		370,196	109,029
Cash generated from operations		4,188,113	125,811
Interest received		53,419	104,675
Taxes paid		(399,438)	(192,417)
Net cash flows from operating activities		3,842,094	38,069

continued/...

# Consolidated Statement of Cash Flows

Year ended 31 December 2015

	<i>Notes</i>	<b>2015</b> RMB'000	2014 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(4,091,011)	(2,136,767)
Increase in non-current prepayments		(6,217,655)	(4,336,655)
Increase in prepaid land lease payments		(321,843)	(189,610)
Investment in short-term deposits		(635,348)	(349,114)
Withdrawal of short-term deposits		505,799	410,063
Receipt of government grants		604,592	152,640
Disposal of a subsidiary	35	526,182	185,593
Additions to other intangible assets		(1,659,651)	(1,915,104)
Receipt of disposal of derivative financial instrument		13,012	–
Receipt of investment income from a jointly-controlled entity		1,466	–
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		1,808,561	796,862
Increase in other payables		–	9,528
Proceeds from settlement of an associate		500	–
Proceeds from settlement of available-for-sale investments		–	4,261
Purchases of available-for-sale investments		–	(30,000)
Increase in financial product		(200,000)	–
Capital contributions to associates		(76,213)	(71,250)
Capital contributions to joint ventures		(709,780)	(431,200)
Prepayment of shareholding in a subsidiary		(284,600)	–
Net cash flows used in investing activities		(10,735,989)	(7,900,753)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of a perpetual loan	34	3,200,000	–
Proceeds from issue of corporate bonds		1,500,000	–
Corporate bond issue expenses		(7,898)	–
Proceeds from issue of shares	32	–	3,395,281
Shares issue expenses	32	–	(53,243)
Establishment of minority interest of subsidiaries		–	100,000
New bank loans		24,534,345	26,336,791
Repayment of bank loans		(18,760,798)	(21,022,402)
Interest paid		(1,725,996)	(1,643,647)
Dividends paid		(36,671)	(123,800)
Dividends paid to a non-controlling shareholder		–	(22,219)
Decrease in pledged deposits		46,803	304,188
Net cash flows from financing activities		8,749,785	7,270,949
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		3,950,415	4,510,942
Effect of foreign exchange rate changes, net		204,626	31,208
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>6,010,931</b>	<b>3,950,415</b>

# Notes to Financial Statements

31 December 2015

## 1. Corporate and Group 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 automobiles and related products, handset components, rechargeable batteries and other electronic products.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Lithium Batteries Co., Ltd. (“BYD Li-ion”) <sup>***</sup>	PRC/ Mainland China	RMB160,000,000	100%	–	Research, development, sale and manufacture of Li-ion batteries
Shanghai BYD Company Limited (“BYD SH”) <sup>***</sup>	PRC/ Mainland China	US\$63,500,000	75%	25%	Research, development, sale and manufacture of Li-ion batteries
BYD Automobile Company Limited (“BYD Auto”) <sup>***</sup>	PRC/ Mainland China	RMB1,351,010,101	99%	–	Research, development, sale and manufacture of automobiles
BYD Precision Manufacture Company Limited (“BYD Precision”) <sup>****^</sup>	PRC/ Mainland China	US\$145,000,000	–	65.76%	Manufacture, assembly and sale of mobile handset components and modules
BYD Microelectronics Co., Limited (“BYD Microelectronics”) <sup>***</sup>	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”) <sup>***</sup>	PRC/ Mainland China	US\$150,000,000	55%	45%	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”) <sup>***</sup>	PRC/ Mainland China	US\$150,000,000	10%	90%	Research, development, sale and manufacture of Li-ion batteries and accessories
BYD Auto Industry Co., Ltd. (“BYD Auto Industry”) <sup>***</sup>	PRC/ Mainland China	US\$448,000,000	73.05%	26.95%	Research and development of automobiles

# Notes to Financial Statements

31 December 2015

## 1. Corporate and Group information (continued)

### Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Electronic (International) Company Limited ("BYD Int'l")*	Hong Kong	HK\$440,000,000	–	65.76%	Investment holding
BYD (Huizhou) Electronic Company Limited ("BYD Huizhou Electronic")***^	PRC/ Mainland China	US\$110,000,000	–	65.76%	High-level assembly
BYD Auto Sales Company Limited ("BYD Auto Sales")**	PRC/ Mainland China	RMB1,050,000,000	4.29%	94.76%	Sale and distribution of automobiles; provision of related after-sales services
Changsha BYD Auto Company Limited ("Changsha Auto")**	PRC/Mainland China	RMB1,000,000,000	–	99.88%	Research and development of auto mobiles and components
Shangluo BYD Industry Company Limited ("Shangluo BYD")***	PRC/Mainland China	RMB2,600,000,000	38.5%	60.92%	Research, development, manufacture and sale of solar batteries and solar arrays

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

\*\* These subsidiaries are registered as limited liability 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.

## 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 ("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 certain available-for-sale investment and derivative financial instruments, which has 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 RMB11,590,982,000 as at 31 December 2015, the consolidated financial statements have been prepared on a going concern basis as it is the directors' opinion that the Group has sufficient cash flows and credit facilities in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).



# Notes to Financial Statements

31 December 2015

## 2.1 Basis of preparation (continued)

### Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Changes in accounting policies and disclosures

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

Annual Improvements to HKFRSs 2010-2012 Cycle  
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

- (a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
  - *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

# Notes to Financial Statements

31 December 2015

## 2.2 Changes in accounting policies and disclosures (continued)

- (a) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows: (continued)
- *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
  - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any key management personnel services from other entities.
- (b) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- *HKFRS 3 Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint operation during the year.
  - *HKFRS 13 Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
  - *HKAS 40 Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have investment properties.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

# Notes to Financial Statements

31 December 2015

## 2.3 Issued but not yet effective Hong Kong financial reporting standards

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

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>

- 1 Effective for annual periods beginning on or after 1 January 2016
- 2 Effective for annual periods beginning on or after 1 January 2018
- 3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
- 4 No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

### (a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivable upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

# Notes to Financial Statements

31 December 2015

## 2.3 Issued but not yet effective Hong Kong financial reporting standards (continued)

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 2.4 Summary of significant accounting policies

### Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinue Operations.

### 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 to measure 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 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-related 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 of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Fair value measurement

The Group measures its available-for-sale investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, completed property held-for-sale, non-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 of disposal, 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 statement of profit or loss 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 an 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### 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);
  - (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). and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 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 statement of profit or loss 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 and residual value 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 and below	5%

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

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Property, plant and equipment and depreciation (continued)

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 including 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 statement of profit or loss 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 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 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 statement of profit or loss 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.

### 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.

### Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Leases (continued)

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss 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.

### Sale and leaseback

When a sale and leaseback transaction results in a finance lease, the transaction in substance is a loan whereby the lessor provides finance to the lessee, with the asset as security. An excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. The previous carrying value of the asset is left unchanged, with the sales proceeds being shown as a liability. The creditor balance is recorded as other borrowings on the consolidated statement of financial position.

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans, receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

#### Subsequent measurement

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

#### 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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

#### Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Investments and other financial assets (continued)

#### Available-for-sale financial investments (continued)

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 statement of profit or loss 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 statement of profit or loss in other gains or losses. 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 statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted 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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 statement of profit or loss.

### 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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.



# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Impairment of financial assets (continued)

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced or through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 write-off is later recovered, the recovery is credited to the statement of profit or loss.

#### 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.

#### Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Financial liabilities and financial instruments

#### Initial recognition and measurement

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received net of direct issue costs.

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and other payables, and interest-bearing bank and other 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 repurchasing 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 statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in 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 statement of profit or loss 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 statement of profit or loss.

#### 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.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### 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 statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

### 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. Those 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 statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

### Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

### 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.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Short-term deposits

Term deposits with an initial term of over three months but less than one year were classified as short-term deposits on the consolidated statement of financial position.

### 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 statement of profit or loss.

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.

### 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 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 goodwill or 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, joint ventures and associates, 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, joint ventures and associate, 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.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Income tax (continued)

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.

### 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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

### 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 the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" 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 exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, 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.

### Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

# Notes to Financial Statements

31 December 2015

## 2.4 Summary of significant accounting policies (continued)

### Contracts for services (continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### 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.

### 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.

#### Pension schemes – Mainland China

The employees of the Group's subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

#### Pension schemes – non-Mainland China

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

#### Housing fund – Mainland China

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

### 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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.33% and 6.21% has been applied to the expenditure on the individual assets.



# Notes to Financial Statements

31 December 2015

## 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is 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 RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The Group treats specific inter-company loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment. When a foreign operation is sold, such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

## 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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:

#### Lease classification

The Group has entered into contractual operating contracts on certain land and buildings. 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.

In 2013, the Group has entered into a sale and leaseback agreement as a lessee with a third party lease company regarding certain machinery and equipment (the "Assets"). The fair value of the Assets was determined using the replacement cost approach. The Group compares the fair value of the Assets with the present value of minimum lease payments and considers whether it is reasonably certain that the option to purchase the Assets will be exercised at the inception of the lease, as well as other terms and conditions of the sale and leaseback agreement, to determine the classification of the lease.

# Notes to Financial Statements

31 December 2015

## 3. Significant accounting judgements and estimates (continued)

### Judgements (continued)

#### 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 considers 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 31 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 2015 was RMB65,914,000 (2014: RMB65,914,000). Further details are given 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 an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 quantities reflect 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.

#### Deferred tax assets

Deferred tax assets are recognised for 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 and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was RMB96,426,000 (2014: RMB66,857,000). The amount of unrecognised tax losses at 31 December 2015 was RMB1,081,826,000 (2014: RMB1,729,649,000). Further details are contained in note 31 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 2015, the best estimate of the carrying amount of capitalised development costs was RMB6,928,494,000 (2014: RMB6,146,356,000). Further details are contained in note 17 to the financial statements.

# Notes to Financial Statements

31 December 2015

## 3. Significant accounting judgements and estimates (continued)

### Estimation uncertainty (continued)

#### 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 doubtful receivables at the end of each reporting period.

#### Write-down of inventories based on the lower of cost and net realisable value

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 three reportable operating segments as follows:

- (a) the rechargeable battery and photovoltaic business segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries principally for mobile phones, electric tools and other portable electronic instruments and photovoltaic 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; and
- (c) the automobiles and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, as well as head office and corporate expenses and gains that are excluded from this 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.

# Notes to Financial Statements

31 December 2015

## 4. Operating segment information (continued)

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.

Year ended 31 December 2015	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	5,750,007	32,928,119	38,933,859	–	77,611,985
Intersegment sales	7,938,761	1,256,601	489,354	–	9,684,716
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	316,376	262,754	552,307	10,038	1,141,475
Taxes and surcharges	25,510	72,115	1,169,037	664	1,267,326
	14,030,654	34,519,589	41,144,557	10,702	89,705,502
Reconciliation:					
Elimination of intersegment sales					(9,684,716)
Elimination of other gross income					(1,141,475)
Elimination of taxes and surcharges					(1,267,326)
Revenue – sales to external customers					77,611,985
<b>Segment results</b>	987,745	1,276,502	3,691,052	529	5,955,828
Reconciliation:					
Elimination of intersegment results					(1,880,012)
Interest income					53,421
Dividend income and unallocated gains					1,931,812
Corporate and other unallocated expenses					(749,060)
Finance costs					(1,517,003)
Profit before tax					3,794,986

# Notes to Financial Statements

31 December 2015

## 4. Operating segment information (continued)

Year ended 31 December 2015	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment assets</b>	16,768,931	25,953,481	67,188,915	–	109,911,327
Reconciliation:					
Elimination of intersegment receivables					(1,203,526)
Elimination unrealised profit of intersegment sales					(457,475)
Corporate and other unallocated assets					7,235,429
<b>Total assets</b>					115,485,755
<b>Segment liabilities</b>	5,904,615	12,707,474	22,839,680	–	41,451,769
Reconciliation:					
Elimination of intersegment payables					(1,203,526)
Corporate and other unallocated liabilities					39,208,271
<b>Total liabilities</b>					79,456,514
<b>Other segment information:</b>					
Impairment losses recognised in the statement of profit or loss	253,719	66,328	231,601	–	551,648
Depreciation and amortisation	694,581	1,451,779	3,270,257	–	5,416,617
Capital expenditure	2,084,818	3,136,717	6,119,184	–	11,340,719

# Notes to Financial Statements

31 December 2015

## 4. Operating segment information (continued)

Year ended 31 December 2014	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment revenue</b>					
Sales to external customers	4,980,119	24,116,254	26,270,011	–	55,366,384
Intersegment sales	2,957,020	815,220	171,422	–	3,943,662
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	346,689	267,745	744,559	513,067	1,872,060
Taxes and surcharges	12,041	95,566	819,172	30,656	957,435
	8,295,869	25,294,785	28,005,164	543,723	62,139,541
Reconciliation:					
Elimination of intersegment sales					(3,943,662)
Elimination of other gross income					(1,872,060)
Elimination of taxes and surcharges					(957,435)
Revenue – sales to external customers					55,366,384
<b>Segment results</b>	105,829	1,405,719	758,238	2,502	2,272,288
Reconciliation:					
Elimination of intersegment results					(668,450)
Interest income					104,675
Dividend income and unallocated gains					1,182,685
Corporate and other unallocated expenses					(620,418)
Finance costs					(1,396,828)
Profit before tax					873,952
<b>Segment assets</b>	14,580,188	21,343,303	55,658,767	–	91,582,258
Reconciliation:					
Elimination of intersegment receivables					(1,755,722)
Elimination unrealised profit of intersegment sales					12,269
Corporate and other unallocated assets					4,170,050
Total assets					94,008,855



# Notes to Financial Statements

31 December 2015

## 4. Operating segment information (continued)

Year ended 31 December 2014	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
<b>Segment liabilities</b>	4,066,268	8,563,595	23,613,540	–	36,243,403
Reconciliation:					
Elimination of intersegment payables					(1,755,722)
Corporate and other unallocated liabilities					30,626,737
<b>Total liabilities</b>					<b>65,114,418</b>
<b>Other segment information:</b>					
Impairment losses recognised in the statement of profit or loss	41,492	195,545	56,847	–	293,884
Depreciation and amortisation	736,954	1,158,304	2,419,588	–	4,314,846
Capital expenditure	1,937,252	2,328,433	5,061,181	–	9,326,866

### Geographical information

#### (a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
PRC	69,968,212	47,902,569
United States of America	2,888,867	2,148,425
Europe	1,363,431	1,541,286
India	58,473	284,654
Others	3,333,002	3,489,450
	<b>77,611,985</b>	<b>55,366,384</b>

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

#### (b) Non-current assets

	2015 RMB'000	2014 RMB'000
PRC	56,219,731	51,384,911
India	152,481	154,649
Others	310,941	253,762
	<b>56,683,153</b>	<b>51,793,322</b>

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

# Notes to Financial Statements

31 December 2015

## 4. Operating segment information (continued)

### Information about a major customer

Revenue of approximately RMB9,266,135,000 (2014: RMB5,262,498,000) was derived from sales made by the rechargeable batteries and photovoltaic products segment and the mobile handset components and assembly service segment to a single customer and a group of entities which are 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:

	<i>Note</i>	<b>2015</b> RMB'000	2014 RMB'000
<b>Revenue</b>			
Sale of goods		58,209,904	44,047,146
Assembly service income		19,379,323	11,308,674
Others		22,758	10,564
		<b>77,611,985</b>	<b>55,366,384</b>
<b>Other income and gains</b>			
Bank interest income		53,421	104,675
Gross rental income		21,717	21,645
Gross service income		57,831	61,369
Gain on disposal of scrap and materials		256,029	201,355
Penalty from suppliers		77,890	53,081
Gain on sales of properties (i)		531	2,502
Gain on disposal of a land use right		–	127,206
Gain on disposal of items of property, plant and equipment		–	92,847
Gain on disposal of subsidiaries	35	1,438,165	186,494
Fair value gains, net:			
Available-for-sale investment		1,992	4,261
Derivative financial instruments		13,012	–
Others		70,738	67,213
		<b>1,991,326</b>	<b>922,648</b>

*Note:*

- (i) The Group develops properties for sale to its employees. The gain on sales of properties related to revenue from the sales of properties to the employees during the year after deduction of property cost of RMB9,509,000 (note 21) and business tax of RMB662,000. The sales amount has been fully paid by the employees as at the year end.

# Notes to Financial Statements

31 December 2015

## 6. Profit before tax

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

	<i>Notes</i>	<b>2015 RMB'000</b>	2014 RMB'000
Cost of inventories sold		46,570,585	36,892,991
Cost of services provided		19,001,578	10,690,181
Depreciation	14	4,485,620	3,703,736
Impairment of items of property, plant and equipment**	14	–	78,315
Impairment of other intangible assets**	17	116,871	37,000
Amortisation of other intangible assets other than development costs****	17	50,143	43,886
Research and development costs:			
Deferred expenditure amortised*	17	777,853	464,614
Current year expenditure		1,998,499	1,864,695
		2,776,352	2,329,309
Minimum lease payments under operating leases:		390,151	114,119
Auditors' remuneration		6,395	7,069
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		11,801,659	8,838,397
Welfare		84,213	79,267
Pension scheme contributions		749,251	589,576
		12,635,123	9,507,240
Amortisation of land lease payments	15	103,001	102,611
Gain on disposal of items of non-current assets		36,051	(220,053)
Foreign exchange differences, net**		126,220	61,948
Impairment of trade receivables	23	234,658	89,340
Impairment of other receivables		54,749	–
Impairment losses of trade receivables reversed	23	(35,208)	(70,525)
Impairment of inventories***		180,578	159,754
Additional product warranty provision	30	722,128	350,172

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

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

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

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

# Notes to Financial Statements

31 December 2015

## 7. Government grants and subsidies

	2015 RMB'000	2014 RMB'000
<b>Related to assets</b>		
Subsidies on research and development activities for automobile and related products (note (a))	20,417	36,287
Subsidies on industry development fund for Changsha Automobile Zone (note (b))	83,850	81,190
Others	55,016	75,645
<b>Related to income</b>		
Subsidies on research and development activities for automobiles and related products (notes (c),(d),(e)&(f))	288,330	498,948
Subsidies on operating expense (note (g))	46,650	–
Subsidies on interest	1,594	14,500
Subsidies on tax refund	12,207	31,805
Others	73,113	60,071
	581,177	798,446

### Notes:

- (a) In 2008, BYD Auto Industry Co., Ltd ("BYD Auto Industry"), a 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. The amount had been recognized as deferred income when received from government, and would be recognized as government grant income year by year according to the depreciation of relevant assets. The amount recognised in the statement of profit or loss for the year ended 31 December 2015 is RMB20,417,000 (2014: RMB36,287,000).
- (b) In 2010 and 2012, Changsha BYD Automobile Co., Ltd. ("Changsha Auto"), a subsidiary of the Company, received government grants with an aggregate amount of RMB874,184,000 which were provided by the Changsha Yuhua District Development Zone Committee (長沙雨花經濟開發區管理委員會) to support the industry development for Changsha Automobile Zone. The amount recognised in the statement of profit or loss for the year ended 31 December 2015 is RMB83,850,000 (2014: RMB81,190,000).
- (c) Changsha Automobile, a subsidiary of the Company, received government grants from the Changsha Yuhua District Development Zone Committee (長沙雨花經濟開發區管理委員會) to support automotive research and development activities. For the year ended 31 December 2015, RMB80,000,000 was recognised as government grant income (2014: RMB252,946,000).
- (d) In 2013, the BYD Group received government grants with an aggregate amount of RMB100,000,000 which were provided by the local government to support research and development activities for dual mode electric automobile model "Qin" ("秦"). RMB100,000,000 has been recognised as government grant income in 2013 and in 2014, RMB50,000,000 each year. In 2015, "Qin" ("秦") has been in the completion of the mid-term review and received the second tranche of government grants with an aggregate amount of RMB125,000,000. Since the amount of subsidies is for R&D expenditures of "Qin" ("秦") and the development of the project had been basically completed by the end of 2014, RMB125,000,000 has been fully recognised as government grant income this year.
- (e) In 2015, the BYD Group has been awarded the "Headquarters Economy Contribution" (總部經濟貢獻獎) and received government grants with an aggregate amount of RMB20,000,000 from the Shenzhen Development and Reform Commission (深圳市發展和改革委員會). The amount RMB20,000,000 has been recognised as government grant income this year.
- (f) In 2015, BYD Automobile Co., Ltd. ("BYD Auto"), a subsidiary of the Company, received government grants with an aggregate amount of RMB63,330,000 from the Xi'an High-tech Zone (西安高新技術產業開發區). The amount is awarded for "New plug-in hybrid Qin technology development" and RMB63,330,000 has been fully recognised as government grant income this year.
- (g) In 2015, Xi'an BYD Electronic Co., Ltd. ("Xi'an Electronic"), a subsidiary of the Company, received government grants with an aggregate amount of RMB46,650,000 as subsidies on operating expense. Since related expenditure has been incurred, RMB46,650,000 has been fully recognised as government grant income this year.

# Notes to Financial Statements

31 December 2015

## 8. Finance costs

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank and other loans	1,717,849	1,537,969
Bank charges for discounted notes	47,243	123,249
	1,765,092	1,661,218
Less: Interest capitalised	(248,089)	(264,390)
	1,517,003	1,396,828

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.49% (2014: 6.11%).

## 9. Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	450	450
Other emoluments:		
Salaries, allowances and benefits in kind	7,151	6,641
Pension scheme contributions	76	75
	7,227	6,716
	7,677	7,166

# Notes to Financial Statements

31 December 2015

## 9. Directors' and supervisors' remuneration (continued)

### (a) Independent non-executive directors

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

	2015 RMB'000	2014 RMB'000
Mr Zhang Ran	150	46
Mr. Wang Zi-dong	150	46
Mr. Zou Fei	150	46
Ms. Li Dong	–	104
Mr. Wu Chang-qi	–	104
Mr. Li Lian-he	–	104
	450	450

There was no other emolument payable to the independent non-executive directors during the year (2014: Nil).

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

2015	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	–	4,090	24	4,114
Non-executive directors:				
Mr. Lu Xiang-yang	–	150	–	150
Mr. Xia Zuo-quan	–	150	–	150
Supervisors:				
Ms. Yan Chen	–	1,307	26	1,333
Ms. Wang Zhen	–	1,304	26	1,330
Mr. Dong Jun-qing	–	50	–	50
Mr. Li Yong-zhao	–	50	–	50
Mr. Huang Jiang-feng	–	50	–	50
	–	7,151	76	7,227

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).



# Notes to Financial Statements

31 December 2015

## 9. Directors' and supervisors' remuneration (continued)

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

2014	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	–	3,734	24	3,758
Non-executive directors:				
Mr. Lu Xiang-yang	–	150	–	150
Mr. Xia Zuo-quan	–	150	–	150
Supervisors:				
Ms. Yan Chen	–	1,262	26	1,288
Ms. Wang Zhen	–	1,230	26	1,256
Mr. Dong Jun-qing	–	50	–	50
Mr. Li Yong-zhao	–	50	–	50
Mr. Huang Jiang-feng	–	15	–	15
	–	6,641	76	6,717

## 10. Five highest paid employees

The five highest paid employees during the year included one director (2014: one). Details of the remuneration for the year of the remaining four (2014: four) non-director and highest paid employees are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	16,492	17,641
Pension scheme contributions	119	107
	16,611	17,748

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

	Number of employees	
	2015	2014
RMB3,000,001 to RMB3,500,000	1	–
RMB3,500,001 to RMB4,500,000	1	2
RMB4,500,001 to RMB5,000,000	2	2
	4	4

# Notes to Financial Statements

31 December 2015

## 11. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises ("HNTE") and are entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year. The HNTE certificates need to be renewed every three years so as to enable those subsidiaries to enjoy the reduced tax rate of 15%.

Certain subsidiaries operating in Mainland China are entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year pursuant to the Western Development Policy. These subsidiaries need to file the relevant document to the in-charge tax bureau for record every year so as to be entitled to the reduced rate of 15%.

	2015 RMB'000	2014 RMB'000
Group:		
Current – Hong Kong		
Charge for the year	203	1,224
Current – Mainland China		
Charge for the year	536,604	198,645
Deferred	119,983	(65,787)
<b>Total tax charge for the year</b>	<b>656,790</b>	<b>134,082</b>

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:

	2015		2014	
	RMB'000	%	RMB'000	%
Profit before tax	3,794,986		873,952	
Tax at the statutory tax rate	948,329	25.0	218,488	25.0
Lower tax rate for specific provinces or enacted by local authority	(343,138)	(9.0)	(118,124)	(13.5)
Losses attributable to joint ventures and associates	44,729	1.2	26,095	3.0
Expenses not deductible for tax	28,241	0.7	18,905	2.2
Tax losses and deductible temporary differences not recognised	272,026	7.2	207,163	23.7
Tax losses utilised from previous periods	(136,100)	(3.6)	(41,466)	(4.7)
Super-deduction of research and development costs	(157,297)	(4.1)	(176,979)	(20.3)
<b>Tax charge at the Group's effective rate</b>	<b>656,790</b>	<b>17.3</b>	<b>134,082</b>	<b>15.3</b>

# Notes to Financial Statements

31 December 2015

## 12. Perpetual loan interest paid

The interests paid on perpetual loans in 2015 is RMB36,671,000. The group's perpetual loan is disclosed in note 34 to the financial statement.

## 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 adjusted for interest paid or payable for perpetual loans, and the weighted average number of ordinary shares of 2,476,000,000 (2014: 2,425,208,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 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:

	2015 RMB'000	2014 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	2,823,441	433,525
Interests paid for perpetual loans	(36,671)	–
Accumulated unpaid interests attributable to perpetual loans	(4,158)	–
Profit used in the basic earnings per share calculation	2,782,612	433,525

	Number of shares	
	2015	2014
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation.	2,476,000,000	2,425,208,000

# Notes to Financial Statements

31 December 2015

## 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 2015</b>							
At 31 December 2014 and at 1 January 2015:							
Cost	12,062,597	61,785	30,354,982	306,145	4,706,908	6,364,617	53,857,034
Accumulated depreciation and impairment	(1,528,950)	(21,791)	(13,042,486)	(127,536)	(2,756,849)	–	(17,477,612)
Net carrying amount	10,533,647	39,994	17,312,496	178,609	1,950,059	6,364,617	36,379,422
At 1 January 2015, net of accumulated depreciation and impairment							
At 1 January 2015, net of accumulated depreciation and impairment	10,533,647	39,994	17,312,496	178,609	1,950,059	6,364,617	36,379,422
Additions	33,431	6,714	3,660,485	170,629	661,769	3,666,914	8,199,942
Disposals	–	(31,752)	(1,613,758)	(9,830)	(81,904)	(12,119)	(1,749,363)
Disposals of a subsidiary	–	–	(179,448)	(19)	(38,765)	–	(218,232)
Impairment provided during the year	–	–	–	–	–	–	–
Depreciation provided during the year	(338,681)	(5,989)	(3,373,221)	(65,100)	(702,629)	–	(4,485,620)
Transfers	853,152	–	2,951,731	38,045	418,686	(4,261,614)	–
Exchange realignment	582	–	(1,767)	1,685	(316)	–	184
At 31 December 2015, net of accumulated depreciation and impairment	11,082,131	8,967	18,756,518	314,019	2,206,900	5,757,798	38,126,333
<b>At 31 December 2015:</b>							
Cost	12,949,368	27,622	33,550,787	470,540	5,516,779	5,757,798	58,272,894
Accumulated depreciation and impairment	(1,867,237)	(18,655)	(14,794,269)	(156,521)	(3,309,879)	–	(20,146,561)
Net carrying amount	11,082,131	8,967	18,756,518	314,019	2,206,900	5,757,798	38,126,333

\* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB6,356,000 (2014: equivalent to RMB6,725,000) is freehold and not depreciated; the land situated in Japan with a cost of JPY300,000,000 being equivalent to RMB13,676,000 (2014: equivalent to RMB12,925,000) is freehold and not depreciated; the land situated in the United States with a cost of USD1,033,000 being equivalent to RMB6,707,138 (2014: equivalent to RMB6,320,000) is freehold and not depreciated.

As at 31 December 2015, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB3,952,360,000 (2014: RMB3,637,592,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

At 31 December 2015, certain items of the Group's machinery with a net carrying amount of approximately RMB75,506,000 (2014: RMB299,373,000) were pledged to secure general banking facilities granted to the Group; and certain items of the Group's construction in progress with a net carrying amount of approximately RMB9,153,000 (2014: RMB258,833,000) were pledged to secure general banking facilities granted to the Group (note 29 (a)).

# Notes to Financial Statements

31 December 2015

## 14. Property, plant and equipment (continued)

	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 2014</b>							
At 31 December 2013 and at 1 January 2014:							
Cost	10,992,541	22,054	27,440,857	177,020	4,066,627	6,008,433	48,707,532
Accumulated depreciation and impairment	(1,205,235)	(12,879)	(11,029,340)	(98,088)	(2,214,869)	–	(14,560,411)
Net carrying amount	9,787,306	9,175	16,411,517	78,932	1,851,758	6,008,433	34,147,121
At 1 January 2014, net of accumulated depreciation and impairment							
At 1 January 2014, net of accumulated depreciation and impairment	9,787,306	9,175	16,411,517	78,932	1,851,758	6,008,433	34,147,121
Additions	8,515	14,063	2,586,733	143,704	494,096	3,085,445	6,332,556
Disposals	(85,133)	(4,518)	(158,408)	(2,352)	(9,028)	(45,315)	(304,754)
Impairment provided during the year	(42,353)	–	(35,962)	–	–	–	(78,315)
Depreciation provided during the year	(304,994)	(13,394)	(2,705,807)	(40,348)	(639,193)	–	(3,703,736)
Transfers	1,181,853	34,668	1,214,736	124	252,565	(2,683,946)	–
Exchange realignment	(11,547)	–	(313)	(1,451)	(139)	–	(13,450)
At 31 December 2014, net of accumulated depreciation and impairment	10,533,647	39,994	17,312,496	178,609	1,950,059	6,364,617	36,379,422
<b>At 31 December 2014:</b>							
Cost	12,062,597	61,785	30,354,982	306,145	4,706,908	6,364,617	53,857,034
Accumulated depreciation and impairment	(1,528,950)	(21,791)	(13,042,486)	(127,536)	(2,756,849)	–	(17,477,612)
Net carrying amount	10,533,647	39,994	17,312,496	178,609	1,950,059	6,364,617	36,379,422

# Notes to Financial Statements

31 December 2015

## 15. Prepaid land lease payments

	Group	
	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	4,549,179	4,729,199
Additions	321,843	189,610
Disposal	(4,745)	(267,138)
Recognised during the year	(103,001)	(102,611)
Exchange realignment	(190)	120
Carrying amount at 31 December	4,763,086	4,549,180
Current portion included in prepayments, deposits and other receivables	(107,476)	(101,146)
Non-current portion	4,655,610	4,448,034

As at 31 December 2015, the Group was still in the process of obtaining the land use right certificates for certain parcels of leasehold land with a carrying amount of RMB71,629,000 (2014: RMB67,752,000). In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.



# Notes to Financial Statements

31 December 2015

## 16. Goodwill

	RMB'000
<b>At 1 January 2014:</b>	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2014, net of accumulated impairment	65,914
Impairment during the year	–
Cost and net carrying amount at 31 December 2014	65,914
<b>At 31 December 2014:</b>	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2015, net of accumulated impairment	65,914
Impairment during the year	–
Cost and net carrying amount at 31 December 2015	65,914
<b>At 31 December 2015:</b>	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914

### Impairment testing of goodwill

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

The recoverable amount of the automobiles 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 13% (2014: 13%). The growth rate used to extrapolate the cash flows of the automobiles and related products cash-generating unit beyond the five-year period is 3% (2014: 3%), which is less than the long term average growth rate of the automobile industry.

# Notes to Financial Statements

31 December 2015

## 16. Goodwill (continued)

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

	Automobiles and related products	
	2015 RMB'000	2014 RMB'000
Carrying amount of goodwill	65,914	65,914

Assumptions were used in the value in use calculation of the automobiles and related products cash-generating unit for 31 December 2015 and 31 December 2014. 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

31 December 2015

## 17. Other intangible assets

	Development costs RMB'000	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
<b>31 December 2015</b>					
Cost at 1 January 2015, net of accumulated amortisation and impairment	6,146,356	6,620	3,445	150,544	6,306,965
Additions – internal development	1,676,864	–	–	–	1,676,864
Additions – acquired	–	300	–	63,597	63,897
Disposal of a subsidiary	–	–	–	(56)	(56)
Amortisation provided during the year	(777,855)	(3,851)	(735)	(45,555)	(827,996)
Impairment*	(116,871)	–	–	–	(116,871)
Exchange realignment	–	–	–	13	13
At 31 December 2015	6,928,494	3,069	2,710	168,543	7,102,816
<b>At 31 December 2015:</b>					
Cost	9,406,925	63,295	8,963	432,917	9,912,100
Accumulated amortisation and impairment	(2,478,431)	(60,226)	(6,253)	(264,374)	(2,809,284)
Net carrying amount at 31 December 2015	6,928,494	3,069	2,710	168,543	7,102,816
<b>31 December 2014</b>					
Cost at 1 January 2014, net of accumulated amortisation and impairment	4,832,818	11,993	1,006	83,450	4,929,267
Additions – internal development	1,815,152	–	–	–	1,815,152
Additions – acquired	–	211	2,910	109,904	113,025
Disposal	–	(4,915)	–	–	(4,915)
Amortisation provided during the year	(464,614)	(669)	(471)	(42,746)	(508,500)
Impairment	(37,000)	–	–	–	(37,000)
Exchange realignment	–	–	–	(64)	(64)
At 31 December 2014	6,146,356	6,620	3,445	150,544	6,306,965
<b>At 31 December 2014:</b>					
Cost	7,730,061	63,195	8,963	373,102	8,175,321
Accumulated amortisation and impairment	(1,583,705)	(56,575)	(5,518)	(222,558)	(1,868,356)
Net carrying amount at 31 December 2014	6,146,356	6,620	3,445	150,544	6,306,965

\* An impairment provision of RMB116,871,000 was made to development costs related to the reportable segment of automobiles and related products in the year ended 31 December 2015. The economic performance of the item of development cost is worse than expected. The recoverable amount of the development costs in relation to particular projects is the value in use determined by the present value of the cash generating unit's estimated future cash flows. The discount rate used in the current estimate of value in use is 13%.

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.

# Notes to Financial Statements

31 December 2015

## 18. Investments in joint ventures

	Group	
	2015 RMB'000	2014 RMB'000
Shares of net assets	1,522,017	1,074,435
	1,522,017	1,074,435

The Group's trade receivable balances due from and due to the joint ventures are disclosed in note 39(c) to the financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	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")	RMB2,360,000,000	PRC/Mainland China	50%	50%	50%	Research and development of automobiles
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	RMB300,000,000	PRC/Mainland China	50%	50%	50%	Assembly and sale of automobiles and coaches
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	RMB20,000,000	PRC/Mainland China	60%*	60%	60%	Taxi business and rental of electric vehicles
Shenzhen BYD Electric Car Investment Co. Ltd. ("BYD Electric Car")	RMB10,000,000	PRC/Mainland China	50%	60%	50%	New energy investment and the establishment of industrial electric vehicle industry
Sheng Shi Xin Di Electric Automobile Service Co., Ltd. ("Sheng Shi Xin Di")	RMB100,000,000	PRC/Mainland China	49%	40%	49%	Electric car rental and sale, transport management
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. ("Guang Qi BYD")	RMB300,000,000	PRC/Mainland China	51%*	50%	51%	Manufacturing and design of auto parts and accessories
Shenzhen Didi New Energy Auto Lease Co., Ltd. ("Didi New Energy")	RMB100,000,000	PRC/Mainland China	60%*	60%	60%	Electric car and fuel car rental and sales

# Notes to Financial Statements

31 December 2015

## 18. Investments in joint ventures (continued)

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
Beijing Hualin Loading Co.,Ltd ("Beijing Hualin")	RMB58,823,500	PRC/Mainland China	24.5%	24.5%	24.5%	Production and sale for special-used vehicles, import and export storage, technologies and agency
Hangzhou BYD Xihu New Energy Auto Co.,Ltd. ("Hangzhou BYD Xihu Auto")	RMB270,000,000	PRC/Mainland China	49%	49%	49%	New energy vehicle technology, internet technology development, technical services and advice
BYD Auto Finance Company Limited ("BYD Auto Finance")	RMB500,000,000	PRC/Mainland China	80%*	80%	80%	Car rental, issuance of financial bonds, car finance consulting agency
Hubei Energy Storage Co. Ltd. ("Hubei Energy Storage")	RMB100,000,000	PRC/Mainland China	55%*	60%	55%	Investment, operation of energy storage

\* According to the articles of association of these investees, board resolution requires unanimous consent of all board of directors. Thus, the Group does not have control even though the Group's ownership interests in these investees are greater than 50%

BDNT, which is considered a material joint venture of the Group, is a strategic partner of the Group primarily engaged in the research and development of automobile products and is accounted for using the equity method.

# Notes to Financial Statements

31 December 2015

## 18. Investments in joint ventures (continued)

The following table illustrates the summarised financial information in respect of BDNT adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements.

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	625,618	755,121
Other current assets	843,195	286,059
Current assets	1,468,813	1,041,180
Non-current assets, excluding goodwill	2,402,268	2,490,973
Financial liabilities, excluding trade and other payables	–	–
Other current liabilities	1,208,206	1,419,252
Current liabilities	1,208,206	1,419,252
Non-current financial liabilities, excluding trade and other payables	1,324,161	204,739
Non-current liabilities	–	–
Net assets	1,338,715	1,908,162
Net assets, excluding goodwill	1,338,715	1,908,162
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	669,358	954,081
Unrealised gain arising from transactions with the Group	(80,138)	(87,912)
Goodwill on acquisition (less cumulative impairment)	–	–
Carrying amount of the investment	589,220	866,169
Revenue	484,020	21,997
Interest income	5,659	7,749
Depreciation and amortisation	66,514	3,030
Interest expenses	65,476	2,829
Tax	–	53,386
Total comprehensive loss for the year	(569,447)	(259,292)
Other comprehensive income	–	–
Dividend received	–	–



# Notes to Financial Statements

31 December 2015

## 18. Investments in joint ventures (continued)

The following table illustrates the summarised aggregate financial information of the Group's joint ventures that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of joint ventures' profit for the year	(29,588)	6,660
Share of the joint ventures' total comprehensive income	(29,588)	6,660
Elimination of unrealised profit	58,672	1,710
Aggregate carrying amount of the Group's investments in the joint ventures	819,179	208,266

## 19. Investments in associates

	Group	
	2015 RMB'000	2014 RMB'000
Shares of net assets	235,460	207,880
Goodwill on acquisition	131,238	131,238
	366,698	339,118

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
Tibet Zabuye Lithium Industry Co. Ltd ("Zabuye Lithium")	RMB930,000,000	PRC/Mainland China	18%	18%	18%	Products of Lithium and Boron Mineral salt
Shan Mei Ling Qiu Bi Xing Industry Development Co., Ltd. ("Shan Mei Ling Qiu Bi Xing")	RMB10,000,000	PRC/Mainland China	20%	20%	20%	Solar power Ecosystem remediation Agricultural products
Shenzhen BYD International Financial Lease Co., Ltd. ("International Financial Lease")	RMB400,000,000	PRC/Mainland China	15%	25%	15%	Financial lease Financial lease advisory service

# Notes to Financial Statements

31 December 2015

## 19. Investments in associates (continued)

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Shenzhen Electric Power Sales Co., Ltd. ("Shenzhen Electric Power Sales")	RMB200,000,000	PRC/Mainland China	40%	20%	40%	Electric power engineering Design, install, and operation of electric vehicle charging infrastructure
Hangzhou Xihu New Energy Auto Operation Co., Ltd. ("Hangzhou Xihu Operation")	RMB50,000,000	PRC/Mainland China	29%	20%	29%	Taxi service Electric vehicle rental Electric vehicle charging infrastructure
Shenzhen Qianhai Green Transportation Co., Ltd. ("Qianhai Green Transportation")	RMB20,000,000	PRC/Mainland China	30%	29%	30%	Car rental Public transportation vehicle maintenance and repair

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the associates' loss for the year	(19,612)	(272)
Share of the associates' other comprehensive income	—	—
Share of the associates' total comprehensive loss	(19,612)	(272)
Elimination of unrealised profit	3,648	1,027
Aggregate carrying amount of the Group's investments in the associates	359,879	66,869

## 20. Available-for-sale investments

	Group	
	2015 RMB'000	2014 RMB'000
Listed equity investments, at fair value:	3,036,215	—
Unlisted equity investments, at cost:	35,142	35,000
	3,071,357	35,000

As at 31 December 2015, certain unlisted equity investments with a carrying amount of RMB35,142,000 (2014: RMB35,000,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

# Notes to Financial Statements

31 December 2015

## 20. Available-for-sale investments (continued)

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB983,411,000 (2014: RMB4,487,000), of which Nil (2014: 4,261,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

## 21. Property under development and completed property held for sale

	2015 RMB'000	2014 RMB'000
Land in Mainland China held under medium term leases, at cost:		
At the beginning of year	683,024	683,024
At 31 December	683,024	683,024
Development expenditure, at cost:		
At the beginning of year	150,851	104,380
Additions	78,760	46,471
At 31 December	229,611	150,851
	912,635	833,875
Property under development expected to be recovered:		
After more than one year	912,635	833,875
	2015 RMB'000	2014 RMB'000
Completed property held for sale, at cost:		
At the beginning of year	67,729	555,540
Additions	61,865	330,100
Other transfers	(64,047)	(307,346)
Recognised in the statement of profit or loss (note 5)	(9,509)	(510,565)
At 31 December	56,038	67,729

# Notes to Financial Statements

31 December 2015

## 22. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	3,694,244	2,490,569
Work in progress	5,935,112	4,147,742
Finished goods	5,264,831	2,789,720
Moulds held for production	856,363	550,286
	15,750,550	9,978,317

At 31 December 2015, the Group's inventories with a carrying amount of RMB89,878,000 (2014: RMB238,212,000) were pledged as security for the Group's bank loans, as further detailed in note 29(a) to the financial statements.

## 23. Trade and bills receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	20,365,929	13,374,278
Bills receivable	6,798,810	9,352,355
Impairment	(486,100)	(291,660)
	26,678,639	22,434,973

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

For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit.

The 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 18% (2014: 9%) and 31% (2014: 29%) 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.

The aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 RMB'000	2014 RMB'000
Within three months	22,185,206	17,220,962
Four to six months	2,268,121	2,388,325
Seven months to one year	1,320,239	1,843,477
Over one year	905,073	982,209
	26,678,639	22,434,973

# Notes to Financial Statements

31 December 2015

## 23. Trade and bills receivables (continued)

At 31 December 2015, there were no bills receivable pledged to secure the Group's bank loans (2014: Nil).

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

	2015 RMB'000	2014 RMB'000
At 1 January	291,660	389,035
Impairment losses recognized (note 6)	234,658	89,340
Impairment losses reversed (note 6)	(35,208)	(70,525)
Amount written off as uncollectible	(4,929)	(116,244)
Exchange realignments	(81)	54
At 31 December	486,100	291,660

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB486,100,000 (2014: RMB291,660,000) with a carrying amount before provision of RMB800,016,000 (2014: RMB346,767,000).

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.

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	24,572,076	19,945,155
Less than one year past due	1,691,008	2,310,207
One to two year past due	101,639	124,504
	26,364,723	22,379,866

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.

# Notes to Financial Statements

31 December 2015

## 24. Prepayments, deposits and other receivables

	Group	
	2015 RMB'000	2014 RMB'000
Non-current portion		
Prepayment for items of property, plant and equipment	3,997,044	2,407,290
Prepayments for land use rights	–	3,763
	3,997,044	2,411,053
Current portion		
Deposits and other receivables	3,040,896	2,523,630
Impairment*	(149,635)	(94,886)
	2,891,261	2,428,744
Prepayments	334,438	439,757
Loans to staff	54,392	54,666
	3,280,091	2,923,167

\* At 31 December 2015, an impairment loss of RMB149,635,000 (2014: RMB94,886,000) has been provided against deposits of RMB149,635,000 paid to two suppliers (2014: RMB170,927,000).

Except for the two suppliers aforementioned, none of the financial assets included in the above balances is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default, except for the two suppliers aforementioned.

# Notes to Financial Statements

31 December 2015

## 25. Cash and cash equivalents, restricted bank deposits and short term deposits

	Notes	Group	
		2015 RMB'000	2014 RMB'000
Cash and bank balances		6,249,709	4,112,293
Time deposits		346,717	340,871
		6,596,426	4,453,164
Less: Restricted bank deposits			
Short-term deposits	(iii)	(268,600)	(139,051)
Pledged deposits	(i)	(316,895)	(363,698)
Cash and cash equivalents	(ii)	6,010,931	3,950,415

### Notes:

- (i) At 31 December 2015, the pledged bank deposit of RMB316,895,000 (2014: RMB363,698,000) was pledged for bank acceptance bills of RMB226,876,000 (2014: RMB330,469,000), letter of credit of RMB8,021,000 (2014: RMB10,772,000) and various projects as required of RMB81,998,000 (2014: RMB22,457,000).
- (ii) At the end of the reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB4,814,745,000 (2014: RMB3,234,402,000). 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) The weighted average effective interest rate for the short-term deposits of the Group with an initial term of three to six months for the year ended 31 December 2015 was 1.61% (2014: 2.84%). The carrying value of the short term deposits with an initial term of three to six months approximated to their fair value as at 31 December 2015. Short-term deposits with an initial term of three to six months were denominated in RMB and were neither past due nor impaired.
- (iv) Cash at banks earns interest at floating rates based on daily bank deposit rates. Most of the bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.



# Notes to Financial Statements

31 December 2015

## 26. 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:

	2015 RMB'000	2014 RMB'000
Within three months	23,008,789	18,673,577
Three to six months	7,353,079	6,903,766
Six months to one year	114,698	88,615
One to two years	67,591	70,532
Two to three years	36,156	52,162
Over three years	75,517	62,368
	30,655,830	25,851,020

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

## 27. Other payables

	2015 RMB'000	2014 RMB'000
Other payables	2,438,661	2,161,518
Accrued payroll	2,118,495	1,471,195
	4,557,156	3,632,713

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

## 28. Deferred income

	2015 RMB'000	2014 RMB'000
At 1 January	1,256,427	1,358,004
Received during the year	604,592	152,640
Released to the statement of profit or loss	(159,282)	(254,217)
At 31 December	1,701,737	1,256,427
Less: Portion classified as current liabilities	(155,629)	(146,406)
Non-current portion	1,546,108	1,110,021

Various government grants have been received for basic research and development activities. The government grants released have been deducted from the research and development costs to which they relate. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

# Notes to Financial Statements

31 December 2015

## 29. Interest-bearing bank and other borrowings

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	3.92-5.88	2016	13,209,248	4.25-6.48	2015	9,199,545
Bank loans – unsecured	4.35-5.6	2016	4,870,752	3.12-6.30	2015	2,982,680
	LIBOR+100-280bps	2016	1,863,800	LIBOR+280bps	2015	494,214
Current portion of long term bank loans – secured	3.25-6.3	2016	1,034,011	3.25-6.55	2015	834,059
Current portion of long term bank loans – unsecured	3.38-6.45	2016	1,345,210	3.34-6.46	2015	1,645,349
Current portion of other borrowings – secured	5.44-5.84	(g)	1,096,558	5.44-5.84	(g)	1,032,601
			23,419,579			16,188,448
Corporate bonds – unsecured	6.35	(e)	2,993,281	5.25	(d)	2,984,187
			26,412,860			19,172,635
<b>Non-current</b>						
Bank loans – secured	3.25-6.3	2030	1,816,343	3.25-6.55	2028	2,146,428
	LIBOR+550bps	2019	129,486	LIBOR+400bps	2019	73,305
Bank loans – unsecured	2.65-6.3	2025	1,825,669	3.34-6.46	2018	2,255,147
	LIBOR+280-350bps	2018	1,111,773	LIBOR+310-350bps	2017	549,435
Other borrowings – secured	5.44-5.84	(g)	1,862,684	5.44-5.84	(g)	2,964,016
			6,745,955			7,988,331
Corporate bonds – unsecured	4.1-5.25	(d) & (f)	4,483,946	6.35	(e)	2,990,968
			11,229,901			10,979,299
			37,642,761			30,151,934

# Notes to Financial Statements

31 December 2015

## 29. Interest-bearing bank and other borrowings (continued)

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	23,419,579	16,188,448
In the second year	4,576,911	3,993,243
In the third to fifth years, inclusive	1,854,611	3,978,267
Beyond five years	314,433	16,821
	30,165,534	24,176,779
Corporate bonds		
Within one year (d) &(e)	2,993,281	2,984,187
In the second year (d)	2,990,681	–
In the third to fifth years, (e) & (f)	1,493,265	2,990,968
	7,477,227	5,975,155
	37,642,761	30,151,934

### Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) mortgages over certain of the Group's plant and machinery, which had an aggregate carrying value at the end of the reporting period of approximately RMB75,506,000 (2014: RMB299,373,000) (note 14);
  - (ii) mortgages over certain of the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB9,153,000 (2014: RMB258,833,000) (note 14);
  - (iii) floating charges over certain of the Group's inventory bills totalling RMB89,878,000 (2014: RMB238,212,000) (note 22);
  - (iv) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of Nil (2014: RMB5,501,000);
- In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB16,047,517,000 (2014: RMB11,789,796,000) 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 RMB2,956,233,000 (2014: RMB3,585,062,000) and RMB148,826,000 (2014: Nil) which are denominated in United States dollars and Euro respectively, all borrowings are in RMB.
- (d) On 19 June 2012, the company issued RMB denominated 3,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2017, and bear a fixed interest rate of 5.25% per annum from and including 19 June 2012 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (19 June 2015), or release the investor sell-back option. As at 31 December 2014, the company could not reasonably forecast whether investors will choose to sell back their bonds or not, thus, those bonds were reclassified as bonds payable due in one year. Due to investors did not exercise the option to sell back the bonds after the third interest payment date, the maturity date of the bonds is fixed to 19 June 2017, therefore, the bonds were reclassified as long-term liability at the end of the reporting period. The bonds were listed on the Shenzhen Stock Exchange on 16 July 2012.
- (e) On 23 September 2013, the Company issued RMB denominated 3,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2018, and bear a fixed interest rate of 6.35% per annum from and including 23 September 2013 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (23 September 2016), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 15 November 2013. As at 31 December 2015, the company could not reasonably forecast whether investors would choose to sell back their bonds or not, thus, those bonds were reclassified as bonds payable due in one year. In addition, the issuer has the right to increase the coupon rate of the current period bonds for the following two years at the end of the third year of the current period bond duration, the adjustment will be in the range of 0-100 basis points (both numbers inclusive), and one basis point is equal to 0.01%.

# Notes to Financial Statements

31 December 2015

## 29. Interest-bearing bank and other borrowings (continued)

Notes (continued):

- (f) On 12 August 2015, the Company issued RMB denominated 1,500,000,000 corporate bonds. The bonds have a maturity of three years due in 2018, and bear a fixed interest rate of 4.1% per annum from and including 12 August 2015 payable annually. In addition, the bonds were unsecured with simple interest rate. The bonds were listed on the Shenzhen Stock Exchange on 10 August 2015.
- (g) As at 31 December 2015, the Group entered into sale and leaseback arrangement contracts with third-party leasing companies totalling RMB4,790,000,000, with contract terms ranging from three to five years. The substance of the arrangement is that the lessors provide finance to the Group with the asset as security. The Group continues to account for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. As at 31 December 2015, the aggregate book value of the assets is RMB3,808,392,000 and the balance of other borrowings amounted to RMB2,959,242,000 of which RMB1,096,558,000 is recorded as a current liability and RMB1,862,684,000 is recorded as a non-current liability on the Group's consolidated statement of financial position.

## 30. Provision

Group	Product warranties	
	2015 RMB'000	2014 RMB'000
At 1 January	408,381	299,352
Additional provision	722,128	350,172
Amounts utilised during the year	(351,932)	(241,143)
At 31 December	778,577	408,381

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.

## 31. Deferred tax

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

### Deferred tax liabilities

	Fair value adjustments arising from available- for-sale investments RMB'000	Fair value adjustment arising from derivative financial instruments RMB'000	Deferred tax payment arising from disposal of a subsidiary RMB'000	Total RMB'000
At 1 January 2015	–	–	–	–
Deferred tax debited to the statement of profit or loss during the year	–	936	239,409	240,345
Deferred tax debited to equity during the year	327,804	–	–	327,804
<b>Gross deferred tax liabilities</b>				
At 31 December 2015	327,804	936	239,409	568,149

# Notes to Financial Statements

31 December 2015

## 31. Deferred tax (continued)

### Deferred tax assets

	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	Unpaid payable not reversed RMB'000	Total RMB'000
At 1 January 2015	365,475	42,731	171,641	42,306	261,844	66,857	14,632	965,486
Deferred tax credited/(debited) to the statement of profit or loss during the year	(4,015)	685	55,721	79,399	(42,944)	29,569	1,947	120,362
Disposal of subsidiary in year 2015 (note 35)	(3,560)	(332)	–	–	(1,494)	–	(46)	(5,432)
At 31 December 2015	357,900	43,084	227,362	121,705	217,406	96,426	16,533	1,080,416
At 1 January 2014	335,990	38,385	179,375	15,697	244,317	74,375	11,560	899,699
Deferred tax credited/(debited) to the statement of profit or loss during the year (note 11)	29,485	4,346	(7,734)	26,609	17,527	(7,518)	3,072	65,787
At 31 December 2014	365,475	42,731	171,641	42,306	261,844	66,857	14,632	965,486

The Group has recognised the deferred tax assets related to tax losses arising in Mainland China of RMB522,213,000 (2014: RMB368,333,000) that will expire in one to five years for offsetting against future taxable profits.

The Group has accumulated tax losses arising in Mainland China of RMB1,030,274,000 (2014: RMB1,678,098,000) that will expire in one to five years for offsetting against future taxable profits. The Group has a tax loss of RMB51,552,000 (2014: RMB69,556,000) arising from other jurisdictions that will expire in one to eight years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in 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.

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

	2015 RMB'000	2014 RMB'000
Tax losses	1,081,826	1,729,649
Deductible temporary differences	1,722,015	1,613,725
	2,803,841	3,343,374

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.

# Notes to Financial Statements

31 December 2015

## 31. Deferred tax (continued)

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 for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, 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 RMB7,642,956,000 at 31 December 2015 (2014: RMB6,743,734,000).

## 32. Share capital

Shares	2015 RMB'000	2014 RMB'000
Authorised, issued and fully paid: 2,476,000,000 (2014: 2,476,000,000) ordinary shares of RMB1 each	2,476,000	2,476,000

## 33. Reserves

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 on pages 44 to 45 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 the 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 this usage.

## 34. Perpetual loans

The Company issued three tranches of perpetual loans on 9 August 2015, 23 September 2015 and 25 December 2015, respectively, with a total principal amount of RMB3.2 billion. The loans will have a perpetual term until redemption by the Company in accordance with the terms of issuance, and will mature at the redemption by the Company. At the third maturity date and each maturity date thereafter, the Company has the right to redeem the notes with a principal amount plus all deferred interests. The interest rate for the first three years is 6.25%-6.50% per annum. If the Company will not redeem the loans, the interest rate will be reset every year. The interest rate for the first extended year will be reset to that the initial interest rate plus 300 basis points per annum. Thereafter, the interest rate for each year will be reset to that period benchmark interest rate plus 300 basis points per annum until the interest rate is 18%.

As long as the compulsory interest payment events have not occurred, the Company has the right to choose to defer the interests payment at each interest payment date to the next without time limit of deferral, which does not cause the Company for breach of contract. The compound interests will be charged to the deferred interests by the interest rate of the deferred period.

The Company could not defer current interests and all deferred interests before 12 months of the interest payment date when below compulsory interest payment events occur:

- to declare and pay dividend to ordinary shareholders;
- to pay any financial instruments that has priority lower than the perpetual loans;
- to decrease share capital.

These perpetual loans do not have specific maturity. The Company has the right to defer interests or to redeem the notes. The Company does not have the contractual obligation to deliver cash or other financial assets to other parties. So the perpetual loans are recognised as an equity. The interest paid on the perpetual loans in 2015 was RMB36,671,000 (note 12).

# Notes to Financial Statements

31 December 2015

## 35. Disposal of a subsidiary

	2015 RMB'000
Net assets disposed of:	
Property, plant and equipment	218,740
Other intangible assets	56
Deferred tax asset (note 31)	5,432
Other non-current assets	3,908
Inventories	270,734
Trade and bills receivable	191,302
Prepayments, deposits and other receivables	716,274
Cash and bank balances	48,818
Trade and bills payables	(31,687)
Accruals and other payables	(520,653)
Other current liabilities	(41,087)
Non-controlling interests	-
	861,837
Gain on disposal of a subsidiary	1,438,163
	2,300,000



# Notes to Financial Statements

31 December 2015

## 35. Disposal of a subsidiary (Continued)

	2015 RMB'000
Satisfied by	
Cash	575,000
Share of Holitech	1,725,000

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

	2015 RMB'000
Satisfied by	
Cash consideration	575,000
Cash and bank balances disposed of	(48,818)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	526,182

## 36. Contingent liabilities

### (a) Action against Foxconn

On 11 June 2007, a Hong Kong High Court action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same grounds in the June 2007 Action. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The total damages sought by the Plaintiffs in the October 2007 Action have not been quantified.

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

With assistance from the Company's legal counsel, representing the Company for the case, the directors are of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

# Notes to Financial Statements

31 December 2015

## 36. Contingent liabilities (Continued)

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

	Group	
	2015 RMB'000	2014 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	54,088,970	43,942,046

As at 31 December 2015, the banking facilities granted to subsidiaries and BDNT subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB16,047,517,000 (2014: RMB11,789,796,000) and RMB662,080,325 (2014: RMB102,370,000) respectively.

(c) **Financial guarantee issued**

The Group entered into tri-lateral finance lease arrangement contracts with certain end-user customers and a third-party leasing company in 2013. Under the joint leasing arrangement, the Group provides a guarantee to the third-party leasing company that in the event of customer default, the Group is required to make payment to the leasing company for the outstanding lease payments due from the customer. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of guarantee payments. At the same time, the Group is entitled to repossess and sell the leased new energy vehicle, and retain any net proceeds in excess of the guarantee payments made to the leasing company. As at 31 December 2015, the Group's maximum exposure to this guarantee was RMB844,643,000 (2014: RMB844,643,000). The term of these guarantees coincides with the tenure of the lease contracts. For the year ended 31 December 2015, there was no default of payments from end-user customers which required the Group to make guarantee payments to the third-party leasing company.

(d) **Disposal of a subsidiary**

On 3 April 2015, the Company entered into a strategic cooperation agreement with Holi-tech Technology Co.,Ltd. ("Holitech"), a company listed on the Stock Exchange of Shanghai to sell Holitech the entire equity interest of a wholly-owned subsidiary Shenzhen BYD Electronic Components Co., Ltd ("Electronic Components") and certain business units of the Company conducting same business like Electronic Components ("Disposed Business"). Electronic Components completed the change of business registration on 30 September 2015, and was deconsolidated from the Group since then. All the input, process and output of the Disposed Business have been transferred to Electronic Component before 30 September 2015. The total consideration was RMB2.3 billion of which 75% was satisfied by issuance of new shares of Holitech at the cost of 178,941,908 shares rationed and issued to BYD at RMB9.64 per share, which is the share price of Holitech on the actual execution date, October 23, 2015. Since Holitech made interest distribution before issuing shares of the consideration, the issuing price was adjusted from RMB9.64 to RMB9.63, the consideration was ultimately satisfied by issuance of new shares of Holitech at the cost of 179,127,725 shares rationed and issued to BYD at RMB9.63 per share and the remaining 25% was paid in cash.

As part of the transaction, the Company and Holitech entered in a profit-guarantee agreement in which the Company promised the annual profit deducting non-recurring gains and losses shall be no less than RMB225,703,000, RMB237,286,000 and RMB251,078,000 in the year of 2015,2016 and 2017. And if the actual profit of any particular year failed to meet the guaranteed amount of profit, the BYD Company shall compensate Holitech the discrepancy amount with stock shares or cash; after the expiration of the period, Holitech shall conduct the impairment test on the target assets, and if the impairment exceeded the aggregate amount of compensation, the Company shall compensate the discrepancy separately. The unaudited profit of 2015 is RMB 136,700,000.

# Notes to Financial Statements

31 December 2015

## 36. Contingent liabilities (Continued)

### (d) Disposal of a subsidiary (Continued)

On 25 March 2016 the Company and Holitech entered in amendment agreement of profit-guarantee agreement pursuant to which both parties agreed to revise the profit-guarantee agreement as following: the Company will not compensate Holitech if the profits of any particular year does not meet the guaranteed amount as long as the aggregate amount of the profits during the three years of 2015, 2016 and 2017 is not less than the total guaranteed amount of RMB714,067,000. In Holitech 38th meeting of the fourth session of the Board of Directors, the amendment agreement has been approved and is still subject to approval of its annual shareholder meeting.

The profit guarantee constitutes a contingent consideration and the management considers the contingent consideration as financial liability whose fair value is immaterial as at the date of disposal and end of the period.

## 37. Operating lease arrangements

### As lessor

The Group leases certain of its properties and vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	51,667	25,122
In the second to fifth years, inclusive	136,195	83,106
After five years	32,010	43,486
	219,872	151,714

### 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.

There were no contingent rentals, renewal or purchase options, escalation clauses or any restrictions imposed on dividends, additional debt and further leasing within the lease arrangements.

# Notes to Financial Statements

31 December 2015

## 37. Operating lease arrangements (Continued)

### As lessee (Continued)

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Within one year	489,276	53,250
In the second to fifth years, inclusive	650,814	61,297
After five years	6,112	4,034
	1,146,202	118,581

As of 31 December 2015, the Group had a leaseback agreement with a leasing company and BYD International Lease Finance Corp (the lessor). According to the leaseback agreement, the Group sold certain machinery and equipment (the "Asset") with a net book value of RMB1,444,053,000 for the transaction price equivalent to the net book value and subsequently leased back for lease term of three years during which the Group is requested to pay a rental fee of RMB425,743,000 per annum. The Group has been granted the option to buy back the Asset at 30% of original transaction price, return the equipment to the leasing company or renew the rent based on renegotiation between the Group and the leasing company by the end of the lease term. The Group has defined the process of purchasing and selling the Assets as purchasing and selling items of property, plant and equipment under this bargaining condition.

## 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	
	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Land and buildings (i)	788,022	696,758
Plant and machinery	3,418,080	3,108,465
	4,206,102	3,805,223
Authorised but not contracted for	900,207	1,816,656
	5,106,309	5,621,879

# Notes to Financial Statements

31 December 2015

## 38. Commitments (Continued)

Notes:

- (i) Included in the above capital commitment is a commitment with regard to the BYD Automobile Plant II Project mentioned below with the amount of RMB169,092,000 (2014: RMB78,287,000);

- (a) BYD Automobile Plant II Project

BYD Auto, a subsidiary of the Company, will invest in the construction of the "BYD Automobile Plant II Project" in the Xi'an High-Tech Zone. The investment amount of the project, which is for the production of vehicles and automobile components, is RMB4.46 billion.

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

(In October 2010, Shangluo BYD (the "Purchaser") entered into an irrevocable silicon supply contract (the "Supply Contract") with Jiangxi LDK PV Silicon Technology Co., Ltd. ("LDKPV" or the "Vendor") and Jiangxi LDK Solar Hi-Tech Co., Ltd. ("LDK Solar" or the "Guarantor"), both of which are silicon material suppliers. The Supply Contract provides that during the contract term from January 2011 to December 2012, the Purchaser shall purchase 3,000 tonnes of polysilicon materials from the Vendor at a price of RMB650,000/tonne (the "Initial Purchase Price") for a total contract value of RMB1.95 billion. The agreed prepayment was RMB97,500,000, equivalent to 5% of the total contract value. The Supply Contract also provides that if the prevailing market price fluctuates more than 5% over the Initial Purchase Price, the parties shall negotiate about adjusting the purchase price by reference to the market price.

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

In November 2015, LDK PV and LDK Solar commenced restructuring procedures and convened the first meeting of creditors on 1 March 2016. No restructuring resolution has yet been reached and the second meeting of creditors will be convened subsequently. The Company has filed claims under the restructuring procedures of the two companies in accordance with the law and attended the first meeting of creditors. As of today, the purchase agreement remains effective.

As at 31 December 2015, the prepayment balance related to the Supply Contract amounted to RMB55,304,000.

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

	Group	
	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:	47,395	66,035
Capital contribution payable to joint ventures	162,520	175,800
	209,915	241,835

# Notes to Financial Statements

31 December 2015

## 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:

	Notes	2015 RMB'000	2014 RMB'000
Joint ventures and associates:			
Sales of products	(i)	2,287,819	744,308
Sales of machinery and equipment	(ii)	171,149	–
Sales of raw materials	(iii)	8,118	11,636
Service income	(iv)	151,012	255,396
Rental expense	(v)	319,642	–
Purchase of products	(vi)	72,556	21,802
Sales of products to Romos Digital	(xi)	71,773	–
Purchase of products and service from Northern Qinchuan	(vii)	103	4,869
Purchase of products and service from Cangzhou Mingzhu	(viii)	128,804	31,741
Sales of products and service from Electronic Components	(ix)	419,601	–
Purchase of products and service from Electronic Components	(ix)	259,500	–
Purchase of products and service from Beijing Easpring Technology	(x)	65,133	–

*Notes:*

- (i) The sales of products to the joint ventures and associates were made according to the published prices offered to other customers of the Group.
- (ii) The sales of machinery and equipment to an associate were charged at prices mutually agreed between the Group and the associate;
- (iii) The sales of raw materials to the joint ventures and associates were made according to the published prices offered to other customers of the Group;
- (iv) The service income was received at prices mutually agreed between the Group and the joint ventures and associates;
- (v) The rental expense was charged at prices mutually agreed between the Group and the associate;
- (vi) The purchases of products and service from the joint ventures and associates were made according to the published prices offered by the joint ventures to their other customers;
- (vii) The purchase of products and service from Xi'an Northern Qinchuan Company Ltd. ("Northern Qinchuan"), a company of which a supervisor of the Company is the chairman of the board, was made according to the published prices offered by Northern Qinchuan to its other customers;
- (viii) The purchase of products and service from Cangzhou Mingzhu Company Ltd. ("Cangzhou Mingzhu"), a company of which an independent non-executive director of the Company is the independent director of the board, was made according to the published prices offered by Cangzhou Mingzhu to its other customers;
- (ix) The purchase of products and service from Electronic Components, a company of which an executive of the Company is the chairman of the board, was made according to the published prices offered by Electronic Components to its other customers;
- (x) The purchase of products and service from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology"), a company of which an independent non-executive director of the Company is the independent director of the board, was made according to the published prices offered by Easpring Technology to its other customers.
- (xi) The sale of products to Shenzhen Ramos Digital Technology Co., LTD ("Ramos Digital"), a company of which a non-executive director of the Company is the independent director of the board, were made according to the published prices offered by Ramos Digital to its other customers.

# Notes to Financial Statements

31 December 2015

## 39. Related party transactions (continued)

(b) Outstanding balances with related parties:

	2015 RMB'000	2014 RMB'000
The amount due from joint ventures and associates:		
BDNT	440,280	663,956
Tianjin BYD	581,269	182,919
Jiangnan Chuzu	71	65,426
Hangzhou Xihu Operation	4,247	44,866
Pengcheng Chuzu	–	6,968
Shan Mei Ling Qiu Bi Xing	10,000	10,000
Qianhai Green Transportation	–	1,828
BYD Electric Car	6,083	914
Tibet Changdu Region Tianhui New Energy Technology Development Co., Ltd. ("Tibet Changdu Tianhui")	–	15
International Financial Lease	89,992	–
BYD Auto Finance	56	–
Hangzhou BYD Xihu Auto	629,356	–
Guang Qi BYD	19,985	–
Didi New Energy	1,850	–
Beijing Hualin	17,670	–
	1,800,859	976,892
	2015 RMB'000	2014 RMB'000
The amounts due from other related parties:		
Electronic Components	308,749	–
Ramos Digital	8,165	–
Holitech	21,418	–
	338,332	–



# Notes to Financial Statements

31 December 2015

## 39. Related party transactions (continued)

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

	2015 RMB'000	2014 RMB'000
The amounts due to joint ventures and associates:		
BDNT	296,097	14,705
Tianjin BYD	63,956	8,713
International Financial Lease	28,424	530
Shenzhen Electric Power Sales	4,740	–
Guang Qi BYD	199	–
Qianhai Green Transportation	12	–
	393,428	23,948

	2015 RMB'000	2014 RMB'000
The amounts due to other related parties:		
Cangzhou Mingzhu	77,927	61,533
Electronic Components	315,464	–
Easpring Technology	36,038	–
	429,429	61,533

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

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

	2015 RMB'000	2014 RMB'000
Short term employee benefits	37,135	35,078
Pension scheme contributions	326	309
	37,461	35,387

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

The related party transactions in respect of the items set out in note 39(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

# Notes to Financial Statements

31 December 2015

## 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:

2015 Financial assets	Loans and receivables RMB'000	Held for trading RMB'000	Available- for-sale investments RMB'000	Total RMB'000
Long-term receivable	65,773	–	–	65,773
Available-for-sale investments	–	–	3,071,357	3,071,357
Derivative financial instruments	–	18,207	–	18,207
Trade and bills receivables	26,678,639	–	–	26,678,639
Due from joint ventures and associates	1,800,859	–	–	1,800,859
Due from related parties	338,332	–	–	338,332
Financial assets included in prepayments, deposits and other receivables	344,908	–	–	344,908
Pledged deposits	316,895	–	–	316,895
Short-term deposits	268,600	–	–	268,600
Cash and cash equivalents	6,010,931	–	–	6,010,931
	35,824,937	18,207	3,071,357	38,914,501

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	30,655,830	30,655,830
Due to joint ventures and associates	393,428	393,428
Due to related parties	429,429	429,429
Financial liabilities included in other payables	2,075,959	2,075,959
Interest-bearing bank and other borrowings	37,642,761	37,642,761
	71,197,407	71,197,407

At 31 December 2015, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") with a carrying amount of RMB27,190,000 (31 December 2014: RMB36,742,000) to certain of its suppliers in order to settle the trade payables due to those suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB27,190,000 (31 December 2014: RMB36,742,000) as at 31 December 2015.

# Notes to Financial Statements

31 December 2015

## 40. Financial instruments by category (continued)

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

2014 Financial assets	Loans and receivables RMB'000	Held for trading RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Long-term receivable	315,311	–	–	315,311
Available-for-sale investments	–	–	35,000	35,000
Derivative financial instruments	–	–	–	–
Trade and bills receivables	22,434,973	–	–	22,434,973
Due from joint ventures	976,892	–	–	976,892
Due from related parties	–	–	–	–
Financial assets included in prepayments, deposits and other receivables	299,410	–	–	299,410
Pledged deposits	363,698	–	–	363,698
Short-term deposits	139,051	–	–	139,051
Cash and cash equivalents	3,950,415	–	–	3,950,415
	28,479,750	–	35,000	28,514,750

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25,851,020	25,851,020
Due to joint ventures and associates	23,948	23,948
Due to related parties	61,533	61,533
Financial liabilities included in other payables	1,809,172	1,809,172
Interest-bearing bank and other borrowings	30,151,934	30,151,934
	57,897,607	57,897,607

# Notes to Financial Statements

31 December 2015

## 41. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Financial assets</b>				
Long-term receivable	65,773	315,311	65,773	315,311
Derivative financial instruments	18,207	–	18,207	–
Available-for-sale investments – listed equity investments	3,071,357	–	3,071,357	–
	3,155,337	315,311	3,155,337	315,311

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
<b>Financial liabilities</b>				
Interest-bearing bank and other borrowings	37,642,761	30,151,934	37,642,761	30,151,934

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant.

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

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

# Notes to Financial Statements

31 December 2015

## 41. Fair value and fair value hierarchy of financial instruments (continued)

### Fair value hierarchy

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

#### Assets measured at fair value:

##### Group

As at 31 December 2015

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

As at 31 December 2014

There were no assets measured at fair value as at 31 December 2014.

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 (2014: Nil).

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

##### Group

As at 31 December 2015

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

# Notes to Financial Statements

31 December 2015

## 41. Fair value and fair value hierarchy of financial instruments (continued)

### Fair value hierarchy (continued)

As at 31 December 2014

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Long-term receivable	–	–	315,311	315,311
Interest-bearing bank and other borrowings	–	30,151,934	–	30,151,934
	–	30,151,934	315,311	30,467,245

## 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 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 2015, approximately 52% (2014: 58%) 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.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity* RMB'000
<b>2015</b>			
RMB	25	(23,525)	–
RMB	(25)	23,525	–
<b>2014</b>			
RMB	25	(17,454)	–
RMB	(25)	17,454	–

\* Excluding retained profits and exchange fluctuation reserve

# Notes to Financial Statements

31 December 2015

## 42. Financial risk management objectives and policies (continued)

### Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue is predominately in US\$ and RMB and a certain portion of the bank loans is denominated in US\$. 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 US\$ exchange rate, 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.

	Increase/(decrease) in US\$ rate %	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in owners' equity* RMB'000
<b>2015</b>			
If RMB weakens against US\$	5	(43,932)	—
If RMB strengthens against US\$	(5)	43,932	—
<b>2014</b>			
If RMB weakens against US\$	5	(54,010)	—
If RMB strengthens against US\$	(5)	54,010	—

\* 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 18% (2014: 9%) and 31% (2014: 29%) 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 25 to the financial statements.

### 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 borrowings and corporate bonds. In addition, banking facilities have been put in place for contingency purposes. Except for the non-current portion of interest-bearing bank borrowings and certain corporate bonds, all borrowings would mature in less than one year at the end of the reporting period.

# Notes to Financial Statements

31 December 2015

## 42. Financial risk management objectives and policies (continued)

### Liquidity risk (Continued)

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

	2015					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 and other borrowings	–	3,550,890	19,567,407	4,835,419	214,433	28,168,149
Trade and bills payables	179,265	22,185,931	8,290,634	–	–	30,655,830
Due to joint ventures	–	393,428	–	–	–	393,428
Due to related parties	–	429,429	–	–	–	429,429
Other payables	645,119	936,886	493,954	–	–	2,075,959
Corporate bonds	–	–	409,500	8,161,500	–	8,571,000
	824,384	27,496,564	28,761,495	12,996,919	214,433	70,293,795
Financial guarantee issued (note 36(c))						
Maximum amount guaranteed	844,643	–	–	–	–	844,643

#### Financial liabilities (continued)

	2014					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 and other borrowings	–	2,831,154	13,054,747	5,354,278	17,368	21,257,547
Trade and bills payables	185,062	18,761,473	6,904,485	–	–	25,851,020
Due to joint ventures	–	23,948	–	–	–	23,948
Due to related parties	–	61,533	–	–	–	61,533
Other payables	595,439	995,868	217,865	–	–	1,809,172
Corporate bonds	–	–	348,000	6,886,500	–	7,234,500
	780,501	22,673,976	20,525,097	12,240,778	17,368	56,237,720
Financial guarantee issued (note 36(c))						
Maximum amount guaranteed	844,643	–	–	–	–	844,643



# Notes to Financial Statements

31 December 2015

## 42. Financial risk management objectives and policies (continued)

### 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 2015 and 31 December 2014.

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 and other borrowings less cash and cash equivalents. Equity represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank and other borrowings	37,642,761	30,151,934
Less: Cash and cash equivalents	(6,010,931)	(3,950,415)
Net debt	31,631,830	26,201,519
Equity attributable to owners of the parent	29,094,404*	25,365,597
Gearing ratio	109%	103%

\* Equity attributable to owners of the parent has deducted the amount of perpetual loan of RMB 3,200,000,000.

## 43. Transferred financial assets that are derecognised in their entirety

At 31 December 2015, the Group endorsed certain bills receivable accepted by certain banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB1,379,812,000. The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

# Notes to Financial Statements

31 December 2015

## 44. Events after the reporting period

On 7 July 2014, BYD Auto Industry, a wholly-owned subsidiary of the Company, entered into an agreement with KONG SUN Holdings Limited and its affiliate company, KONG SUN New Energy Investment (Yangzhou) Limited ("Purchaser"), pursuant to which the Purchaser has agreed to acquire the entire equity interest of a wholly-owned subsidiary, Yulin City BYD New Energy Co., Ltd. ("Yulin BYD"), with 91%. During the years 2014 and 2015, the Purchaser injected issued capital and increased the equity interest to 99.884%. National Energy Administration and the National Development and Reform Commission of Shanxi Province rejected the acquisition of the Purchaser in the year 2015. The Group entered into an agreement with the Purchaser on 24 December 2015. According to the agreement, the Purchaser returned all the equity interest to the Group. The Group returned the consideration amounting RMB184,600,000 to the Purchaser. The Group transferred the amount to a condominium account which was set up by the Purchaser. The transaction was approved by the Commercial Bureau on 4 January 2016.

With the approval of the China Securities Regulatory Commission on 25 January 2016, the Group should offer private securities of no more than 261,320,000 shares within 6 months. The issue price should not be less than RMB57.4 per share. The total proceeds should not be less than RMB15,000,000,000.

As at 31 December 2015, the Group held 179,127,725 shares of Holitech, with market price RMB16.95 per share, amounting RMB3,036,215,000 (note 20) recorded in available-for-sales investment. As at 25 March 2016, the market price of Holitech decreased to RMB12.55 per share and fair value of available-for-sales investment decreased by RMB788,162,000.

# Notes to Financial Statements

31 December 2015

## 45. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	1,681,450	2,029,480
Investments in subsidiaries	6,584,944	7,358,944
Investments in joint ventures	553,000	61,200
Investment in an associate	311,825	291,825
Prepaid land lease payments	24,207	24,889
Other intangible assets	115,469	98,149
Non-current prepayments	35,668	40,581
Deferred tax assets	80,935	77,310
Long term receivable	14,840	14,840
Available-for-sale investments	3,041,215	5,000
Total non-current assets	12,443,553	10,002,218
<b>CURRENT ASSETS</b>		
Inventories	79,497	375,424
Trade and bills receivables	273,424	769,497
Tax recoverable	3,039	3,039
Prepayments, deposits and other receivables	38,607	87,861
Due from subsidiaries	25,227,787	18,566,410
Due from the jointly-controlled entities	93,250	–
Due from the related party	39,199	–
Derivative financial instruments	3,746	–
Restricted bank deposits	1,694	12,987
Cash and cash equivalents	1,347,846	317,227
Total current assets	27,108,089	20,132,445
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	97,390	1,239,621
Other payables	380,249	340,192
Advances from customers	8,282	20,838
Interest-bearing bank and other borrowings	11,274,135	7,956,890
Due to the related party	107,789	–
Due to the jointly-controlled entities	23,461	–
Due to subsidiaries	3,799,647	3,700,840
Total current liabilities	15,690,953	13,258,381
<b>NET CURRENT ASSETS</b>	11,417,136	6,874,064
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	23,860,689	16,876,282

continued/...

# Notes to Financial Statements

31 December 2015

## 45. Statement of financial position of the Company (continued)

	<i>Notes</i>	2015 RMB'000	2014 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		7,303,656	6,056,491
Deferred tax liabilities		568,149	–
Other non-current liabilities		1,295	2,489
Total non-current liabilities		7,873,100	6,058,980
Net assets		15,987,589	10,817,302
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital		2,476,000	2,476,000
Reserves		10,311,589	8,341,302
Perpetual loan	12	3,200,000	–
Total equity		15,987,589	10,817,302

*Note:*

A summary of the Company's reserves is as follows:

	<i>Note</i>	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Perpetual loans RMB'000	Total RMB'000
At 1 January 2014		2,643,425	(220,920)	499,348	2,324,058	–	–	5,245,911
Total comprehensive income for the year		3,220,138	(4,487)	–	(120,260)			3,095,391
Appropriate to statutory surplus reserve fund		–	–	116	(116)	–	–	–
At 31 December 2014		5,863,563	(225,407)	499,464	2,203,682	–	–	8,341,302
Profit for the year	13	–	–	–	1,023,547	–	–	1,023,547
Other comprehensive income for the year:		–	–	–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax		–	983,411	–	–	–	–	983,411
Issue of perpetual loans (note 34)		–	–	–	–	–	3,200,000	3,200,000
Issue of shares		–	–	–	–	–	–	–
Share issue expenses		–	–	–	–	–	–	–
Perpetual loan interest paid (note 12)		–	–	–	–	(36,671)	–	(36,671)
Total comprehensive income for the year		–	983,411	–	1,023,547	(36,671)	3,200,000	5,170,287
Appropriate to statutory surplus reserve fund		–	–	101,564	(101,564)	–	–	–
At 31 December 2015		5,863,563	758,004	601,028	3,125,665	(36,671)	3,200,000	13,511,589

# Notes to Financial Statements

31 December 2015

## 46. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2016.

# Five Year Financial Summary

As 31 December 2015

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.

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
<b>REVENUE</b>	77,611,985	55,366,384	49,767,887	44,380,858	46,312,282
Cost of sales	65,752,741	(47,742,926)	(43,251,573)	(39,254,530)	(39,445,257)
Gross profit	11,859,244	7,623,458	6,516,314	5,126,328	6,867,025
Other income and gains	1,991,326	922,648	456,199	423,332	988,114
Government grants and subsidies	581,177	798,446	677,121	550,387	301,221
Selling and distribution costs	2,867,992	(2,228,758)	(2,011,845)	(1,511,797)	(1,799,757)
Research and development costs	1,998,499	(1,864,695)	(1,278,910)	(1,150,419)	(1,373,861)
Administrative expenses	3,428,963	(2,600,600)	(2,073,516)	(2,055,016)	(2,125,636)
Other expenses	(581,505)	(257,330)	(387,556)	(205,148)	(388,567)
Finance costs	(1,517,003)	(1,396,828)	(1,017,318)	(862,439)	(742,262)
Share of profits and losses of jointly-controlled entities	(245,802)	(121,276)	(36,309)	(24,709)	7,022
Associates	3,003	(1,113)	(12,099)	206	(5,815)
<b>PROFIT BEFORE TAX</b>	3,794,986	873,952	832,081	290,725	1,727,484
Income tax expense	(656,790)	(134,082)	(56,215)	(77,835)	(132,408)
<b>PROFIT FOR THE YEAR</b>	3,138,196	739,870	775,866	212,890	1,595,076
Attributable to:					
Equity holders of the parent	2,823,441	433,525	553,059	81,377	1,384,625
Minority interests	314,755	306,345	222,807	131,513	210,451
	3,138,196	739,870	775,866	212,890	1,595,076
<b>TOTAL ASSETS</b>	115,485,755	94,008,855	78,014,834	70,007,807	66,881,036
<b>TOTAL LIABILITIES</b>	(79,456,514)	(65,114,418)	(53,158,393)	(45,863,436)	(42,900,900)
<b>NON-CONTROLLING INTERESTS</b>	(3,734,837)	(3,528,840)	(3,146,677)	(2,947,387)	(2,855,619)
<b>NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)</b>	32,294,404	25,365,597	21,709,764	21,196,984	21,124,517



比亞迪股份有限公司  
BYD COMPANY LIMITED