

Notes to the Accounts

31st December 2003

(Amount expressed in RMB unless otherwise stated)

1. ORGANISATION AND OPERATIONS

BYD Company Limited ("the Company") was incorporated in the People's Republic of China ("the PRC") on 11th June 2002 as a joint stock limited company.

The principal activity of the Company is research, development, manufacture and sales of rechargeable batteries. The activities of the Company's subsidiaries are set out in Note 13.

The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited since 31st July 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Company adopted SSAP 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 "Income Taxes" issued by the HKSA, which are effective for accounting periods commencing on or after 1st July 2002 and 1st January 2003, respectively.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiary acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Group accounting (continued)

(ii) Translation of foreign currencies

A substantial portion of the Group's sales are in RMB. Management believes that using RMB as the Group's functional currency will enable financial results and relationship to be measured with more relevance and reliability.

In the accounts of the individual companies, transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a period of 20 years.

(ii) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Distribution network

Distribution network represents payments made to secure distribution rights in the PRC and is amortised using the straight-line method over 10 years.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Intangible assets (continued)

(iv) Other intangible assets

Other intangible assets are amortised using the straight-line method over their estimated useful economic lives as follows:

Industrial proprietary rights	10 years
Patents	5 years

(v) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The estimated useful lives and estimated residual values are as follows:

	Estimated useful lives	Estimated residual values
Land use rights	Over the period of the lease	—
Buildings	30 to 50 years	4% to 5%
Leasehold improvements	Over the term of the lease	—
Machinery and equipment	5 years	4% to 5%
Motor vehicles	5 years	4% to 5%
Office equipment and fixtures	5 years	4% to 5%

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of fixed assets.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

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(Amount expressed in RMB unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Fixed assets (continued)

Construction-in-progress represents building and machinery under construction or being installed and is stated at cost less accumulated impairment losses. Cost comprises the original cost of machinery and equipment, installation costs, construction costs and other direct costs.

Construction-in-progress is not depreciated until such time when the assets are completed and ready for their intended use.

(e) Government grants

A government grant is recognised, when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are deferred and recognised in the profit and loss account over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the profit and loss account on a straight-line basis over the lease periods.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted-average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(j) Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision for repairs or replacement of products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Employee benefits

(i) Employee leave entitlements

Employee 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 balance sheet date.

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

(ii) Retirement benefit obligations

As stipulated by the rules and regulations in the PRC, the Company and its subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at rates ranging from 8% to 20% of the basic salary predetermined by local government. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The Group provides no retirement nor termination benefits other than those described above.

The costs of employee retirement benefits are recognised in the profit and loss account in the year on an accrual basis.

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy. However, there has been no significant effect on this change in accounting policy on the prior year accounts.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(n) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Processing income is recognised as processing services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisition through purchase of a subsidiary.

In respect of geographical segment reporting, sales are based on the location of the Group's customers. No geographical segment assets and liabilities are presented as over 90% of the Group's assets are located in the PRC.

3. TURNOVER AND REVENUE

	2003 RMB'000	2002 RMB'000
Turnover		
- Li-ion batteries	2,113,048	1,173,983
- Nickel batteries	1,249,455	1,109,290
- Automobiles	507,364	—
- Liquid crystal display for mobile phones (“LCD”)	92,007	—
- Plastic housing	72,553	—
- Mould	2,354	—
- Emergency lights	11,572	7,625
- Others	14,917	—
	4,063,270	2,290,898
Other revenue		
- Sales of materials (Note (a))	30,185	12,867
- Processing income	3,116	1,503
- Subsidy income	14,478	11,020
- Interest income	16,431	2,602
- Exchange gains, net	3,856	186
	68,066	28,178
Total revenue	4,131,336	2,319,076

- (a) During the year, the Group sold raw materials to some of its suppliers amounting to approximately RMB251,289,000 with a corresponding cost of raw materials of approximately RMB221,104,000, resulting in other revenue of approximately RMB30,185,000 (2002: RMB12,867,000).

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4. SEGMENT REPORTING

Primary reporting format - business segments

The Group is principally engaged in two main business segments:

- (i) Battery and other products - manufacture and sales of rechargeable batteries principally for mobile phones, LCD, plastic housing, emergency lights and other products;
- (ii) Automobile and related products - manufacture and sales of automobiles, battery-powered automobiles/ bicycles and moulds.

An analysis of the Group's revenues and results for the year by business segments is as follows:

	2003		Total RMB'000
	Battery and other products RMB'000	Automobile and related products RMB'000	
Turnover	3,553,552	509,718	4,063,270
Segment results	960,308	13,621	973,929
Unallocated costs			—
Operating profit			973,929
Finance costs			(19,961)
Profit before taxation			953,968
Taxation			(61,567)
Profit after taxation			892,401
Minority interests			(28,540)
Profit attributable to shareholders			863,861
Segment assets	4,371,112	1,206,782	5,577,894
Unallocated assets	—	—	—
Total assets			5,577,894
Segment liabilities	1,345,683	798,448	2,144,131
Unallocated liabilities	—	—	—
Total liabilities			2,144,131
Capital expenditure	1,152,919	924,354	2,077,273
Depreciation of fixed assets	75,268	36,058	111,326
Amortisation of development costs	—	3,763	3,763
Amortisation of other intangible assets	1,119	3,671	4,790
Reversal of impairment of fixed assets	—	(4,136)	(4,136)

4. SEGMENT REPORTING (continued)

	2002		
	Battery and other products RMB'000	Automobile and related products RMB'000	Total RMB'000
Turnover	2,290,898	—	2,290,898
Segment results	781,470	—	781,470
Unallocated costs			—
Operating profit			781,470
Finance costs			(18,097)
Profit before taxation			763,373
Taxation			(59,445)
Profit after taxation			703,928
Minority interests			(45,625)
Profit attributable to shareholders			658,303
Segment assets	3,201,717	—	3,201,717
Unallocated assets	—	—	—
Total assets			3,201,717
Segment liabilities	569,338	—	569,338
Unallocated liabilities	—	—	—
Total liabilities			569,338
Capital expenditure	295,972	—	295,972
Depreciation of fixed assets	58,846	—	58,846
Amortisation of intangible assets	1,150	—	1,150

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4. SEGMENT REPORTING (continued)

Secondary reporting format - geographical segments

An analysis by geographical segment, as determined by location of customers, is presented below. No segment assets and liabilities are presented as over 90% of the Group's assets are located in the PRC.

	2003		
	Turnover RMB'000	Cost of sales RMB'000	Gross profit RMB'000
PRC	3,924,037	(2,649,619)	1,274,418
Europe	77,037	(51,449)	25,588
U.S.A.	62,196	(39,156)	23,040
Total	4,063,270	(2,740,224)	1,323,046

	2002		
	Turnover RMB'000	Cost of sales RMB'000	Gross profit RMB'000
PRC	2,144,708	(1,257,250)	887,458
Europe	98,236	(54,838)	43,398
U.S.A.	47,954	(24,426)	23,528
Total	2,290,898	(1,336,514)	954,384

5. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2003 RMB'000	2002 RMB'000
After charging -		
Cost of inventories	2,338,912	1,113,284
Staff costs (excluding directors' emoluments) (Note 11)	404,110	247,163
Directors' (including supervisors') emoluments (Note 12(a))	3,441	3,336
Depreciation of fixed assets	111,326	58,846
Amortisation of intangibles		
- Goodwill (included in other operating expenses)	1,785	—
- Development costs (included in administrative expenses)	3,763	—
- Other intangible assets	4,790	1,150
Provision for doubtful receivables	56,245	10,622
Provision/ (reversal of provision) for inventories obsolescence	24,089	(1,559)
Operating lease expenses on land and buildings	2,690	3,284
Loss on disposal of fixed assets	770	4,834
Provision for warranty (Note 23)	7,518	—
Auditors' remuneration	1,200	1,457
Research and development costs	38,108	30,388
After crediting -		
Reversal of impairment of fixed assets (included in other operating expense)	4,136	—
Exchange gains, net	3,856	186
Interest income on bank deposits	16,431	2,602

6. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest on borrowings	15,909	16,155
Other incidental borrowing costs	4,287	1,942
Total borrowing costs incurred	20,196	18,097
Less: amount capitalised in properties under construction-in-progress	(235)	—
	19,961	18,097

The capitalisation rate applied to funds borrowed and used for the construction of properties is 4.779% (2002: Nil) per annum.

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7. TAXATION

(a) Income tax

(i) Hong Kong, U.S.A. and Netherlands profits tax

No Hong Kong, U.S.A. and Netherlands profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong, U.S.A. and Netherlands for the year (2002: Nil).

(ii) PRC Enterprise Income Tax ("EIT")

The Company and its subsidiaries registered in the PRC are subject to EIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The generally applicable EIT rate is 33%. However, according to certain rules and regulations promulgated by the local tax authorities, the Company and certain of its subsidiaries are entitled to preferential EIT rate at 15%. Furthermore, the Company and certain of its subsidiaries are also entitled to full exemption from EIT for the first two year and 50% reduction in EIT for the next three to eight years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 RMB'000	2002 RMB'000
Current taxation		
- Hong Kong profits tax	—	—
- Overseas taxation	73,085	59,445
Deferred taxation	(11,518)	—
	61,567	59,445

(iii) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 RMB'000	2002 RMB'000
Profit before taxation	953,968	763,373
Calculated at a taxation rate of 33%	314,809	251,913
Effect of tax concession	(253,242)	(192,468)
	61,567	59,445

7. TAXATION (continued)

(b) Deferred taxation

The movement on the deferred tax assets account is as follows:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
At 1st January	—	—	—	—
Deferred taxation credited to profit and loss account	11,518	—	8,116	—
	11,518	—	8,116	—
Representing:				
Deferred tax assets arising on receivables and inventories provisions	11,518	—	8,116	—

The amounts shown in the balance sheet include the following:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Deferred tax assets to be recovered after more than 12 months	11,518	—	8,116	—

There was no significant unprovided deferred taxation as at 31st December 2003 (2002: Nil).

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of approximately RMB653,113,000 (2002: RMB309,687,000).

9. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Pre-listing dividends	—	90,648
Final proposed, of RMB0.512 (2002: RMB0.284) per ordinary share	276,224	153,218
	276,224	243,866

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9. DIVIDENDS (continued)

(a) Pre-listing dividends

The Company was formerly incorporated under the name Shenzhen BYD Battery Company Limited ("BYD Industries") as a private limited company. Prior to the listing of the Company's H shares, the respective shareholders of BYD Industries and Shenzhen BYD Lithium Battery Company Limited ("BYD Li-ion") passed ordinary resolutions to declare dividends amounting to RMB33,480,000 and RMB63,520,000, to the then shareholders of BYD Industries and BYD Li-ion, respectively, for the four-month period ended 30th April 2002.

(b) Final dividend

At a meeting held on 20th February 2004, the directors proposed a final dividend of RMB0.512 (2002: RMB0.284) per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2004.

10. EARNINGS PER SHARE

(a) Earnings per share - basic

The calculation of basic earnings per share for the year ended 31st December 2003 is based on the Group's profit attributable to shareholders for the year ended 31st December 2003 of approximately RMB863,861,000 and the number of 539,500,000 shares in issue during the year.

In the 2002 Annual Report, earnings per share for the year ended 31st December 2002 was calculated based on the Group's profit attributable to shareholders of approximately RMB463,668,000 for the period from 11th June 2002, when the Company became a joint stock limited company, to 31st December 2002 and the weighted average number of 496,786,000 shares in issue during the period from 11th June 2002 to 31st December 2002.

To conform to the current year's presentation, the earnings per share for the year ended 31st December 2002 has been restated using the Group's profit attributable to shareholders for the year ended 31st December 2002 of approximately RMB658,303,000 and 539,500,000 shares.

(b) Earnings per share - diluted

Diluted earnings per share is not presented because there has been no potentially dilutive ordinary shares in existence during the year.

11. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2003 RMB'000	2002 RMB'000
Wages and salaries	351,184	216,564
Employees' welfare contribution	47,473	29,215
Pension costs - defined contribution	5,029	1,093
Post employment medical benefits	424	291
	404,110	247,163

12. DIRECTORS' (INCLUDING SUPERVISORS') EMOLUMENTS

(a) Directors' (including supervisors') emoluments

The aggregate amount of emoluments payable to directors (including supervisors) of the Company during the year are as follows:

	2003 RMB'000	2002 RMB'000
Fees	—	—
Other emoluments		
- basic salaries, allowances and other benefits in kind	3,409	3,316
- pension	32	20
	3,441	3,336

Directors' (including supervisors') emoluments disclosed above include approximately RMB280,000 (2002: RMB187,000) paid to independent non-executive directors.

The emoluments of the directors (including supervisors) fell within the following bands:

	Number of directors (including supervisors)	
	2003	2002
Nil to Hong Kong dollar ("HKD") 1,000,000 (equivalent to approximately RMB1,060,000)	16	16

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12. DIRECTORS' (INCLUDING SUPERVISORS') EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 directors (including supervisors) (2002: 4 directors (including supervisors)) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2002: 1) individual during the year are as follows:

	2003 RMB'000	2002 RMB'000
Basic salaries, allowances and benefits in kind	1,500	1,500
Pension	—	—
	1,500	1,500

The emoluments fell within the following band:

	Number of individuals	
	2003	2002
Nil to HKD1,000,000 (equivalent to approximately RMB1,060,000)	—	—
HKD1,000,001 (equivalent to approximately RMB1,060,000) to HKD1,500,000 (equivalent to approximately RMB1,590,000)	1	1
	1	1

No payment as an inducement for joining the Company or compensation for the loss of any office in connection with the management of the affairs of any member of the Group was paid or payable to any five highest paid individuals mentioned above for the year ended 31st December 2003.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2003 RMB'000	2002 RMB'000
Unlisted investments at cost	632,552	55,647

13. INVESTMENT IN SUBSIDIARIES (continued)

The following is a list of the subsidiaries as at 31st December 2003:

Name	Place of establishment/ incorporation, operation and kind of legal entity	Percentage of equity interest attributable to the Group		Paid in/ issued and fully paid share capital	Principal activities
		Direct	Indirect		
BYD Li-ion	The PRC Limited liability company	90%	—	RMB30,000,000	Research, development, sale and manufacture of Li-ion batteries.
Shenzhen BYD Electronics Company Limited ("BYD Electronics")	The PRC Limited liability company	40%	54%	RMB2,500,000	Design and manufacture of testing equipment and machinery for the Group's own use and rechargeable battery related products.
Shanghai BYD Company Limited ("BYD SH")	The PRC Limited liability company	100%	—	United States dollar ("USD") 4,376,807	Research, development, sale and manufacture of Li-ion batteries.
BYD Europe B.V. ("BYD Europe")	Netherlands Limited liability company	100%	—	Netherlands Guilders 40,000	Trading of NiCd, NiMH and Li-ion batteries and related products.
BYD America Corporation ("BYD America")	U.S.A. Limited liability company	100%	—	USD300	Trading of NiCd, NiMH and Li-ion batteries and related products.
BYD (H.K.) Co., Limited ("BYD HK")	Hong Kong Limited liability company	—	100%	HKD100	Trading of NiCd, NiMH and Li-ion batteries and related products.
BYD Automobile Company Limited ("BYD Auto QC")	The PRC Limited liability company	77%	—	RMB487,001,339	Research, development, sale and manufacture of automobiles.
Xian BYD Elec-automobile Company Limited ("BYD Auto Xian")	The PRC Sino-foreign equity joint venture	92%	—	RMB80,000,000	Research, development, sale and manufacture of automobiles.
Shanghai BYD Automobile Company Limited ("BYD Auto SH")	The PRC Limited liability company	90%	9%	USD24,537,500	Research, development, sale and manufacture of automobiles and battery-powered bicycle.
Beijing BYD Battery Company Limited ("BYD BJ")	The PRC Limited liability company	80%	18%	RMB50,000,000	Sale and manufacture of Li-ion batteries.
Beijing BYD Mould Company Limited ("BYD Mould")	The PRC Sino-foreign equity joint venture	68%	26%	RMB30,000,000	Design, research, sale and manufacture of mould.

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13. INVESTMENT IN SUBSIDIARIES (continued)

The following is a list of the subsidiaries as at 31st December 2003:

Name	Place of establishment/ incorporation, operation and kind of legal entity	Percentage of equity interest attributable to the Group		Paid in/ issued and fully paid share capital	Principal activities
		Direct	Indirect		
OuBi (Shanghai) Automobile Technology Company Limited ("BYD OuBi")	The PRC Wholly-owned foreign enterprise	100%	—	USD200,000	International trading, research and development of automobile, battery-powered automobiles and their related spare parts.
Shenzhen BiOu Company Limited ("BYD BiOu")	The PRC Sino-foreign equity joint venture	75%	25%	USD2,583,114	Sale and manufacture of Li-ion batteries and its related products.

14. FIXED ASSETS

Group

	Land use rights RMB'000	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
Cost								
As at 31st December 2002	91,197	301,691	7,297	248,290	6,576	50,355	96,521	801,927
Acquisition of a subsidiary (Note 28(c))	47,902	107,761	–	696,744	4,757	1,679	82	858,925
Additions	60,227	42,615	–	342,373	16,269	48,792	573,759	1,084,035
Reclassification	–	292,713	–	(4,304)	–	6,694	(295,103)	–
Disposals	–	(270)	–	(4,663)	(1,151)	(8)	–	(6,092)
As at 31st December 2003	199,326	744,510	7,297	1,278,440	26,451	107,512	375,259	2,738,795
Accumulated depreciation and impairment								
As at 31st December 2002	(1,053)	(7,037)	(2,625)	(75,886)	(2,144)	(14,656)	–	(103,401)
Acquisition of a subsidiary (Note 28(c))	(3,398)	(33,546)	–	(108,197)	(1,421)	(411)	–	(146,973)
Charge for the year	(3,141)	(8,809)	(1,227)	(82,970)	(3,196)	(11,983)	–	(111,326)
Reversal of impairment charge	–	–	–	4,136	–	–	–	4,136
Disposals	–	2	–	160	318	4	–	484
As at 31st December 2003	(7,592)	(49,390)	(3,852)	(262,757)	(6,443)	(27,046)	–	(357,080)
Net book value								
As at 31st December 2003	191,734	695,120	3,445	1,015,683	20,008	80,466	375,259	2,381,715
As at 31st December 2002	90,144	294,654	4,672	172,404	4,432	35,699	96,521	698,526

Land use rights comprise land use fees paid for the rights to use the land where the Group's factory buildings in Shenzhen, Shanghai, Beijing and Xian, the PRC are located.

As at 31st December 2003, the remaining periods of the land use rights where the Group's factory buildings in are as follows:

Located in the following PRC cities:	Remaining periods
- Shenzhen	46.5 years
- Shanghai	48.8 years
- Beijing	49.5 years
- Xian	49.6 years

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(Amount expressed in RMB unless otherwise stated)

14. FIXED ASSETS (continued)

Company

	Land use rights RMB'000	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
Cost								
As at 31st December 2002	16,820	127,357	4,480	134,649	4,195	38,312	42,909	368,722
Additions	16,383	17,407	–	140,287	5,957	34,679	122,815	337,528
Reclassification	–	110,119	–	21,699	–	–	(131,818)	–
Disposals	–	–	–	(447)	(305)	–	–	(752)
As at 31st December 2003	33,203	254,883	4,480	296,188	9,847	72,991	33,906	705,498
Accumulated depreciation								
As at 31st December 2002	(681)	(4,092)	(1,284)	(46,968)	(2,457)	(12,717)	–	(68,199)
Charge for the year	(602)	(2,807)	(797)	(32,765)	(1,345)	(9,114)	–	(47,430)
Disposals	–	–	–	5	290	–	–	295
As at 31st December 2003	(1,283)	(6,899)	(2,081)	(79,728)	(3,512)	(21,831)	–	(115,334)
Net book value								
As at 31st December 2003	31,920	247,984	2,399	216,460	6,335	51,160	33,906	590,164
As at 31st December 2002	16,139	123,265	3,196	87,681	1,738	25,595	42,909	300,523

15. INTANGIBLE ASSETS

Group

	Goodwill RMB'000	Development costs RMB'000	Industrial proprietary rights and patents RMB'000	Distribution network RMB'000	Total RMB'000
Cost					
As at 1st January 2002	–	–	7,846	–	7,846
Additions	–	–	373	–	373
As at 31st December 2002	–	–	8,219	–	8,219
Acquisition of a subsidiary (Note 28(c))	47,599	–	–	48,926	96,525
Additions	–	37,628	75	85	37,788
As at 31st December 2003	47,599	37,628	8,294	49,011	142,532
Accumulated amortisation					
As at 1st January 2002	–	–	(2,405)	–	(2,405)
Charge for the year	–	–	(1,150)	–	(1,150)
As at 31st December 2002	–	–	(3,555)	–	(3,555)
Acquisition of a subsidiary (Note 28(c))	–	–	–	(44,459)	(44,459)
Charge for the year	(1,785)	(3,763)	(1,119)	(3,671)	(10,338)
As at 31st December 2003	(1,785)	(3,763)	(4,674)	(48,130)	(58,352)
Net book value					
As at 31st December 2003	45,814	33,865	3,620	881	84,180
As at 31st December 2002	–	–	4,664	–	4,664

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15. INTANGIBLE ASSETS (continued)

Company

	2003	2002
	Industrial proprietary rights and patents RMB'000	
Cost		
As at 1st January	7,877	7,504
Additions	75	373
As at 31st December	7,952	7,877
Accumulated amortisation		
As at 1st January	(3,464)	(2,376)
Charge for the year	(1,058)	(1,088)
As at 31st December	(4,522)	(3,464)
Net book value		
As at 31st December	3,430	4,413
As at 1st January	4,413	5,128

16. INVENTORIES

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Raw materials	390,990	154,934	238,142	61,214
Work-in-progress	384,067	247,042	224,210	123,276
Finished goods	95,322	37,083	32,266	11,852
	870,379	439,059	494,618	196,342

17. PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Prepayments for purchase of raw materials	74,263	3,039	35,325	3,039
Prepayments for purchase of fixed assets	73,194	99,333	10,770	15,598
VAT recoverable	55,625	95,746	55,625	95,746
Amounts due from employees	3,238	1,318	1,458	969
Others	10,886	19,407	8,471	6,156
	217,206	218,843	111,649	121,508

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31st December 2003

(Amount expressed in RMB unless otherwise stated)

18. TRADE AND NOTES RECEIVABLE

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
1 to 3 months	1,277,833	395,741	877,799	166,416
4 to 6 months	185,614	197,499	143,677	32,172
7 to 12 months	29,915	6,228	22,972	2,103
	1,493,362	599,468	1,044,448	200,691

19. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent pledged deposits placed with a bank for security against the issuance of certain letters of credit by that bank on behalf of the Group.

20. CASH AND BANK DEPOSITS

(a) Group

As at 31st December 2003, cash and bank deposits included RMB deposits of approximately RMB153,253,000 (2002: RMB168,535,000).

(b) Company

As at 31st December 2003, cash and bank deposits included RMB deposits of approximately RMB72,336,000 (2002: RMB85,902,000).

RMB is not a freely convertible currency.

21. TRADE AND NOTES PAYABLE

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
1 to 3 months	956,160	344,955	455,638	170,850
4 to 6 months	218,437	56,590	161,459	43,598
7 to 12 months	3,519	1,891	716	1,208
1 to 2 years	11,336	496	3,128	496
2 to 3 years	3,426	287	486	287
	1,192,878	404,219	621,427	216,439

22. BORROWINGS

(a) Short-term bank loans

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Unsecured	602,659	—	207,500	—

The Group's short-term loans bear interest rates ranging from 1.929% to 5.841% (2002: Nil) per annum.

The Company's short-term loans bear interest rate of 2% (2002: Nil) per annum.

(b) Long-term bank loans

	2003 RMB'000	2002 RMB'000
Bank loans - secured	121,665	—
Less: amount repayable within one year (included in current liabilities)	(16,527)	—
	105,138	—

The Group's long-term loans bear interest rates ranging from 4.5% to 6.435% (2002: Nil) per annum and are jointly guaranteed by China North Industries Corporation ("CNIC") and Xian Huashan Machinery Industries Co., Ltd. ("Huashan Machinery") (Note 31(b)).

Notes to the Accounts

31st December 2003

(Amount expressed in RMB unless otherwise stated)

22. BORROWINGS (continued)

(b) Long-term bank loans (continued)

The Group's long-term loans are repayable as follows:

	2003 RMB'000	2002 RMB'000
Between 8 to 9 years	105,138	—

23. PROVISION FOR WARRANTY

	2003 RMB'000	2002 RMB'000
At 1st January	—	—
Additional provisions	7,518	—
Charged to profit and loss account	7,518	—
Less: amounts utilised	—	—
At 31st December	7,518	—

24. SHARE CAPITAL

Details of share capital were as follows:

	Number of shares		Amount	
	2003 '000	2002 '000	2003 RMB'000	2002 RMB'000
Issued and fully paid	539,500	539,500	539,500	539,500

The movements in share capital during the year were as follows:

	Number of shares		Amount	
	2003 '000	2002 '000	2003 RMB'000	2002 RMB'000
Beginning of year	539,500	—	539,500	30,000
Capitalisation of retained earnings (Note (a))	—	—	—	70,000
Capitalisation of reserves (Note (b))	—	—	—	290,000
Creation of shares (Note (b))	—	390,000	—	—
Issuance of H shares (Note (c))	—	149,500	—	149,500
Issued and fully paid	539,500	539,500	539,500	539,500

- (a) On 10th January 2002, retained earnings amounting to RMB70,000,000 were capitalised as paid-up capital. The increase in capital had been verified by Shenzhen Great Land Certified Public Accountants, certified public accountants registered in the PRC, and approved by Shenzhen Municipal Administration for Industry and Commerce ("SMAIC").
- (b) On 11th June 2002, the registered capital of the Company was increased from RMB100,000,000 to RMB390,000,000 divided into 390,000,000 domestic shares of RMB1 each, all of which were issued and paid up, by way of capitalisation of reserves, upon the conversion of the Company from a limited liability company to a joint stock limited company. The increase in capital had been approved by State Economic and Trade Commission of the PRC and SMAIC.
- (c) 149,500,000 H shares of RMB1 each were issued upon the Company's listing at HKD10.95 (equivalent to approximately RMB11.62) each and were fully paid up for cash, resulting in a share premium of approximately RMB1,522,212,000 after deducting the transaction costs in relation to the issuing of new H shares of approximately RMB65,478,000 of which approximately RMB2,354,000 were recorded as deferred assets as at 31st December 2001.

Notes to the Accounts

31st December 2003

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25. RESERVES

Movements in reserves of the Company were as follows:

	Share premium RMB'000	Capital reserve RMB'000 (Note 26)	Statutory surplus reserve RMB'000 (Note 27(a))	Statutory public welfare fund RMB'000 (Note 27(b))	Retained earnings RMB'000	Total RMB'000
As at 1st January 2002	—	—	17,560	8,780	116,288	142,628
Capitalisation of retained earnings (Note 24(a))	—	—	—	—	(70,000)	(70,000)
Capitalisation of reserves (Note 24(b))	868	(225,407)	(22,243)	(11,121)	(32,097)	(290,000)
Issuance of H shares (Note 24(c))	1,522,212	—	—	—	—	1,522,212
Profit attributable to shareholders for the year	—	—	—	—	309,687	309,687
Appropriations (Note 27)	—	—	25,252	12,626	(37,878)	—
Dividends (Note 9(a))	—	—	—	—	(90,648)	(90,648)
As at 31st December 2002	1,523,080	(225,407)	20,569	10,285	195,352	1,523,879
Profit attributable to shareholders for the year	—	—	—	—	653,113	653,113
Appropriations (Note 27)	—	—	55,341	27,671	(83,012)	—
Dividends (Note 9(b))	—	—	—	—	(153,218)	(153,218)
As at 31st December 2003	1,523,080	(225,407)	75,910	37,956	612,235	2,023,774
Representing:						
2003 final dividends proposed (Note 9(b))					276,224	
Others					336,011	
Retained earnings as at 31st December 2003					612,235	

26. CAPITAL RESERVE

Capital reserve of the Group represents the difference between the nominal value of the equity of the subsidiary acquired pursuant to a group reorganisation as described more fully in the paragraphs headed "Corporate reorganisation" in Appendix VI of the prospectus of the Company issued on 22nd July 2002 ("the Reorganisation") over the nominal value of the Company's consideration in exchange therefor.

Capital reserve of the Company represents the excess of the net assets of the subsidiary acquired pursuant to the Reorganisation, over the nominal value of the Company's consideration in exchange therefor.

27. APPROPRIATIONS

(a) Statutory surplus reserve

In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of such reserve fund reaches 50% of each entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, such balance of the statutory surplus reserve must be maintained at a minimum of 25% of capital after such usages.

(b) Statutory public welfare fund

In accordance with the PRC Company Law and the Company's articles of association, the Company and its subsidiaries registered in the PRC are required to appropriate 5% to 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to statutory public welfare fund, which will be utilised to build or acquire capital items, such as dormitories and other facilities for the Company and its subsidiaries' employees, and cannot be used to pay for staff welfare expenses. Titles of these capital items will remain with the respective companies now comprising the Group.

During the year 10% and 5% of the profit attributable to shareholders were appropriated to statutory surplus reserve and statutory public welfare fund, respectively, as approved in resolutions passed by the boards of directors of the respective companies now comprising the Group.

The above statutory reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

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(Amount expressed in RMB unless otherwise stated)

28. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow generated from operations:

	2003 RMB'000	2002 RMB'000
Profit before taxation	953,968	763,373
Adjustment for:		
Depreciation of fixed assets	111,326	58,846
Amortisation of goodwill	1,785	—
Amortisation of development costs	3,763	—
Amortisation of other intangible assets	4,790	1,150
Reversal of impairment of fixed assets	(4,136)	—
Interest expenses	15,674	16,155
Interest income	(16,431)	(2,602)
Provision for doubtful receivables	56,245	10,622
Provision for/ (reversal of provision for) inventories obsolescence	24,089	(1,559)
Loss on disposal of fixed assets	770	4,834
Operating profit before working capital changes	1,151,843	850,819
Increase in inventories	(367,147)	(197,505)
Decrease in deferred assets	—	2,354
Decrease/ (increase) in prepayments and other receivables	19,870	(138,218)
Increase in trade and notes receivable	(912,006)	(258,383)
Increase in due from related parties	(40)	(21,774)
Increase in due to related parties	21,000	—
Increase in trade and notes payable	602,292	123,566
Increase in accruals and other payable	45,454	8,362
Decrease in advances from customers	(1,895)	(4,427)
Increase in provisions	7,518	—
Net cash inflow generated from operations	566,889	364,794

28. CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year:

	Dividend payable		Share capital including premium		Borrowings	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
As at 1st January	—	70,835	2,062,580	30,000	—	418,000
Dividends (Note 9(a))	153,218	90,648	—	—	—	—
Net-off with amounts due from related parties	—	(14,419)	—	—	—	—
Capitalisation of retained earnings (Note 24(a))	—	—	—	70,000	—	—
Capitalisation of reserves (Note 24(b))	—	—	—	290,868	—	—
Acquisition from a subsidiary (Note 28(c))	—	—	—	—	380,510	—
Cash (outflows)/ inflows	(153,218)	(147,064)	—	1,671,712	343,814	(418,000)
As at 31st December	—	—	2,062,580	2,062,580	724,324	—

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28. CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Purchase of a subsidiary

	2003 RMB'000	2002 RMB'000
Net assets acquired:		
Fixed assets (Note 14)	711,952	—
Intangible assets (Note 15)	4,467	—
Inventories	88,261	—
Trade and notes receivable	38,134	—
Bank balances and cash	18,316	—
Trade and notes payable	(18,367)	—
Borrowings (Note 28(b))	(380,510)	—
Other assets less liabilities	(174,069)	—
Minority shareholders' interests	(66,283)	—
	221,901	—
Goodwill (Note 15)	47,599	—
	269,500	—
Satisfied by cash	269,500	—

On 31st March 2003, the Group acquired an aggregate of 77% equity interest in Xian Qin Chuan Automobile Limited Liability Company ("Qin Chuan"), a limited liability company established in the PRC, which is engaged in the manufacturing of automobile. The consideration of RMB269,500,000 was settled in cash. The fair value of the net identifiable assets of Qin Chuan at the date of acquisition was approximately RMB288,184,000. The resulting goodwill of approximately RMB47,599,000 will be amortised on a straight-line basis over 20 years.

The subsidiary acquired during the year contributed net operating cash flows of approximately RMB16,271,000, revenues of approximately RMB507,364,000 and operating profit of approximately RMB24,844,000 to the Group for the period from 31st March 2003 to 31st December 2003, respectively.

28. CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Purchase of a subsidiary (continued)

An analysis of the net outflow in respect of the purchase of a subsidiary are as follows:

	2003 RMB'000	2002 RMB'000
Cash consideration	269,500	—
Bank balances and cash in hand acquired	(18,316)	—
Net cash outflow in respect of the purchase of a subsidiary	251,184	—

29. CONTINGENT LIABILITIES

- (a) As at 31st December 2003, the Group has contingent liabilities of approximately RMB31,905,000 (2002: RMB2,300,000) which is guarantee of banks loans for other companies (Note 31(b)).
- (b) The Group is currently involved in two separate litigation proceedings in the U.S.A. and Japan both in relation to alleged patent infringements. Due to the fact that the proceeding in the U.S.A. is still in progress and there has not been any material development in respect of the proceeding in Japan since commencement of such proceeding, the directors consider that it is impracticable and premature to assess the impact of such proceedings on the Group and its operation. The directors of the Company believe that the Group has not committed the alleged infringements. The Group would vigorously defend against all claims under the proceedings.

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30. COMMITMENTS

(a) Capital commitments

As at 31st December 2003, the Group and the Company had the following capital commitments:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Contracted but not provided for	430,235	190,547	50,891	62,850

(b) Lease commitments

As at 31st December 2003, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Within 1 year	3,375	820	1,758	576
After 1 year but within 5 years	4,007	—	3,136	—
	7,382	820	4,894	576

31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Chuan-fu	Director and shareholder of the Company (27.835% shareholding)
Mr. Xia Zuo-quan	Director and shareholder of the Company (6.096% shareholding)
BYD Battery (U.S.A.) Corporation ("BYD U.S.A.")	Company controlled by Mr. Xia Zuo-quan
Xin Ya Dai Co., Ltd.	Company controlled by Mr. Wang Chuan-fu
Shaanxi Province Investment Group (Limited) Company ("Shaanxi Group")	Minority shareholder of a subsidiary of the Group
Xian Northern Qin Chuan Machinery Industries Company Limited ("ZC Machinery")	Minority shareholder of a subsidiary of the Group
CNIC	Ultimate owner of ZC Machinery
Huashan Machinery	Subsidiary of CNIC
Xian Oriental Machinery Company Limited ("Oriental Machinery")	Subsidiary of CNIC
Northwest Electric-power Finance Company Limited ("Electric-power Finance")	Subsidiary of Shaanxi Group
Xian Qin Chuan (Group) Development Company ("Qin Chuan Group")	Controlled by and under the supervision of CNIC
CNIC Group	CNIC together with its subsidiaries and associates, including ZC Machinery and Qin Chuan Group

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31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) During the year, the Group had the following significant transactions with related parties:

	2003 RMB'000	2002 RMB'000
Sales of finished goods:		
- BYD U.S.A.	—	141
Sale of land use rights		
- Xin Ya Di Co., Ltd.	—	20,000
Guarantee of loans for (Note 29(a)):		
- Huashan Machinery	27,800	—
- Oriental Machinery	2,000	—
	29,800	—
Bank loans jointly guaranteed by (Note 22(b)):		
- CNIC and Huashan Machinery	121,665	—
Purchases of materials from:		
- CNIC Group	80,082	—
Purchases of utilities from:		
- Qin Chuan Group	5,377	—

The directors (including the independent non-executive directors) confirm that:

- (i) the annual consideration in respect of the materials purchases from CNIC Group does not exceed 12% of the Group's total turnover for the year ended 31st December 2003; and
- (ii) the annual consideration in respect of the procurement of utilities from Qin Chuan Group does not exceed 2% of the Group's net tangible asset value as at 31st December 2003.

The directors (including the independent non-executive directors) are of the opinion that:

- (i) the ongoing connected transactions (the "Transactions") mentioned in paragraphs (i) and (ii) above have been entered into by the relevant member of the Group in the ordinary and usual course of its business;
- (ii) the Transactions have been entered into on an arm's length basis and on normal commercial terms;
- (iii) the Transactions are on terms that are fair and reasonable so far as the independent shareholders of the Company are concerned; and
- (iv) the Transactions have been entered into either (i) in accordance with the terms of the agreement governing such Transactions; or (ii) where there is no such agreement, on terms no less favourable than terms available from third parties so far as the independent shareholders of the Company are concerned.

31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties

As at 31st December 2003, the significant balances with related parties were as follows:

	Group		Company	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Due from related parties:				
- Mr. Wang Chuan-fu, director (*)	1,043	981	1,015	981
- Mr. Xia Zuo-quan, director (*)	—	22	—	22
- BYD SH	—	—	136,031	114,076
- BYD Auto QC	—	—	99,528	—
- BYD Europe	—	—	75,264	33,366
- BYD Beijing	—	—	14,039	—
- BYD Biou	—	—	10,911	—
- BYD Electronics	—	—	1,073	761
- BYD Auto SH	—	—	664	—
- BYD Li-ion	—	—	—	228,349
- BYD America	—	—	—	13,690
- BYD HK	—	—	—	1,713
	1,043	1,003	338,525	392,958
Due to related parties:				
- Electric-power Finance	20,000	—	—	—
- ZC Machinery	670	—	—	—
- Shaanxi Group	330	—	—	—
- BYD HK	—	—	64,048	—
- BYD Li-ion	—	—	49,230	—
- BYD America	—	—	1,287	—
- BYD Mould	—	—	122	—
	21,000	—	114,687	—

Balances with directors and related parties are unsecured and interest free, and have no fixed repayment terms, except for the balance with Electric-power Finance, which bear interest at 6.21% (2002: Nil) per annum and is repayable no later than 2006.

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31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

⊕ Additional information on amounts due from directors:

	Maximum balance of amount due from directors	
	2003 RMB'000	2002 RMB'000
Mr. Wang Chuan-fu	1,043	8,527
Mr. Xia Zuo-quan	—	6,544
	1,043	15,071

32. SUBSEQUENT EVENTS

On 20th February 2004, the Company entered into two agreements with Shaanxi Group and ZC Machinery, respectively, pursuant to which the Company will effectively acquire an aggregate of an additional 15% equity interest in BYD Auto QC (an existing 77% subsidiary of the Company) for an aggregate consideration of RMB52,500,000. After the completion of the acquisition, the equity interest of the Company in BYD Auto QC will increase from 77% to 92%.

33. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

34. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 20th February 2004.