比亞迪股份有限公司
BYD COMPANY LIMITED
(Stock Code 股份代號 : 1211)

GREEN TECH
FOR TOMORROW
ANNUAL REPORT 2009 年年報

CONTENTS

FINANCIAL HIGHLIGHTS

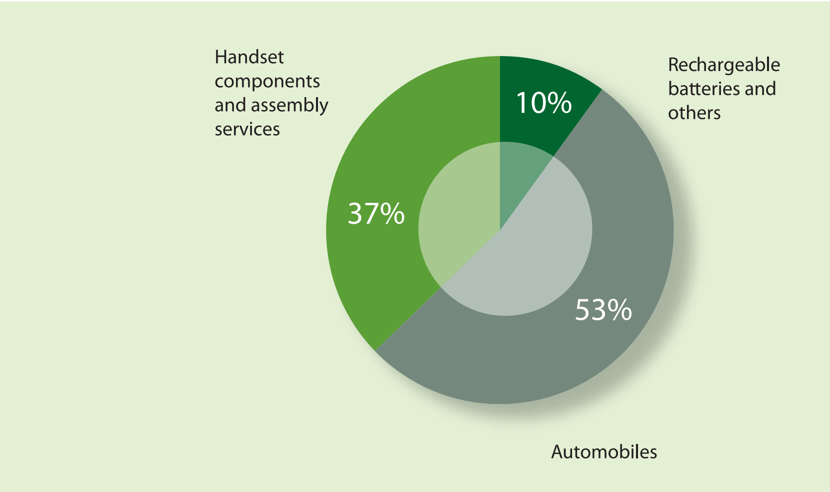
Five-year Comparison of Key Financial Figures

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**39,469,454**	26,788,253	21,211,213	12,938,917	6,498,330
Gross profit	**8,564,731**	5,218,836	4,247,687	2,738,183	1,454,545
Gross profit margin (%)	**22**	19	20	21	22
Profit attributable to equity holders of the parent	**3,793,576**	1,021,249	1,611,711	1,117,334	503,013
Net profit margin (%)	**10**	4	8	9	8

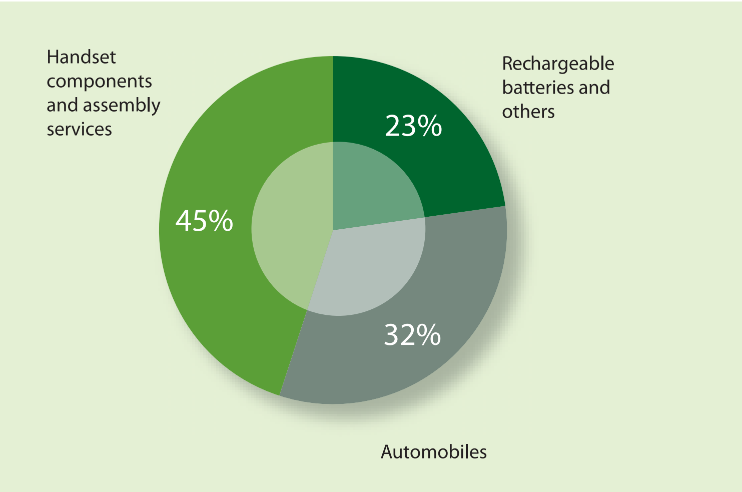
	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	**16,682,357**	11,285,568	10,708,118	5,292,464	4,175,309
Total assets	**40,735,597**	32,891,145	29,288,491	16,386,781	11,213,354
Gearing ratio (%) (Note)	**8**	66	24	78	80
Current ratio (times)	**0.94**	1.04	1.05	0.85	1.05
Trade and bills receivables turnover (days)	**73**	77	75	76	120
Inventory turnover (days)	**70**	100	87	101	141

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

Turnover Breakdown by Product Categories

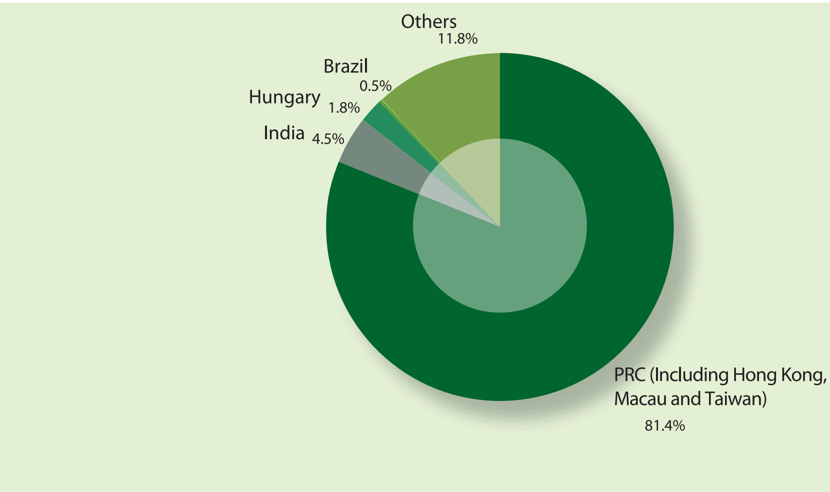


2009

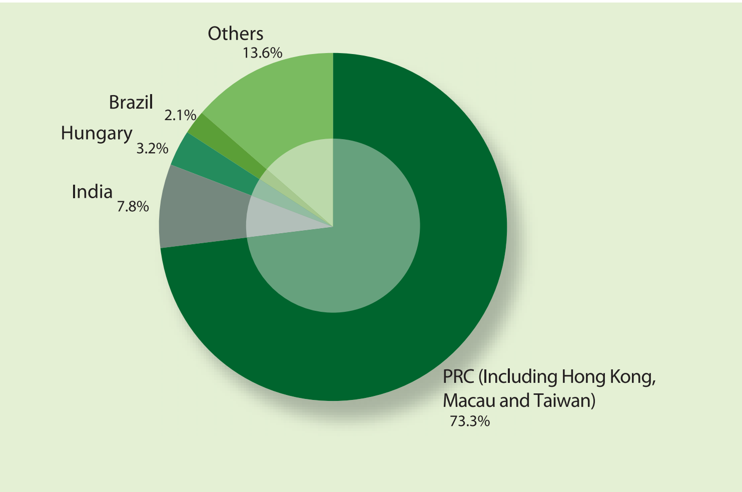


2008

Turnover Breakdown by Location of Customers



2009



2008

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Wang Chuan-fu

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang
Xia Zuo-quan
David L. Sokol (Appointed on 3 December 2008 with the term beginning on 4 August 2009)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lin You-ren
Li Dong
Wu Chang-qi

SUPERVISORS

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

COMPANY SECRETARY

Wu Jing-sheng

AUDIT COMMITTEE

Lu Xiang-yang
Lin You-ren
Li Dong (Chairman)
Wu Chang-qi

REMUNERATION COMMITTEE

Wang Chuan-fu
Xia Zuo-quan
Lin You-ren
Li Dong
Wu Chang-qi (Chairman)

NOMINATION COMMITTEE

Wang Chuan-fu
Lu Xiang-yang
Lin You-ren (Chairman)
Li Dong
Wu Chang-qi

STRATEGY COMMITTEE

Wang Chuan-fu (Chairman)
Lu Xiang-yang
Xia Zuo-quan
David L. Sokol
Wu Chang-qi

AUTHORIZED REPRESENTATIVES

Wang Chuan-fu
Wu Jing-sheng

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Guangdong Province
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STOCK CODE

1211

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors (the "Board") of BYD Company Limited ("BYD" or the Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2009 (the "Year").

Having weathered the global financial tsunami, the global economy is on its way of recovery in 2009. China's economy has recovered at a faster pace compared to other countries, creating a respectable operating environment for businesses reliant on the Chinese economy. During the Year under review, the overall business performance of the Group was satisfactory. The performance of China's automobile market was outstanding. Leveraging on the vertical integration model that has created a sustainable price comparative advantage, the automobile business achieved robust results during the year and has become a major source of income and profit of the Group. The Group's rechargeable battery business and the handset components and assembly services remained stable despite the sluggish handset market. For the year of 2009, turnover of the Group was approximately RMB39,469 million, representing an increase of approximately 47% as compared to the same period in 2008. Profit attributable to equity holders surged by approximately 271% to RMB 3,794 million. The Board of Directors recommended a final dividend for the Year ended 31 December 2009 (before any applicable taxation included and accounted for) of RMB 0.33 per share.

Benefiting from the fast overall growth in the mainland automobile industry and the fact that the Group has created a sustainable price comparative advantage by leveraging on the vertical integration model, BYD's automobile products were widely recognised by the market during the Year. With the remarkable performance of its automobile business, BYD has ranked the first in terms of sales volume among manufacturers of domestic-brand sedans. The flagship F3 series continued to be best-selling and made itself the champion in terms of sales volume among the best selling models of sedan in the PRC for the year of 2009, with its sales volume outpacing the model in the second place; the F6 model targeting middle-to-high-end market and the economy F0 model staged top-notch performance in sales during the Year, driving the growth of the Group's automobile business. Furthermore, the respective launch of the two models, the G3 model and the S8 model, during the year has also enriched the production lines of the Group.

In addition, judging that energy conservation and emission reduction are the long-term tendency of the development of the global automobile industry, the Group proactively enhanced relevant technology reserve for the development of new energy vehicles while awaiting proper opportunities to promote the commercialization and popularization of new energy vehicles in the markets. Coordinating well with the subsidy policies for new energy vehicles that has been promulgated, the world-leading F3DM dual mode vehicle and E6, a pure electric vehicle model of the Group affirm BYD's position as the innovative domestic automobile enterprise with new energy technology.

During the Year, the sales of the Group's lithium-ion battery and nickel battery businesses were affected by the sluggish recovery of the economy in Europe and the US, and the fact that the global handset industry remained pressurised. However, the businesses still maintained the world-leading position. In order to create a new growth dynamic, the Group actively developed new business areas by intensifying its research efforts in lithium ferric phosphate batteries, which contributed new growth in revenue and profit for the Group's rechargeable battery business.

For the handset components and assembly services, handset manufacturers lowered their prices to boost sales in order to compete for market shares among their peers due to decrease in the global output of handsets, not to mention the increased price reduction pressure from customers. During the Year, the Group continued to provide customers with one-stop vertically integrated supply services and managed to seize market share amid depressing market conditions. Particularly. the Original Design Manufacturing (ODM) business outperformed during the Year, becoming the growth driver of the Group's handset components and assembly services and leading the growth of the services under adverse conditions.

During the Year, Berkshire Hathaway's subsidiary MidAmerican Energy Holdings Company has completed its subscription of the Company's shares. The Group believes that becoming a strategic partner with prominent international enterprises is conducive to the future development of BYD, further consolidating the Company's financial conditions and enhancing investors' confidence in BYD.

Looking ahead to 2010 and future years, strong demand and low penetration provide the domestic automobile industry with tremendous room for growth. As a leading domestic automobile manufacturer with self-owned brand, BYD takes advantage on the high performance-price ratio of its products, advanced manufacturing technologies and solid research capability, which will help further propel a fast growth in the Group's automobile businesses. In the future, the Group aims to become a leading manufacturer of traditional and new energy automobiles in the world by amplifying its efforts in new energy vehicles business, further enriching its product portfolio, relentlessly promoting its brand awareness and sustainable product competitiveness. In terms of IT Parts business, BYD will adhere to its established development strategy throughout, enhance its product research capability, strive to reduce cost, strengthen its competitiveness in order to consolidate its leading position in rechargeable batteries around the world and become the world's leading handset components and assembly service provider. Besides, the Group will further explore new energy business, consolidate the technologies and cost advantages in this particular business area, and drive long term and sustainable development in the future by realising the commercialisation of new energy industry.

Undertaking its responsibilites as a good corporate citizen is a corporate culture that the entire staff of BYD observes. BYD will be committed to the social responsibilities that lie in the heart of corporate spirit, persist in giving back to the society and realise energy conservation and emission reduction through the development of solar battery, energy power stations and new energy vehicle businesses in order to contribute efforts to the social development of China that it deserves.

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

Wang Chuan-fu
Chairman

Shenzhen, the PRC, 12 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

In 2008, the world suffered the serious global economic crisis in a century. In 2009, the global economy began to revive slowly from the economic crisis. The economy of the PRC has recovered at a faster pace than those of other countries. The macro economy demonstrated a favourable growth momentum, which was in time to create opportunities for industries focusing on the Chinese economy and hence led to the rapid growth for the enterprises with core competitiveness. In 2009, the economy in the PRC recovered rapidly, along with the gradual moving forward of the urbanization process which further improved living standards of people, all these created a favourable operating environment for the development of the PRC automobile industry. Furthermore, the PRC government has implemented a series of policies to promote automobile consumption, which effectively stimulated the demand for the automobile market

in the PRC. The automobile industry in the PRC delivered an astonishing performance during the Year. According to the China Association of Automobile Manufacturers, both production and sales volumes of automobiles in the PRC exceeded 13 million units in 2009, representing a year-on-year increase of over 45%, overtaking the United States as the world's biggest producer and consumer of automobiles. Sales of sedans were approximately 7.47 million units, representing a significant year-on-year increase of approximately 48%, and domestic brands accounted for nearly 30% of the total sales volume of sedans and continued to occupy a major position in the market. On the other hand, the sales volume of automobiles with an engine capacity of 1.6 litres or less amounted to approximately 7.20 million units in the Year, representing a year-on-year increase of approximately 71%, owing to a purchase tax cut of 50% on this type of automobiles.

During the Year, consumers' confidence and consumption power were yet to revive, demand in the handset market remained weak while the global handset industry continued to be under pressure with the global output of handsets even recording a drop for the first time since 2001. According to the statistics produced by leading manufacturers in the industry, the global output of handsets was approximately 1,140 million units during the Year, decreasing by approximately 6% from approximately 1,213 million units in 2008. The shrinking global handset industry intensified the competition faced by international leading handset manufacturers in the market, causing them to mitigate pressures by strengthening control over production costs. Although international leading handset brands turn more prudent in choosing suppliers, one-stop supplier equipped with the ability of vertical integration and the possession of global production and service platform is still capable of maintaining their market shares during the consolidation process of the handset industry by leveraging their brand and cost advantages.

BUSINESS REVIEW

The two major businesses of BYD include the automobile business and the IT parts business. The IT parts business mainly consists of the rechargeable battery business and the handset components and assembly services. Benefiting from the rapid recovery of the PRC automobile market and the astonishing performance of the automobile industry of the PRC during the Year, the Group seized the opportunity to vigorously promote the automobile business and achieved outstanding results and brought considerable income and profit contributions to the Group. The automobile business became the key contributor to the Group's income and profit in 2009. However, income and profit of the rechargeable battery business of the Group was affected to a certain extent in light of the downturn in the global handset market and the electric tool market. As for the handset components and assembly services, by leveraging the strategic co-operation with the leading global handset manufacturers and the outstanding competitiveness of products, the Group successfully maintained a stable business in the continued downturn of the handset market.

Automobile Business

The Group created a sustainable advantage of performance-price ratio by leveraging the operation mode of vertical integration since it began its automobile business. The Group's automobile products have been widely received by the market. With the constant expansion of customers' base and gradual accumulation of the reputation among consumers, the Group's product image and brand recognition were notably enhanced, vigorously boosting the strong growth of the Group's automobile sales. During the year, the Group's automobile business delivered an outstanding performance and recorded a turnover of approximately RMB20,991 million, representing a significant year-on-year increase of approximately 142.79%.

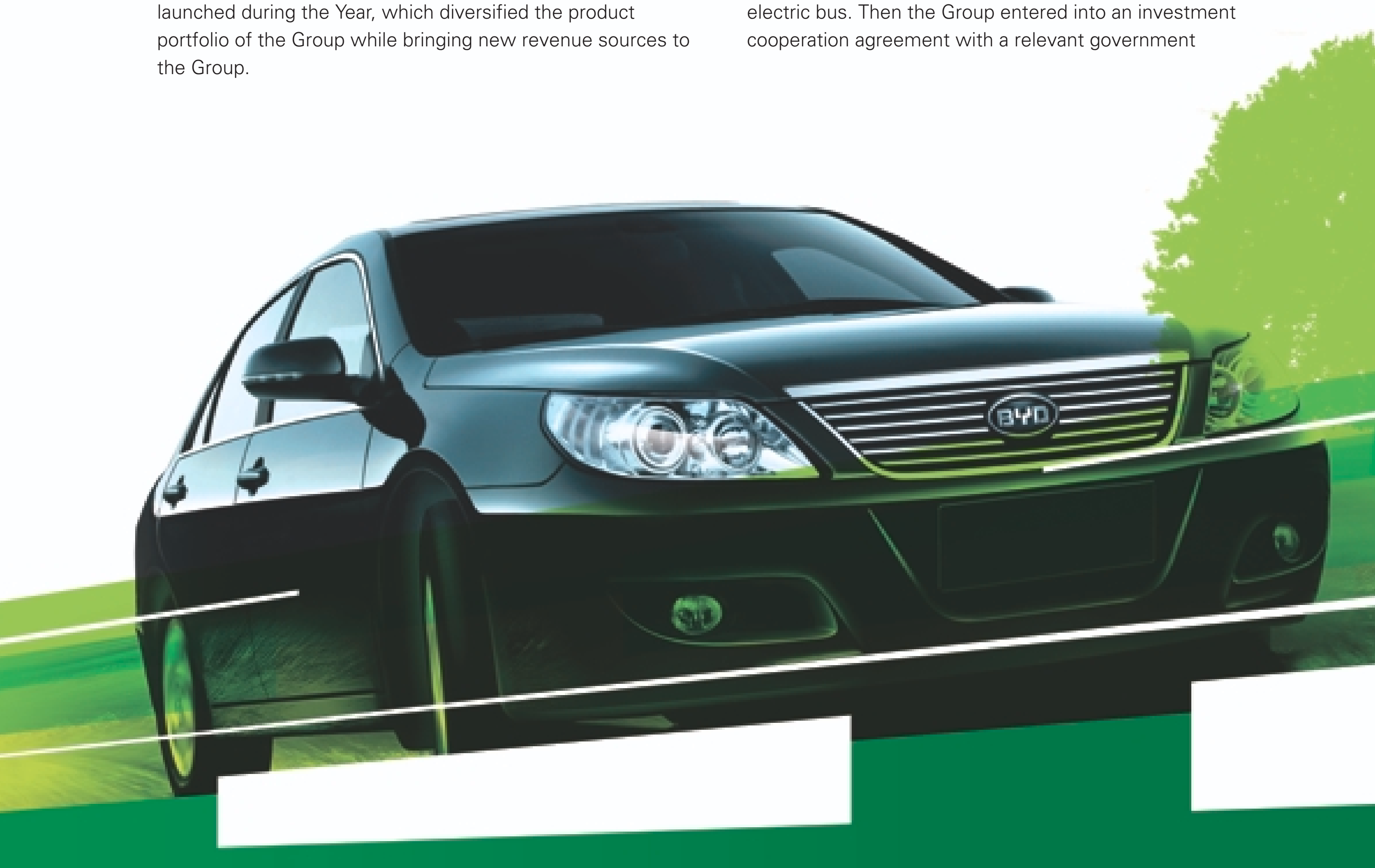
The strong growth of the Group's automobile business was prominently attributable to the overall rapid growth of the PRC automobile industry and the enhancement of the Group's market share. During the Year, the rapid recovery of the PRC economy and the picking up of consumers' confidence as well as the successive launch of the positive economy stimulation policies introduced by the government stimulated the rapid recovery of the consumption of automobile products in the PRC and boosted the fast growth of the automobile production and sales. In the meantime, the Group enhanced the level of quality control by way of the continuous enhancement of product research and development. The Group also enhanced its operation efficiency by way of vertical integrity. Due to the scale effect arising from rapid growth, the Group further consolidated and strengthened its advantage of high performance-price ratio of the Groups automobile products. Besides, the Group's improving brand image and the expanding sales network also assisted the Group in enhancing market shares, driving the significant increase in sales and profit of the Group's automobile business during the Year.

Since 2003, the Group has successfully launched a series of models under the brand of BYD and been building up a strong customer base with a cumulative number of sales and production of sedans of approximately 800,000 units and has thus established BYD's leading position in domestic brands.

During the Year, the Group recorded an overall sales volume of automobiles of approximately 450,000 units, representing a significant year-on-year increase of approximately 1.7 times. According to the China Association of Automobile Manufacturers, BYD has ranked the first among manufacturers of domestic-brand sedans. The best-selling F3 model, the F6 model targeting middle-to-high-end market and the economy F0 model were widely recognized in the market during the Year with remarkable sales results and became the growth drivers of the Group's automobile business. In particular, the F3 model made itself the champion in terms of sales volume among the best selling models of sedan in the PRC for the year of 2009 with a full-year sales volume of approximately 290,000 units, greatly ahead of that of the second best-selling model; and the F0 model has recorded an upward trend in terms of sales volume since its launch in the market in 2008, becoming one of the few models which had a sustainable monthly sales record of 10,000 units in the PRC during the Year. Since its launch in the market, the F6 model has recorded a continued growth in sales volume, with the market share increasing constantly, thus bringing satisfactory contribution to the turnover and profit of the Group. Furthermore, the G3 model, the latest quality model of fuel-engined automobile, and the S8 model, a model of sports hard-top roadster, were launched during the Year, which diversified the product portfolio of the Group while bringing new revenue sources to the Group.

The Group believes that energy conservation and emission reduction are the long-term tendency of the development of the global automobile industry. During the Year, the Group continually enhanced relevant technology reserve for the development of new energy vehicles and kept a close eye on the changes and development in the automobile markets home and abroad while waiting for proper opportunities to promote the commercialization and popularization of new energy vehicles in the markets, with a commitment to becoming a pioneer for the development of new energy vehicles across the globe. During the Year, the Group made an effort in preparation for the preliminary sales works of the world-leading F3DM dual mode vehicle and E6, a pure electric vehicle model of the Group. The full-scale marketing of these vehicles is expected to commence when ancillary facilities have been basically established and subsidy policies for new energy vehicles have been promulgated by the PRC government.

With the rapid growth of the Group's automobile business, the Group not only increased investments and developed production capacity, but also actively sought potential acquisition targets in a bid to diversify the Group's production lines and rapidly expand the production capacity of automobile products. In July 2009, the Group acquired the entire equity interests in Hunan Midea Coach Manufacturing Co., Ltd（湖南美的客車製造有限公司）in Changsha by signing the relevant agreement through its wholly-owned subsidiary and the relevant procedures were completed in August 2009, creating a fast track for the Group to enter the area of coach and electric bus. Then the Group entered into an investment cooperation agreement with a relevant government



organization in Hunan, with an aim to set up the third automobile production base of the Group in Changsha with a planned annual output of 400,000 units of automobiles so as to improve the Group's layout in the automobile business in the PRC. Furthermore, the Group also entered into an investment cooperation agreement with a relevant government organization in Xi'an, pursuant to which the Group proposed to expand its automobile manufacture business in Xi'an by means of developing and establishing a new production plant with an annual output of approximately 400,000 automobiles and automobile components in Xi'an.

The aforesaid acquisition and investment cooperation will enable the Group to further expand its automobile production capacity, and provide the Group with new product lines such as coaches and electric buses, representing a good opportunity for the Group to realize its bigger market share and its sources of revenue. Please refer to the Company's announcement dated 26 July 2009 for more details.

IT Parts — Rechargeable Batteries

During the Year, sales of rechargeable batteries and other related products dropped by approximately 34.25% to approximately RMB4,081 million under the impact of the sluggish global handset market and power tools market. Sale of lithium-ion battery was approximately RMB2,582 million, representing a year-on-year decrease of approximately 34.42%. Sales of nickel batteries went down by approximately 34.39% year-on-year to approximately RMB1,446 million. Against this backdrop, BYD still maintained its leading position in the rechargeable battery market.

SEIZING OPPORTUNITY WITH RAPID GROWTH

During the Year, the global handset demand was yet to revive and the Group's lithium-ion battery business recorded year-on-year decrease in both sales and profits. Leveraging its products of consistent high quality and cost-effectiveness, the Group still managed to maintain strategic cooperative partnership with global leading handset manufacturers and keep its leading market position.

In the area of nickel battery business, the economies in the US and Europe experienced slow recovery and orders for power tools and toys remained sluggish during the Year, which in turn affected the performance of the nickel battery business of the Group. Being one of the largest manufacturers of nickel battery in the world, the Group was able to maintain a stable market share amid the current market conditions given its experience in operating high quality nickel battery products for years.

During the year, the Group actively developed new business areas, intensified efforts to promote the application of the lithium ferric phosphate batteries in the fields of electric vehicles, energy power stations and electric tools, creating new growth in revenue and profit for the Group's rechargeable battery business.

IT Parts — Handset Components and Assembly Services

During the Year, the Group continued to provide customers with one-stop vertically integrated supply services. Despite the poor performance of the global handset market, the Group managed to seize market share amid depressing market conditions. The Group's handset components and assembly services recorded sales of approximately RMB14,397 million during the Year, representing a year-on-year increase of approximately 20.65%. Decrease in the global output of handsets and the intensified price reduction pressure from customers imposed pressure on the profit of the handset components and assembly services, which decreased slightly as compared to last year.

For the handset components and assembly services, BYD Electronic (International) Company Limited ("BYD Electronic") is principally engaged in the manufacture and sales of handset components (including handset casings and keypads) and modules incorporated with handset components such as handset casing, microphones, connectors and other handset assembly parts, and the provision of two types of assembly services, including high-level assembly service and PCB

assembly service. During the Year, the sales from BYD Electronic amounted to approximately RMB11,199 million (including its sales to the Group), up by approximately 30.90% year-on-year.

Apart from the handset components and assembly services undertaken by BYD Electronic, the Group's handset component business also includes the production of LCD screens, flexible printed circuit boards, handset camera modules, etc. During the Year, sales of non-BYD Electronic handset components amounted to approximately RMB3,316 million, lower than the same period of 2008.

Share Subscription from a Strategic Investment Partner

In relation to the strategic investment and subscription agreement entered into by and between MidAmerican Energy Holdings Company, a subsidiary of Berkshire Hathaway, and BYD in September 2008, the CSRC has approved the issuance of subscription shares. On 30 July 2009, MidAmerican Energy Holdings Company completed the subscription for 225,000,000 new H shares under the strategic investment and subscription agreement entered into by the Company with MidAmerican Energy Holdings Company. Following the completion of the transaction, MidAmerican Energy Holdings Company becomes a shareholder holding 225,000,000 H shares, representing 9.89% of the enlarged share capital and approximately 28.37% of the total number of H shares in issue immediately following such issuance.

In addition, the appointment of Mr. David L. Sokol, chairman of MidAmerican Energy Holdings Company, as non-executive director shall take effect on 4 August 2009 upon the approval from the government for the amendments to the Articles of Association in relation to the change in composition of the Board of Directors. The introduction of the strategic investor will be favourable for the future development of BYD while the completion of the subscription will further consolidate the Company's financial condition and strengthen the investors' confidence in BYD. For details, please refer to the announcements issued by the Company on 30 July 2009 and 19 August 2009 respectively.

Proposed Issue of A Shares

Subject to the approvals of the Relevant Authorities in the PRC, the Company shall allot and issue not more than 100,000,000 A Shares to natural persons, legal persons or other investors recognized by CSRC, who maintain A Share accounts with the Shenzhen Stock Exchange but excluding those who are prohibited under the PRC laws, regulations or other regulatory requirements applicable to the Company, by way of public offering and placing of new shares or such other manner as shall be permitted by CSRC. The Company will apply to the Shenzhen Stock Exchange for the listing of A Shares. The proceeds from the A Share Issue are intended to be applied in funding the Group's projects on production of lithium-ion batteries, the project on the research, development and manufacturing base for automobiles in Shenzhen, the expansion project on automobile products and accessories of BYD Auto Company Limited, and the second phase of the project on solar energy batteries manufacturing facilities with a production capacity of 300 MW per year for the second phase and a target production capacity of 1 GW per year after all phases. Any surplus will be used as working capital of the Company. Please refer to the Company's announcement dated 15 July 2009 and the circular dated 24 July 2009 for more details.

Memorandum of Understanding on Cooperation

On 1 March 2010, BYD entered into a memorandum of understanding ("MOU") with Daimler, pursuant to which both parties will cooperate with each other in the PRC in relation to passenger vehicles powered by electric motor which will be developed based on a Daimler architecture to be selected with a newly developed top hat. New electric cars will be marketed under a new brand jointly developed by BYD and Daimler. The new brand will be jointly registered and owned by BYD and Daimler. BYD and Daimler will establish an alternative technology joint venture to design, research, and develop new electric cars, e-drive train, heavy duty batteries, and the parts and components related to electric vehicles for the market in China. By virtue of this technical cooperation, BYD and Daimler will create a complementary win-win business mode. For details, please refer to the announcement issued by the Company on 2 March 2010.

FUTURE PROSPECTS AND STRATEGIES

Automobile Business

Strong demand and low penetration provide the domestic automobile industry with vast market capacity and extensive potential. In light of the propelling effect of the automobile industry, the development of which has been included as an important measure to stimulate the economy in the PRC. Relevant policies promulgated by the government such as National Plans for Promoting the Automobile Industry has laid a solid foundation for the rapid and sustainable growth of the domestic automobile market. Given the support from national policies and the further enhancement of the performance-price ratio advantages enjoyed by self-owned brand vehicles, the growth of domestic self-owned brand, middle-and-small displacement vehicles and new energy vehicles is expected to outperform the average level of the industry. As a leading manufacturer of domestic self-owned brand vehicles, BYD will further enrich its product portfolio, drive forward to new product areas such as MPV and SUV, and leverage its ever-growing brand recognition and sustainable product competitiveness in order to realize a steady enhancement of its market share. Looking ahead, the Group will actively expand production capacity as well as distribution channels, increase investments in research and development and strengthen product quality control, in order to further enhance its market share in the PRC market. Meanwhile, the Group will also intensify its efforts to develop overseas market and increase presence in overseas market in order to enhance the influence of the automobile products on the international market. Meanwhile, the Group will put extra effort in the field of new energy automobile business and dedicate to facilitate the commercial popularization of new energy vehicles in domestic and overseas market, as well as accelerating the commercialization of new energy vehicles.

In light of the growing tension of the source of traditional energy and the increasing pressure on environment protection, the concerns over energy saving and emission reduction have been escalating with time across the globe and thus governments from different countries have been increasingly supportive towards new energy vehicles. A number of countries have already promulgated a series of policies and measures, which include the provision of substantial subsidies, enhancement of ancillary facilities and strengthening the promotion in the public service area, so as to accelerate the popularization of energy-saving and new energy vehicles. We are confident that all these will contribute to the rapid growth of the Group's new energy vehicles business.

BYD will continue to follow the development path of "self research and development, self production and self owned brand" and launch diversified quality products with competitiveness as well as focusing on enhancing brand awareness and reputation. The Group aims to become a leading manufacturer of traditional and new energy automobiles in the world.

IT Parts — Rechargeable Batteries

Looking ahead, the demand in the global handset market will continue to pick up while the power tools market and electric toys market in the US and Europe will also start to revive, but a lot of challenges like turbulent economy and weak market demand still exist. In the future, the Group will further enhance the application portfolio of its battery products so as to get prepared for expanding into new business area such as electric vehicles and energy power stations. Leveraging its product of stable and superior quality and its leading position in the global rechargeable battery market for years, the Group is confident in maintaining prudent development and consolidate its leading position in the market amid this challenging market environment.

IT Parts — Handset Components and Assembly Services

Along with the gradual recovery of the global economy, the demand in the handset market will see a recovery growth and global output of handsets will increase gradually, which will in turn drive demands for handset components and assembly services. In view of the further consolidation of the industry, the Group will persist in its strategy of vertical integration while continuing to improve its research and development capability to produce handset products of higher value for money and attracting new customers with its high standards of quality and significant price advantages, hence boosting orders as well as market shares. As a consistent development strategy and objective, the Group strives to develop an integrated global platform for production and services and improve its technologies, so as to further enhance its market position.

New Energy Business

In order to further expand into the new energy business, the Group will strengthen the research and development of solar energy batteries and energy storage power stations and proactively propel the production and application of renewable energy resources. The Group will launch its solar energy battery business by way of its vertical integration model, in which the production process will cover a complete industry chain starting from polysilicon, silicon wafer, solar energy battery, module to solar energy power station, this can largely minimize production costs and improve production efficiency. In addition, the Group will complement its technological edges in iron cell and integrate its market application. By providing customers with complete systems including solar energy battery products and energy storage power stations, the Group will be able to provide one-stop solutions to such issues as power generation, storage, continuous supply and subsequent application of new energy resources, thereby providing more opportunities for the development of the Group's solar energy batteries and energy power stations. The Group will pursue its long-term and sustainable development in the new energy sector by capitalizing on its technological and cost advantages in the new energy business and though the realization of large scale commercialization of the new energy industry.

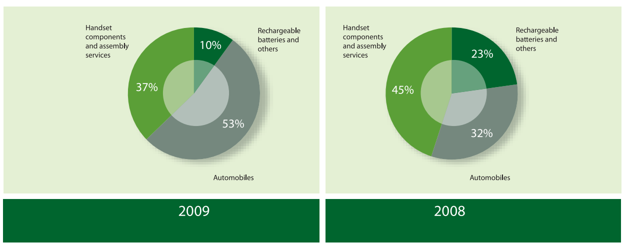
FINANCIAL REVIEW

Turnover and Profit attributable to owners of parent

During the Year, turnover increased by 47.34% as compared to that of 2008, mainly owing to the rapid growth of the automobile business during the Year. Profit attributable to owners of the parent company grew by nearly 271.46% as compared to the same period of the previous year, which was mainly attributable to the substantial increase in gross profit as a result of the economies of scale of the automobile business and further strengthening of vertical integrity by the Group during the Year, despite the slight decline in profit from the rechargeable batteries business and the handset components and assembly services.

Segmental Information

The table below shows comparisons of the Group's turnover by product category for the year ended 31 December 2008 and 2009:



During the Year, the proportion of the three major businesses to the overall turnover changed when compared with the corresponding Period of 2008. The change was mainly due to the relatively faster growth in the automobile business, resulting in a further increase in the proportion of the automobile business to the overall turnover.

Gross Profit and Margin

During the Year, the Group's gross profit increased by approximately 64.11% to approximately RMB8,565 million. Gross profit margin increased slightly from approximately 19.48% in the same period of 2008 to approximately 21.70% in the current Year. The slight increase in gross profit margin was mainly due to the substantial increase in gross profit as a result of the remarkable economies of scale of the automobile business and further strengthening of vertical integrity.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB12,016 million, compared with RMB1,816 million for the same period of 2008. Total borrowings as at 31 December 2009, including all bank loans, were approximately RMB3,654 million, compared with approximately RMB9,162 million as at 31 December 2008. The maturity profile spread of bank loans and bank advances over a period of ten years, with approximately RMB711 million repayable within one year and approximately RMB1,540 million in the second year, approximately RMB1,272 million within three to five years and approximately RMB676 million over five years. The decrease in total borrowings was due to the substantial increase in cash flows from operating activities compared to the same period last year, as well as repayment of partial bank loans by the Company in order to lower financial expenses and balance financial structure. The Group maintained adequate daily liquidity management and capital funding expenditure requirements to regulate internal operating cash flow.

The turnover days of trade and bills receivables were about 73 days for the year ended 31 December 2009 as compared to approximately 77 days for the same period in 2008, maintaining a steady level during the Year. Inventory turnover days decreased from approximately 100 days for the year ended 31 December 2008 to approximately 70 days for the year ended 31 December 2009. The decrease in inventory turnover days was mainly attributable to a much lower inventory level in 2009 than at the end of 2008.

Capital Structure

The Group's treasury department is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 31 December 2009, borrowings were primarily denominated in Renminbi, while cash and cash equivalents were primarily denominated in Renminbi and US dollar. The Group intended to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the Year. The loans remaining outstanding as at 31 December were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are denominated in Renminbi and US dollar. During the Year, the Group has not experienced 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 2009, the Group had over 160,000 employees. During the Year, total staff cost accounted for approximately 11% 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 and career development.

Share Capital

As at 31 December 2009, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
Domestic shares	1,482,000,000	65.14
H shares	793,100,000	34.86
Total	2,275,100,000	100.00

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period from 1 January 2009 to 31 December 2009. During the Year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

CAPITAL COMMITMENT

Please refer to note 36 to the financial statements for details of capital commitments.

CONTINGENT LIABILITIES

Please refer to note 34 to the financial statements for details of contingent liabilities.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Wang Chuan-fu

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

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

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang

Mr. Lu Xiang-yang, born in 1962, Chinese national with no right of abode overseas, bachelor degree holder, economist. Mr. Lu worked at Chaohu Centre Branch of the People's Bank of China (中國人民銀行巢湖中心分行). In February 1995, he founded Shenzhen BYD Battery Company Limited with Mr. Wang Chuan-fu. He is the Vice Chairman and a Non-Executive Director of the Company and also the chairman of Guangzhou Youngy Management & Investment Group Company Limited (廣州融捷投資管理集團有限公司).

Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology of Beijing (北京科技大學)) from 1985 to1987 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 Shenzhen BYD Battery Company Limited in 1997 and held positions as an Executive Director and a Vice President of the Company. He is a Non-Executive Director of the Company and the Chairman of 深圳市正軒投資有限公司.

David L. Sokol

Mr. David L. Sokol, born in 1956, US national, honorary doctorate degree holder. Mr. Sokol earned his bachelor of science degree in civil engineering from the University of Nebraska at Omaha in 1978 and holds an honorary doctorate degree from Bellevue University in Nebraska. Mr. Sokol held positions as the Chairman and CEO of Kiewit Energy Company. He joined MidAmerican Energy Holdings Company in February 1991. Mr. Sokol is an Non-Executive Director of the Company and also the Chairman of MidAmerican Energy Holdings Company, Johns Manville and the Chairman and CEO of NetJets, Inc. Mr. Sokol is a member of the National Petroleum Council of the United States, President and CEO of the Horatio Alger Association Board of directors and member of the National Collegiate Athletic Association Leadership Advisory Board of Directors.

In 2000, Mr. Sokol was named CEO of the Year by Financial Times Energy Global Awards. In 2001, he received the Best Volunteer award by the Greater Omaha Chamber of Commerce and the Individual Achievement Award by the Energy Daily. In 2004, Mr. Sokol became a lifetime member of the Horatio Alger Association of Distinguished Americans and was given the Omaha Business Hall of Fame award by the Greater Omaha Foundation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lin You-ren

Mr. Lin You-ren, born in 1938, Chinese national with no right of abode overseas, bachelor degree holder, researcher level senior engineer. Mr. Lin graduated from the Automobile Engineering Department of Beijing University of Technology (北京工業學院) (the current Beijing Institute of Technology) in 1962 and completed a training course in Industrial Management in Nanjing University of Science and Technology from 1981 to 1982. Mr. Lin held positions as technician and then department head of the 5th Design School of the 5th Machinery Department (第五機械工業部第五設計院). He worked for China Ordnance Industry Group successively as director of the Planning Bureau, deputy chief engineer of the Automobile Bureau, bureau level deputy inspector, project leader of automobile projects and advisor of International Corporation Department of that company. Mr. Lin has been involved in many important industrial development projects as well as automobile development projects in the PRC. He is an Independent Non-Executive Director of the Company.

Directors, Supervisors and Senior Management (continued)

Li Dong

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

Wu Chang-qi

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

SUPERVISORS

Dong Jun-qing

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

Li Yong-zhao

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

Zhang Hui-bin

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

Wang Zhen

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

Yan Chen

Ms. Yan Chen, born in 1977, Chinese national with no right of abode overseas, bachelor degree holder. Ms. Yan graduated from Beijing University of Aeronautics & Astronautics in July 2000 with a bachelor degree. Ms. Yan joined Shenzhen BYD Battery Company Limited in 2000 and held positions as system engineer, secretary to the president, chief office director of the management department of Shanghai BYD Company Limited, manager of the regional administration department for Shanghai and Xian. She is a Supervisor of the Company and manager of the automobile business office and also a supervisor of 深圳市鵬程電動汽車出租有限公司.

SENIOR MANAGEMENT

Yang Long-zhong

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

Wang Nian-qiang

Mr. Wang Nian-qiang, born in 1964, Chinese national without the right of abode overseas, bachelor degree holder, engineer. Mr. Wang graduated from Central South University of Technology in the PRC in 1987 with a bachelor degree majoring in industrial analysis. Mr. Wang worked at Anhui Tongling Institute of Non-ferrous Metals (安徽銅陵有色金屬研究院) as an engineer. He joined Shenzhen BYD Battery Company Limited as its chief engineer in February 1995. He is a Vice President and General Manager of Division 1 of the Company.

Wu Jing-sheng

Mr. Wu Jing-sheng, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Wu graduated from Anhui Normal University (安徽省師範大學), majoring in Chinese language. He took part in National Examination for Lawyers (全國律師統考) and obtained qualification as a lawyer from the Department of Justice of Anhui Province (安徽省司法廳) in 1992. Mr. Wu also passed the National Examination for Certified Public Accountants (註冊會計師全國統考) and obtained qualification as a PRC Certified Public Accountant in 1995. In July 2006, he graduated from Guanghua School of Management of the Peking University with an MBA. Mr. Wu worked at Guangzhou Youngy Management & Investment Group Company Limited and was responsible for finance and related duties. He joined Shenzhen BYD Battery Company Limited in September 1995 as its Financial Manager. He is a Vice President, chief financial officer and Secretary to the Board of the Company, and also a non-executive director of BYD Electronic (International) Company Limited and the vice president of 深圳市鵬程電動汽車出租有限公司.

Mao De-he

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

Directors, Supervisors and Senior Management (continued)

Lian Yu-bo

Mr. Lian Yu-bo, born in 1964, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. Lian graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in July 1986, with a bachelor degree majoring in aircraft manufacturing engineering. In September 2000, he obtained an professional MBA degree from Nanjing University. Mr. Lian worked at China Automotive Technology and Research Center (中國汽車研究中心), as the deputy chief engineer of SAIC Motor Yizheng Company (上汽儀征汽車公司), deputy general manager of Shanghai Tongji Tongjie Automobile Design Company (上海同濟同捷汽車設計公司). He joined the Company in February 2004 and is the vice president, chief engineer of the automobile business and general manager of Division 13.

He Long

Mr. He Long, born in 1972, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. He graduated from Peking University in 1999 and obtained a bachelor of science degree in applied chemistry, an LLB and a master of science degree in radioactive chemistry. Mr. He joined Shenzhen BYD Battery Company Limited in July 1999 and held positions as quality control manager of Division 1 and Division 2 and deputy general manager of Division 2. He is a Vice President of the Company, general manager of Division 2 and the vice chairman of 佛山市金輝高科光電材料有限公司.

Xia Zhi-bing

Mr. Xia Zhi-bing, born in 1974, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Xia graduated from Peking University in 1998 with a bachelor degree majoring in financial accounting. Mr. Xia joined Shenzhen BYD Battery Company Limited in 1998 and held positions as finance manager, after sales service manager, deputy general manager of the Domestic Automobile Sales Division, etc. He is a Vice President of the Company and the general manager of the Domestic Automobile Sales Division. He is also a director of 深圳市鵬程電動汽車出租有限公司.

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 Hong Kong Stock Exchange has promulgated a new Code on Corporate Governance Practices (the "Code") which came into effect in January 2005. 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 in 2005 except for the deviation from the code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Chuan-fu is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes that this appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

BOARD OF DIRECTORS

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

THE DIRECTORS

As of the date of this report, the Board comprises seven Directors. There are one Executive Director who is the President, three 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 15 and page 16 of this annual report.

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

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

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

The Board met 7 times this year to discuss the Group's overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matter is specifically addressed to the Board for its decision. Topics discussed at these Board meetings include interim and annual results; recommendations on the remuneration of Directors, supervisors, recommendations of auditors, approval of major capital project; dividend policies; and other significant operational and financial matters.

The Directors decide on corporate strategies, approve overall business plans and supervise the Group's financial performance, management and organization on behalf of the shareholders. Specific tasks that the Board delegates to the Group's management included the preparation of annual and interim accounts for the Board's approval before public reporting; implementation of strategies approved by the Board; the monitoring of operating budgets; 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 and is subject to re-election at the end of the period.

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a board meeting. The meeting agenda is set in consultation with members of the Board. The Board held 7 meetings in 2009. The attendance of individual Director (including the authorisation) at the Board meetings is set out below:

Members of the Board	Number of Board Meetings Attended	Attendance Rate
Executive Director		
WANG Chuan-fu	7	100%
Non-executive Directors		
LU Xiang-yang	7	100%
XIA Zuo-quan	7	100%
David L. Sokol	4	57%
Independent Non-executive Directors		
LIN You-ren	7	100%
LI Dong	7	100%
WU Chang-qi	7	100%

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

— the Audit Committee;

— the Remuneration Committee;

— the Nomination Committee; and

— the Strategy Committee.

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

AUDIT COMMITTEE

One of the primary duties of the Audit Committee is to review the financial reporting process of the Group. As at 31 December 2009, Audit Committee consists of three independent non-executive Directors, namely Mr. Lin You-ren, Ms. Li Dong and Mr. Wu Chang-qi, and a non-executive Director, Mr. Lu Xiang-yang, with Mdm. Li Dong as the Chairman. Meetings were convened by the Company's Audit Committee and the Company's auditors to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and have been revised in 2005 to comply with the Corporate Governance Code.

The Audit Committee held three meetings in 2009 to review the internal and external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters including financial statements for the year ended 31 December 2008, the six months ended 30 June 2009 and the nine months ended 30 September 2009, before recommending them to the Board for approval. The individual attendance of its members of the meetings is set out as follows:

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

REMUNERATION COMMITTEE

Pursuant to code provision B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 executives, as well as setting performance goals for senior executives of the Group. As at 31 December 2009, the Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Mr. Lin You-ren, Ms. Li Dong and Mr. Wu Chang-qi, with Mr. Wu Chang-qi as the Chairman.

The Remuneration Committee has reviewed its terms of reference in 2009 to comply with the Corporate Governance Code.

Remuneration Policy for Directors

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

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

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director of the Company for the year ended 31 December 2009 are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

Pursuant to the relevant provision of the Code, the Group established the Nomination Committee. As at 31 December 2009, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Mr. Lin You-ren, Ms. Li Dong and Mr. Wu Chang-qi, with Mr. Lin You-ren as the Chairman. The Nomination Committee has performed such duties as set out in the Code.

STRATEGY COMMITTEE

The Group established the Strategy Committee on 20 March 2008 in accordance with the relevant provisions of the Code of Corporate Governance for Listed Companies (上市公司治理準則). As at 31 December 2009, the Strategy Committee comprised Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Mr. Xia Zuo-quan, Mr. David L. Sokol and Mr. Wu Chang-qi, with Mr. Wang Chuan-fu as the Chairman. The main duty of the Strategy Committee is to consider and make recommendations on the Company's long-term development strategy and major investment decisions.

INDEPENDENT INTERNATIONAL AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2009, the total remuneration paid and payable by the Company to the independent international auditors, Ernst & Young, was RMB3,080,000 for audit services. The audit fee was approved by the Board.

The re-appointment of Ernst & Young as the independent international auditors of the Company has been recommended and endorsed by the Board and is subject to approval by shareholders at the forthcoming annual general meeting.

INTERNAL CONTROL

Internal Control System

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

Internal Audit

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2009.

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

REPORT OF THE DIRECTORS

The directors of the Company ("Directors") submit their report together with the audited consolidated accounts of BYD Company Limited (the "Company") and its subsidiaries (together with the Company hereinafter collectively referred to as the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group are research, development, manufacture and sale of rechargeable batteries, handset components and assembley service as well as automobiles and related products. The activities of the Company's subsidiaries are set out in Note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2009.

An analysis of the Group's performance for the year ended 31 December 2009 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 2009 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on page 31 to page 103 of this annual report.

The Board recommends the payment of a final dividend of RMB0.33 per Share (inclusive of and before any applicable tax) for the year ended 31 December 2009, payable to each Shareholder whose name appears on the Company's registers of shareholders of Domestic Shares and H Shares as at Thursday, 13 May 2010, subject to approval by Shareholders at the AGM.

Pursuant to the applicable provisions of the "Enterprise Income Tax Law of the People's Republic of China" implemented since 1 January 2008 and its implementing regulations, when the Company distributes the 2009 final dividend to non-resident enterprise holders of H Shares (including HKSCC Nominees Limited) whose names appear on the register of shareholders of the Company's H Shares on the record date, the Company has an obligation to withhold a 10% enterprise income tax.

If any resident enterprise (as defined in the Enterprise Income Tax Law) listed on the Company's register of shareholders of H Shares which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold the said 10% enterprise income tax, it shall submit to Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Monday, 12 April 2010 a legal opinion, issued by a PRC qualified lawyer (inscribed with the seal of the applicable law firm), that establishes its resident enterprise status. The Company will also not withhold any individual income tax for natural person holders of H Shares listed on the Company's register of shareholders of H Shares on the record date.

Should any shareholder of H Shares wish to change its shareholder status, it shall consult its agent or trust institution over the relevant procedure. The Company will withhold the enterprise income tax for the non-resident enterprise shareholders as required by law on the basis of the Company's register of shareholders of H Shares on the record date. The Company assumes no liability and will not deal with any dispute over enterprise income tax withholding triggered by failure to submit proof materials within the stipulated time frame.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 April 2010 (Tuesday) to 13 May 2010 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to attend and vote at such meeting, all documents about transfer of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch H-share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 12 April 2010 (Monday).

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 32 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2009 amounted to approximately RMB3,404,000 (2008: RMB16,087,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2009, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB1,076,928,000 (2008: RMB590,514,000).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

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

DIRECTORS

The Directors who held office during the year ended 31 December 2009 and up to the date of this report are:

— Executive director:
  Mr. Wang Chuan-fu

— Non-executive directors:
  Mr. Lu Xiang-yang
  Mr. Xia Zuo-quan
  Mr. David L. Sokol

— Independent non-executive directors:
  Mr. Lin You-ren
  Ms. Li Dong
  Mr. Wu Chang-qi

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All existing Directors except Mr. David L. Sokol, had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2008. Mr. David L. Sokol has also signed a service contract with the Company with a term starting on 4 August 2009 and ending 10 June 2011.

All existing Supervisors, had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2008.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS REMUNERATIONS

The emolument payable to each Executive Director is based on (i) his duties and responsibilities; (ii) prevailing market conditions; and (iii) performance and profitability of the Company. Details of the remuneration of the Directors are set out in note 9 to the financial statements.

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.

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 15 to 18.

DIRECTors' , SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2009, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) were as follows:-

Domestic shares of RMB1 each

Name	Number of shares in which the interested party has or is deemed to have interests or short positions	Approximate percentage of shareholding in total issued share capital %	Approximate percentage of shareholding in total issued domestic shares %
Mr. Wang Chuan-fu	570,642,580 (L)	25.08	38.50
Mr. Lu Xiang-yang	401,810,480 (L) *(note 1)*	17.66	27.11
Mr. Xia Zuo-quan	124,977,060 (L)	5.49	8.43

(L) – Long Position

Note 1: These 401,810,480 domestic shares comprise 239,228,620 domestic shares representing approximately 16.14% of the Company's total issued domestic shares held by Mr. Lu and 162,581,860 domestic shares held by Guangzhou Youngy Management & Investment Group Company Limited. Under the SFO, Mr. Lu is deemed to be interested in 162,581,860 domestic shares representing approximately 10.97% of the Company's total issued domestic shares which are held by Guangzhou Youngy Management & Investment Group Company Limited, a company owned as to 89.5% by Mr. Lu.

Saved as disclosed above, as at 31 December 2009, none of the Directors, supervisors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 31 December 2009, so far as was known to the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (Cap.571 of the Laws of Hong Kong), or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:-

Domestic shares of RMB1 each

Name	**Number of shares in which the interested party has or is deemed to have interests or short positions**	**Approximate percentage of shareholding in total issued share capital %**	**Approximate percentage of shareholding in total issued domestic share %**
Guangzhou Youngy Management & Investment Group Company Limited 「廣州融捷投資管理集團有限公司」(note 1)*	162,581,860 (L)	7.15	10.97
Yang Long-zhong *(note 2)*	78,725,740 (L)	3.46	5.31

Notes:

1. Mr. Lu Xiang-yang, a director of the Company, is also deemed to be interested in 162,581,860 domestic shares representing approximately 10.97% of the Company's total issued domestic shares which are held by Guangzhou Youngy Management & Investment Group Company Limited, a company owned as to 89.5% by Mr. Lu.

2. Mr. Yang Long-zhong is a member of the senior management, and is the vice president of the Company and the general manager of the Company's Sales & Marketing Division.

* For identification purpose only.

H shares of RMB1.00 each

Name	**Number of Shares in which the interested party has or is deemed to have interests or short positions**	**Approximate percentage of shareholding in total issued share capital %**	**Approximate percentage of shareholding in total issued H Shares %**
Berkshire Hathaway Inc. *(note 1)*	225,000,000(L)	9.89	28.37
MidAmerican Energy Holdings Company *(note 1)*	225,000,000(L)	9.89	28.37
Li Lu *(note 2)*	55,511,200(L)	2.44	7.00
LL Group, LLC *(note 2)*	55,511,200(L)	2.44	7.00
FMR LLC *(note 3)*	49,236,390(L)	2.16	6.21
Blackrock, Inc. *(note 4)*	47,677,600(L)	2.10	6.01
	213,500(S)	0.01	0.03

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

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, MidAmerican Energy Holdings Company which is directly interested in 225,000,000 H shares.

2. LL Group, LLC was deemed to be interested in 55,511,200 H shares (L) through its controlled corporation, LL Investment Partners, L.P. Li Lu, as controlling shareholder of LL Group, LLC was also deemed to be interested in 55,511,200 H shares.

3. FMR LLC was deemed to be interested as investment manager in 49,236,390 H shares (L) through its controlled corporations, Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC which were interested in 45,341,890 and 3,894,500 H shares respectively.

4. Balckrock, Inc. was deemed to be interested in 47,677,600 H shares (L) and have a short position in 213,500 H shares (S) through its controlled corporations.

The total issued share capital of the Company as at 31 December 2009 was RMB2,275,100,000, divided into 1,482,000,000 domestic shares of RMB1.00 each and 793,100,000 H shares of RMB1.00 each, all fully paid up.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2009 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	9.96%
— the five largest suppliers combined	24.71%
Sales	
— the largest customer	17.74%
— the five largest customers combined	32.20%

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 2009 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.

INDEPENDENT INTERNATIONAL AUDITORS

Ernst & Young, the Company's independent international auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as the independent international auditors of the Company.

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, The PRC, 12 March 2010

REPORT OF THE SUPERVISORY COMMITTEE

In 2009, 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 2009, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2008 was considered and approved accordingly.

On 29 August 2009, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2009 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 2009 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 2009, the directors, supervisors and senior management of the Company fulfilled their fiduciary duties by acting lawfully, regularized management, explored for innovation, with discipline to protect the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles of Association or the laws and regulations of the PRC.

(3) The auditors presented an unqualified auditors' report. The report indicates the financial statements give a true and fair view of the financial results and operations of the Company.

Dong Jun-qing
Chairman of the Supervisory Committee

12 March 2010

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BYD COMPANY LIMITED

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

We have audited the financial statements of BYD Company Limited set out on pages 33 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central, Hong Kong

12 March 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5	**39,469,454**	26,788,253
Cost of sales		**(30,904,723)**	(21,569,417)
Gross profit		**8,564,731**	5,218,836
Other income and gains	5	**297,857**	332,845
Government grants and subsidies	7	**389,623**	359,098
Selling and distribution costs		**(1,489,708)**	(935,386)
Research and development costs	6	**(1,283,316)**	(1,163,091)
Administrative expenses		**(1,507,711)**	(1,483,547)
Other expenses		**(207,105)**	(472,838)
Finance costs	8	**(255,388)**	(491,945)
PROFIT BEFORE TAX	6	**4,508,983**	1,363,972
Income tax expense	11	**(430,543)**	(88,323)
PROFIT FOR THE YEAR		**4,078,440**	1,275,649
Attributable to:			
Owners of the parent	12	**3,793,576**	1,021,249
Minority interests		**284,864**	254,400
		4,078,440	1,275,649
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic and diluted	14	**RMB1.77**	RMB0.50

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR		**4,078,440**	1,275,649
Exchange differences on translation of foreign operations		**35,127**	(111,733)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**35,127**	(111,733)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4,113,567**	1,163,916
Attributable to:			
Owners of the parent	12	**3,816,606**	948,773
Minority interests		**296,961**	215,143
		4,113,567	1,163,916

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**18,906,929**	14,715,754
Investment properties		**1,927**	1,985
Prepaid land lease payments	16	**1,661,369**	1,516,113
Goodwill	17	**58,603**	58,603
Other intangible assets	18	**770,753**	730,457
Prepayment	23	**1,953,289**	803,152
Deferred tax assets	30	**185,927**	165,302
Total non-current assets		**23,538,797**	17,991,366
CURRENT ASSETS			
Inventories	21	**4,408,407**	6,915,535
Trade and bills receivables	22	**9,792,812**	5,566,164
Prepayments, deposits and other receivables	23	**644,032**	711,959
Derivative financial instruments		**1,000**	—
Pledged deposits	24	**33,723**	4,724
Cash and cash equivalents	24	**2,316,826**	1,701,397
Total current assets		**17,196,800**	14,899,779
CURRENT LIABILITIES			
Trade and bills payables	25	**11,518,658**	6,848,714
Other payables and accruals	26	**2,277,220**	1,530,035
Advances from customers		**3,340,965**	1,271,930
Deferred income	27	**207,831**	221,076
Derivative financial instruments		**94**	—
Interest-bearing bank borrowings	28	**547,129**	4,370,850
Tax payable		**236,701**	60,342
Provision	29	**248,850**	92,260
Total current liabilities		**18,377,448**	14,395,207
NET CURRENT (LIABILITIES)/ASSETS		**(1,180,648)**	504,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,358,149**	18,495,938

Consolidated Statement of Financial Position (continued)

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,358,149**	18,495,938
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**3,106,514**	4,791,561
Deferred income	27	**224,508**	367,005
Deferred tax liabilities	30	**—**	—
Total non-current liabilities		**3,331,022**	5,158,566
Net assets		**19,027,127**	13,337,372
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**2,275,100**	2,050,100
Reserves	32	**13,656,474**	9,235,468
Proposed dividends	13	**750,783**	—
		16,682,357	11,285,568
Minority interests		**2,344,770**	2,051,804
Total equity		**19,027,127**	13,337,372

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Attributable to owners of the parent								Minority interests	Total equity
	Issued capital RMB'000 (note 31)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 32(a))	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed dividends RMB'000	Total RMB'000	RMB'000	RMB'000
At 1 January 2008	539,500	1,523,080	4,020,266	460,378	796	3,462,748	701,350	10,708,118	1,702,141	12,410,259
Total comprehensive income for the year	—	—	—	—	(72,476)	1,021,249	—	948,773	215,143	1,163,916
Issue of bonus shares	1,510,600	(1,510,600)	—	—	—	—	—	—	—	—
Gain on deemed disposal of a subsidiary	—	—	341,642	—	—	—	—	341,642	296,127	637,769
Acquisition from minority interests	—	—	(11,615)	—	—	—	—	(11,615)	(35,025)	(46,640)
2007 interim dividends declared	—	—	—	—	—	—	(701,350)	(701,350)	—	(701,350)
Dividends paid to minority interests	—	—	—	—	—	—	—	—	(126,582)	(126,582)
Appropriation to statutory surplus reserve fund	—	—	—	115,967	—	(115,967)	—	—	—	—
At 31 December 2008 and 1 January 2009	2,050,100	12,480*	4,350,293*	576,345*	(71,680)*	4,368,030*	—	11,285,568	2,051,804	13,337,372
Total comprehensive income for the year	—	—	—	—	23,030	3,793,576	—	3,816,606	296,961	4,113,567
Issue of ordinary shares	225,000	1,356,110	—	—	—	—	—	1,581,110	—	1,581,110
Acquisition from minority interests	—	—	(927)	—	—	—	—	(927)	(2,772)	(3,699)
Dividends paid to a minority shareholder	—	—	—	—	—	—	—	—	(7,923)	(7,923)
Investment from a minority shareholder	—	—	—	—	—	—	—	—	6,700	6,700
Appropriation to statutory surplus reserve fund	—	—	—	569,173	—	(569,173)	—	—	—	—
Proposed final 2009 dividend	—	—	—	—	—	(750,783)	750,783	—	—	—
At 31 December 2009	2,275,100	1,368,590*	4,349,366*	1,145,518	(48,650)*	6,841,650*	750,783	16,682,357	2,344,770	19,027,127

* *These reserve accounts comprise the consolidated reserves of RMB13,656,474,000 (2008: RMB9,235,468,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**4,508,983**	1,363,972
Adjustments for:			
Finance costs	8	**255,388**	491,945
Bank interest income	6	**(18,073)**	(91,308)
Government grants and subsidies		**(340,242)**	(359,098)
Loss on disposal of items of non-current assets	6	**92,062**	28,132
Net fair value gains on derivative instruments - transactions not qualifying as hedges	5, 6	**(906)**	(13,796)
Gain on settlement of derivative instruments		**(868)**	—
Depreciation	6	**1,594,453**	1,211,403
Impairment of inventories	6	**229,037**	51,356
Impairment of trade receivables	6	**22,504**	118,913
Impairment losses of trade receivables reversed	6	**(17,210)**	(4,686)
Recognition of prepaid land lease payments	6	**33,409**	30,828
Impairment of property, plant and equipment	6	**45,082**	5,234
Impairment of goodwill	6	**—**	4,875
Excess over the cost of a business combination	5	**(1,222)**	—
Amortisation of other intangible assets	18	**135,787**	119,642
		6,538,184	2,957,412
Increase in inventories		**2,278,092**	(2,412,364)
Increase in trade and bills receivables		**(4,232,011)**	(243,638)
Decrease/(Increase) in prepayments, deposits and other receivables		**71,514**	(35,072)
Increase in trade and bills payables		**4,669,944**	1,133,320
Increase in other payables and accruals		**730,748**	185,892
Increase in advances from customers		**2,069,035**	301,945
Increase in provision for warranties		**156,590**	46,715
Cash generated from operations		**12,282,096**	1,934,210
Interest received		**18,073**	91,308
Taxes paid		**(283,964)**	(209,156)
Net cash flows from operating activities		**12,016,205**	1,816,362

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Net cash flows from operating activities		**12,016,205**	1,816,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,796,720)**	(5,639,640)
Increase in non-current prepayment		**(1,150,137)**	(416,565)
Increase in prepaid land lease payments	16	**(160,928)**	(102,089)
Receipt of government grants		**184,500**	524,849
Additions to other intangible assets	18	**(202,046)**	(271,655)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		**36,583**	116,769
Proceeds from settlement of derivative instruments		**868**	31,984
(Increase)/Decrease in pledged deposits		**(28,999)**	38,722
Acquisition of subsidiary	33	**(57,000)**	(121,278)
Acquisition of minority interests		**—**	(15,731)
Net cash flows used in investing activities		**(7,173,879)**	(5,854,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**4,421,616**	15,152,197
Repayment of bank loans		**(9,941,114)**	(14,113,472)
Interest paid		**(301,925)**	(580,547)
Dividends paid		**—**	(701,350)
Dividends paid to a minority shareholder		**(7,909)**	(148,536)
Investment from a minority shareholder		**6,700**	—
Repurchase of the shares of a subsidiary		**(3,703)**	(66,985)
Proceeds from issue of a subsidiary's shares		**1,581,110**	700,756
Net cash flows from/(used in) financing activities		**(4,245,225)**	242,063
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**597,101**	(3,796,209)
Cash and cash equivalents at beginning of year		**1,701,397**	5,539,501
Effect of foreign exchange rate changes, net		**18,328**	(41,895)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,316,826**	1,701,397
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**2,350,549**	1,688,175
Non-pledged time deposits with original maturity of less than three months when acquired	24	**—**	13,222
Pledged time deposit for banking facilities	24	**(33,723)**	—
Cash and cash equivalents as stated in the statement of financial position		**2,316,826**	1,701,397

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,757,137**	2,057,825
Investments in subsidiaries	19	**3,644,374**	2,257,082
Prepaid land lease payments	16	**28,136**	28,813
Other intangible assets	18	**52,925**	52,162
Prepayment for property, plant and equipment	23	**12,580**	5,201
Deferred tax assets	30	**—**	21,192
Total non-current assets		**5,495,152**	4,422,275
CURRENT ASSETS			
Inventories	21	**306,846**	558,636
Trade and bills receivables	22	**797,341**	774,156
Tax recoverable		**4,738**	4,738
Prepayments, deposits and other receivables	23	**52,344**	100,635
Due from subsidiaries	19	**4,137,940**	8,078,009
Derivative financial instruments		**—**	—
Pledged deposits	24	**—**	—
Cash and cash equivalents	24	**391,970**	149,064
Total current assets		**5,691,179**	9,665,238
CURRENT LIABILITIES			
Trade and bills payables	25	**711,595**	1,270,490
Other payables and accruals	26	**238,327**	216,582
Advanced from customers		**22,949**	34,562
Derivative financial instruments		**74**	—
Interest-bearing bank borrowings	28	**—**	2,746,333
Due to subsidiaries	19	**2,004,647**	3,236,580
Total current liabilities		**2,977,592**	7,504,547
NET CURRENT ASSETS		**2,713,587**	2,160,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,208,739**	6,582,966

Statement of Financial Position (continued)

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,208,739**	6,582,966
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**2,600,000**	3,930,000
Net assets		**5,608,739**	2,652,966
EQUITY			
Issued capital	31	**2,275,100**	2,050,100
Reserves	32	**3,333,639**	602,866
Proposed final dividends	13	**—**	—
Total equity		**5,608,739**	2,652,966

Director *Director*

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

BYD Company Limited (the "Company") is a joint stock limited liability company registered in the People's Republic of China (the "PRC"). The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited since 31 July 2002. The registered office of the Company is located at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.

The principal activities of the Group are the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products. The activities of the Company's subsidiaries are set out in note 19.

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 derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the fact that the Group's net current liabilities of approximately RMB1,180,648,000 as at 31 December 2009, the consolidated financial statements have been prepared on a going concern basis on the basis of the directors' contention that the Group will be able to generate sufficient net cash inflows and new funding in the future to meet all its obligations as and when they fall due and will also be able to secure the financial support of its bankers, including the renewal of the Group's short term bank loans upon the maturity date.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has selected to present two statements.

(f) Amendment to Appendix to HKAS 18 *Revenue - Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue - Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the accounting for the Group's construction activities. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operation of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.
- HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.
- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.
- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(n) (continued)

- HKAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

- HKAS 39 *Financial Instruments: Recognition and Measurement:* (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

- HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

2.3 ISSUED BUT NOTYET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

The Group's investment in its jointly-controlled entity is accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entity's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity is eliminated to the extent of the Group's investments in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

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

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

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

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and jointly-controlled entity, after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party 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 income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its estimated residual value over its estimated useful life of 40 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Industrial proprietary rights and patents

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

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

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

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

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

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.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Fair value of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

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

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

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

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.

Cash and cash equivalents

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

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

Provisions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an interest in a joint venture, where 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, carryforward of unused tax credits and unused tax losses, 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:

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

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

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

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

Government grants

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) subcontracting income and assembly service income, when the relevant services have been rendered.

Employee benefits

Employees' leave entitlements

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

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

Retirement benefit obligations

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

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

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

Medical benefits

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

Housing fund

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final and interim dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments - Group as lessor

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

Operating lease-Group as lessee

The Group has entered into contractual operating contract on certain plant and machineries. 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 didn't transfer to the Group, they are accounted for as operating lease.

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considered that if the earnings will not be probable of being distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 30 to the financial statement.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 discussed 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 2009 was RMB58,603,000 (2008: RMB58,603,000). Further details are included in note 17 to the financial statement.

Impairment of non-financial assets (other than goodwill)

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

Depreciation and amortisation

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2009 was RMB185,927,000 (2008: RMB165,302,000). Further details are included 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 2009, the best estimate of the carrying amount of capitalised development costs was RMB667,082,000 (2008: RMB622,906,000). Further details are contained in note 18 to the financial statements.

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 at the end of each reporting year. Management reviews and adjusts the provision to recognize the 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 for bad debts at the end of each reporting period.

Write-down of inventories based on the lower of cost or market

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

4. OPERATING SEGMENT INFORMATION

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

(a) the rechargeable battery and other products segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries principally for mobile phones, electric tools and other portable electronic instruments;

(b) the mobile handset components segment comprises the manufacture and sale of mobile handset components such as housing, keypad and the provision of assembly sevices;

(c) the automobiles and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components; and

(d) the "others" segment comprises, principally, non-manufacturing business of the Group.

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

Segment assets exclude deferred tax assets, goodwill, derivatives financial instruments and other unallocated head office and corporate assets, as these assets are managed on a group basis.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009	Battery and other products RMB'000	Mobile handset components RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	4,081,494	14,396,593	20,991,093	274	39,469,454
Intersegment sales	239,245	235,301	19,690	—	494,236
	4,320,739	14,631,894	21,010,783	274	39,963,690
Others including other gross income from sales of raw materials and disposal of scrap materials	144,133	179,258	647,498	(46)	970,843
Tax and surcharges	5,245	10,095	658,265	10	673,615
	4,470,117	14,821,247	22,316,546	238	41,608,148
Reconciliation:					
Elimination of intersegment sales					(494,236)
Elimination of other gross income					(970,843)
Elimination of taxes and surcharges					(673,615)
Revenue – sales to external customers					39,469,454
Segment results	529,252	775,707	3,513,244	(951)	4,817,252
Reconciliation:					
Elimination of intersegment results					(69,638)
Interest income					18,073
Dividend income and unallocated gains					482,145
Corporate and other unallocated expenses					(483,461)
Finance costs					(255,388)
Profit before tax					4,508,983
Segment assets	5,773,634	13,889,389	19,309,739	2,221	38,974,983
Reconciliation:					
Elimination of intersegment receivables					(867,842)
Elimination of intersegment sales unrealized profit					(55,244)
Corporate and other unallocated assets					2,683,700
Total assets					40,735,597
Segment liabilities	1,771,310	4,660,504	11,969,092	—	18,400,906
Reconciliation:					
Elimination of intersegment payables					(867,842)
Corporate and other unallocated liabilities					4,175,406
Total liabilities					21,708,470
Other segment information:					
Impairment losses of items of property, plant and equipment recognized in the income statement	—	44,719	363	—	45,082
Loss on disposal of items of property, plant and equipment	27,884	18,898	19,490	—	66,272
Loss on disposal of other intangible assets	355	—	25,435	—	25,790
Depreciation and amortisation	361,771	798,873	602,701	304	1,763,649
Capital expenditure	1,719,049	1,249,138	3,332,577	—	6,300,764*

* Capital expenditure consists of additions to other intangible assets, property, plant and equipment and prepaid land lease payment including assets from the acquisition of a subsidiary and other intangible assets.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2008	Battery and other products RMB'000	Mobile handset components RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	6,207,557	11,933,013	8,645,898	1,785	26,788,253
Intersegment sales	3,807	129,429	9,716	—	142,952
	6,211,364	12,062,442	8,655,614	1,785	26,931,205
Other including other gross income from sales of raw materials and disposal of scrap materials	58,244	238,823	345,936	—	643,003
Tax and surcharges	8,161	11,585	280,621	58	300,425
	6,277,769	12,312,850	9,282,171	1,843	27,874,633
Reconciliation:					
Elimination of intersegment sales					(142,952)
Elimination of other gross income					(643,003)
Elimination of taxes and surcharges					(300,425)
Revenue – sales to external customers					26,788,253
Segment results	835,494	827,459	504,279	161	2,167,393
Reconciliation:					
Elimination of intersegment results					(31,451)
Interest income					91,308
Dividend income and unallocated gains					17,010
Corporate and other unallocated expenses					(388,343)
Finance costs					(491,945)
Profit before tax					1,363,972
Segment assets	7,155,363	14,242,003	14,367,383	3,361	35,768,110
Reconciliation:					
Elimination of intersegment receivables					(5,095,475)
Elimination of intersegment sales unrealized profit					(113,048)
Corporate and other unallocated assets					2,331,558
Total assets					32,891,145
Segment liabilities	1,652,969	3,099,791	10,477,559	431	15,230,750
Reconciliation:					
Elimination of intersegment payables					(5,095,475)
Corporate and other unallocated liabilities					9,418,498
Total liabilities					19,553,773
Other segment information:					
Impairment losses of items of property, plant and equipment recognized in the income statement	218	217	4,799	—	5,234
Impairment losses of goodwill recognized in the income statement	—	4,875	—	—	4,875
Loss on disposal of items of property, plant and equipment	19,654	3,033	5,445	—	28,132
Depreciation and amortisation	319,951	591,212	450,105	605	1,361,873
Capital expenditure	706,789	2,518,639	2,854,542	—	6,079,970*

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2009 RMB'000	2008 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**32,127,692**	19,628,313
India	**1,765,289**	2,099,254
Hungary	**738,937**	858,922
Brazil	**187,721**	566,247
Others	**4,649,815**	3,635,517
	39,469,454	26,788,253

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

(b) *Non-current assets*

	2009 RMB'000	2008 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**22,676,247**	17,191,034
India	**568,643**	438,732
Hungary	**106,445**	194,133
Others	**1,535**	2,165
	23,352,870	17,826,064

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

Information about a major customer

Revenue of approximately RMB7,001,812,000 (2008: RMB7,310,071,000) was derived from sales made by the battery and other products' segment and mobile handset components' segment to a single 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; the value of assembly services rendered and an appropriate proportion of contract revenue of construction contracts during the year.

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

		Group	
	Notes	2009 RMB'000	2008 RMB'000
Revenue			
Sale of goods		34,480,959	22,916,276
Assembly service income		4,988,495	3,862,823
Construction contracts		—	9,154
		39,469,454	26,788,253
Other income			
Subcontracting income		4,520	4,609
Bank interest income	6	18,073	91,308
Gross rental income		6,930	17,763
Gain on disposal of scrap		172,394	148,113
Others		93,812	57,256
		295,729	319,049
Gains			
Fair value gains, net:			
Derivative instruments - transactions not qualifying as hedges	6	906	13,796
Excess over the cost of a business combination	6, 33	1,222	—
		297,857	332,845

6. PROFIT BEFORE TAX

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

		Group	
	Notes	**2009 RMB'000**	2008 RMB'000
Cost of inventories sold		**25,947,018**	17,753,062
Cost of services provided		**4,728,668**	3,764,999
Depreciation		**1,594,453**	1,211,403
Impairment of property, plant and equipment**	15	**45,082**	5,234
Recognition of prepaid land lease payments	16	**33,409**	30,828
Amortisation of other intangible assets other than development costs****	18	**29,999**	58,588
Research and development costs:			
Deferred expenditure amortised*	18	**105,788**	61,054
Current year expenditure		**1,283,316**	1,163,091
		1,389,104	1,224,145
Impairment of goodwill**	17	**—**	4,875
Minimum lease payments under operating leases:			
Land and buildings located in Mainland China		**16,774**	25,843
Auditors' remuneration		**6,617**	6,354
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		**4,067,415**	3,063,307
Welfare		**48,243**	39,889
Retirement benefit scheme contributions		**157,212**	280,487
		4,272,870	3,383,683
Loss on disposal of items of property, plant and equipment**		**66,272**	28,132
Loss on disposal of other intangible assets**		**25,790**	—
Foreign exchange differences, net**		**18,937**	279,208
Impairment of trade receivables	22	**22,504**	118,913
Impairment losses of trade receivables reversed	22	**(17,210)**	(4,686)
Impairment of inventories***		**229,037**	51,356
Product warranty provision	29	**278,872**	119,490
Net fair value gains on derivative instruments - transactions not qualifying as hedges	5	**(906)**	(13,796)
Rental income on investment properties less direct operating expenses of RMB1,286,000 (2008: RMB1,645,000)		**(280)**	(567)
Bank interest income	5	**(18,073)**	(91,308)
Excess over the cost of a business combination ^	5	**(1,222)**	—

6. PROFIT BEFORE TAX (continued)

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

** The net foreign exchange differences, impairment of property, plant and equipment, impairment of goodwill and loss on disposal of non-current assets for the year are included in "Other expenses" in the consolidated income statement.

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

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

^ The excess over the cost of a business combination is included in "Other income and gains" in the consolidated income statement.

7. GOVERNMENT GRANTS AND SUBSIDIES

	Group	
	2009	2008
	RMB'000	RMB'000
Subsidies on research and development activities for automobile and related products (note (a))	**302,752**	276,566
Subsidies on establishing the automobile research development and production base (note (b))	**7,029**	—
Subsidies on the relocation of Shanghai automobile development and research centre (note (c))	**18,461**	—
Interest subsidy	**10,000**	51,394
Tax refund	**19,311**	10,100
Others	**32,070**	21,038
	389,623	359,098

(a) In prior year, BYD Auto SZ, a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB864,647,000 which were provided by the local government to support automotive research and development activities. The government grants did not specify any repayment terms or other conditions that are required to be met. For the year ended 31 December 2009, RMB302,752,000 was recognised as government grant income (2008: RMB276,566,000) as a result of BYD Auto SZ incurring research and development cost expenses which included amounts incurred by the Company and its fellow subsidiaries.

(b) In October 2009, BYD Auto SZ received government grants which were provided by Shenzhen Bureau of Trade and Industry and Shenzhen Development and Reform Commission to support the establishment of the automobile research, development and production base. The government grants did not specify any repayment terms or other conditions that are required to be met.

(c) Since late 2008, Shanghai BYD Automobile Co., Ltd ("Shanghai Auto"), the automobile development and research centre and a wholly-owned subsidiary of the Company, was moved from Shanghai to Shenzhen. In December 2009, BYD Auto SZ received government grants of RMB73,000,000 which were provided by Shenzhen government to support the relocation of Shanghai Auto. Among the government grants, RMB16,477,000 related to relocation expenses incurred, RMB56,523,000 related to replacement cost of the non-removable equipments. The government grants did not specify any repayment terms or other conditions that are required to be met. For the year ended 31 December 2009, RMB18,461,000 was recognised as government-grant income.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Interest on bank borrowings	**301,925**	538,232
Bank charges for discounted notes	**10,732**	42,315
	312,657	580,547
Less: Interest capitalised	**(57,269)**	(88,602)
	255,388	491,945

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 6.94% (2008: 6.16%).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2009	2008
	RMB'000	RMB'000
Fees	**450**	500
Other emoluments:		
Salaries, allowances and benefits in kind	**5,214**	5,098
Pension scheme contributions	**6**	5
	5,220	5,103
	5,670	5,603

(a) Independent non-executive directors

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

	2009	2008
	RMB'000	RMB'000
Mr. Kang Dian (resigned on 10 June 2008)	**—**	121
Mr. Li Guo-xun (resigned on 20 March 2008)	**—**	33
Ms. Li Dong (appointed on 20 March 2008)	**150**	117
Mr. Wu Chang-qi (appointed on 10 June 2008)	**150**	79
Mr. Lin You-ren	**150**	150
	450	500

There was no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

2009	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	—	3,422	—	3,422
Non-executive directors:				
Mr. Lu Xiang-yang	—	150	—	150
Mr. Xia Zuo-quan	—	150	—	150
Mr. David L.Sokol (appointed on 4 August 2009)	—	—	—	—
Supervisors:				
Ms. Yan Chen	—	679	3	682
Mr. Zhang Hui-bin	—	50	—	50
Mr. Li Yong-zhao	—	50	—	50
Ms. Wang Zhen	—	663	3	666
Mr. Dong Jun-qing	—	50	—	50
	—	5,214	6	5,220

2008	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	—	3,360	—	3,360
Non-executive directors:	—	150	—	150
Mr. Lu Xiang-yang				
Mr. Xia Zuo-quan (re-designated from executive director to non-executive director on 20 March 2008)	—	150	1	151
Supervisors:				
Ms. Yan Chen (appointed on 20 March 2008)	—	660	2	662
Mr. Zhang Hui-bin (appointed on 20 March 2008)	—	39	—	39
Mr. Min De (resigned on 10 June 2008)	—	14	—	14
Mr. Li Yong-zhao (appointed on 10 June 2008)	—	28	—	28
Ms. Wang Zhen	—	660	2	662
Mr. Dong Jun-qing	—	37	—	37
	—	5,098	5	5,103

There was no arrangement under which a director waived or agreed to waive any remuneration during the year except for one non-executive director (2008: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2008: one) director. Details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2008: four) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**12,101**	11,840
Pension scheme contributions	**13**	12
	12,114	11,852

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

	Number of employees	
	2009	2008
RMB 2,500,001 to RMB 3,000,000	**1**	2
RMB 3,000,001 to RMB 3,500,000	**3**	2
	4	4

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company and its subsidiaries registered in the PRC are subject to Corporate Income Tax. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which became effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic-invested and foreign-invested enterprises from 1 January 2008 has decreased from 33% to 25%. Pursuant to the transitional arrangement under the New CIT Law, the income tax rate applicable to certain PRC subsidiaries will only be gradually increased from the existing rate of 18% to the unified rate of 25% over a 5-year transitional period.

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy reduced enterprise income tax rates ranging from 10% to 15% of the estimated assessable profits for the year.

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

	2009	2008
	RMB'000	RMB'000
Group:		
Current - Hong Kong		
Charge for the year	**—**	3,986
Current - Mainland China		
Charge for the year	**451,168**	180,264
Overprovision in prior years	**—**	(93,631)
Deferred (note 30)	**(20,625)**	(2,296)
Total tax charge for the year	**430,543**	88,323

11. INCOME TAX (continued)

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

Group	2009		2008	
	RMB'000	%	RMB'000	%
Profit before tax	4,508,983		1,363,972	
Tax at the statutory tax rate	1,127,246	25.0	340,993	25.0
Lower tax rate for specific provinces or local authority	(847,288)	(18.8)	(335,243)	(24.5)
Income not subject to tax	(267)	—	(1,606)	(0.1)
Expenses not deductible for tax	89,108	2.0	20,719	1.5
Tax losses not recognised	110,523	2.5	89,327	6.5
Tax losses utilised from previous periods	(270)	—	—	—
Effect on opening deferred tax assets changed tax rate	—	—	6,737	0.5
Super-deduction of research and development costs	(48,509)	(1.1)	(32,604)	(2.4)
Tax charge at the Group's effective rate	430,543	9.5	88,323	6.5

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a loss of RMB782,000 (2008: loss of RMB150,801,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDENDS

	2009 RMB'000	2008 RMB'000
Proposed final - RMB0.33 (2008: Nil) per ordinary share	**750,783**	—

The proposed final dividend for the year is subject to the approval of the company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,143,850,000 (2008: 2,050,100,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the group had no potentially dilution ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2009 RMB'000	2008 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**3,793,576**	1,021,249

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year.	**2,143,850,000**	2,050,100,000

15. 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
31 December 2009							
At 31 December 2008 and at 1 January 2009:							
Cost	4,225,553	10,617	9,498,156	86,305	1,015,713	3,178,392	18,014,736
Accumulated depreciation and impairment	(289,138)	(7,563)	(2,677,936)	(37,038)	(287,307)	–	(3,298,982)
Net carrying amount	3,936,415	3,054	6,820,220	49,267	728,406	3,178,392	14,715,754
At 1 January 2009, net of accumulated depreciation and impairment	3,936,415	3,054	6,820,220	49,267	728,406	3,178,392	14,715,754
Additions	385	9,213	1,118,320	15,730	278,258	4,432,083	5,853,989
Acquisition of a subsidiary (note 33)	63,441	–	748	–	71	–	64,260
Disposals	(9,058)	–	(51,289)	(2,990)	(15,847)	(23,671)	(102,855)
Impairment	–	–	(45,082)	–	–	–	(45,082)
Depreciation provided during the year	(114,002)	(1,700)	(1,255,720)	(11,043)	(211,930)	–	(1,594,395)
Transfers	1,656,356	–	1,102,144	563	251,104	(3,010,167)	–
Exchange realignment	1,405	–	9,180	88	248	4,337	15,258
At 31 December 2009, net of accumulated depreciation and impairment	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929
At 31 December 2009:							
Cost	5,944,856	19,830	11,581,737	91,543	1,512,239	4,580,974	23,731,179
Accumulated depreciation and impairment	(409,914)	(9,263)	(3,883,216)	(39,928)	(481,929)	–	(4,824,250)
Net carrying amount	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929

* The land situated in Hungary with a cost of HUF283,736,000 being equivalent to RMB10,251,000 (2008: equivalent to RMB10,186,000) is freehold and not depreciated.

** As at 31 December 2009, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a carrying amount of RMB2,245,032,000. In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008							
At 31 December 2007 and at 1 January 2008:							
Cost	2,982,748	11,336	6,332,940	79,434	655,711	2,438,724	12,500,893
Accumulated depreciation and impairment	(205,071)	(9,493)	(1,739,947)	(29,327)	(175,478)	—	(2,159,316)
Net carrying amount	2,777,677	1,843	4,592,993	50,107	480,233	2,438,724	10,341,577
At 1 January 2008, net of accumulated depreciation and impairment	2,777,677	1,843	4,592,993	50,107	480,233	2,438,724	10,341,577
Additions	76,621	2,630	1,764,008	14,592	331,587	3,465,901	5,655,339
Acquisition of a subsidiary (note 33)	53,341	—	82,401	1,091	3,701	415	140,949
Disposals	(20,680)	—	(32,082)	(3,977)	(4,501)	(75,460)	(136,700)
Impairment	(435)	—	(4,769)	—	(30)	—	(5,234)
Depreciation provided during the year	(83,954)	(1,419)	(992,076)	(12,315)	(121,581)	—	(1,211,345)
Transfers	1,154,885	—	1,455,872	42	39,645	(2,650,444)	—
Exchange realignment	(21,040)	—	(46,127)	(273)	(648)	(744)	(68,832)
At 31 December 2008, net of accumulated depreciation and impairment	3,936,415	3,054	6,820,220	49,267	728,406	3,178,392	14,715,754
At 31 December 2008:							
Cost	4,225,553	10,617	9,498,156	86,305	1,015,713	3,178,392	18,014,736
Accumulated depreciation and impairment	(289,138)	(7,563)	(2,677,936)	(37,038)	(287,307)	—	(3,298,982)
Net carrying amount	3,936,415	3,054	6,820,220	49,267	728,406	3,178,392	14,715,754

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009						
At 31 December 2008 and at 1 January 2009:						
Cost	1,156,570	1,131,771	22,113	411,682	63,363	2,785,499
Accumulated depreciation and impairment	(94,019)	(489,708)	(13,914)	(130,033)	—	(727,674)
Net carrying amount	1,062,551	642,063	8,199	281,649	63,363	2,057,825
At 1 January 2009, net of accumulated depreciation and impairment	1,062,551	642,063	8,199	281,649	63,363	2,057,825
Additions	—	7,907	713	23,387	15,873	47,880
Disposals	—	(10,410)	(1,295)	(126,488)	(341)	(138,534)
Depreciation provided during the year	(25,008)	(129,035)	(2,892)	(53,099)	—	(210,034)
Transfers	—	14,932	98	7,454	(22,484)	—
At 31 December 2009, net of accumulated depreciation	1,037,543	525,457	4,823	132,903	56,411	1,757,137
At 31 December 2009:						
Cost	1,152,091	1,109,015	15,974	261,451	56,411	2,594,942
Accumulated depreciation and impairment	(114,548)	(583,558)	(11,151)	(128,548)	—	(837,805)
Net carrying amount	1,037,543	525,457	4,823	132,903	56,411	1,757,137

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008						
At 31 December 2007 and at 1 January 2008:						
Cost	1,121,696	1,101,641	21,846	317,410	131,473	2,694,066
Accumulated depreciation and impairment	(70,043)	(400,225)	(10,037)	(84,794)	—	(565,099)
Net carrying amount	1,051,653	701,416	11,809	232,616	131,473	2,128,967
At 1 January 2008, net of accumulated depreciation and impairment	1,051,653	701,416	11,809	232,616	131,473	2,128,967
Additions	13	46,004	2,281	88,433	62,637	199,368
Disposals	—	(89,305)	(280)	(420)	(4,279)	(94,284)
Depreciation provided during the year	(23,976)	(97,193)	(5,611)	(49,446)	—	(176,226)
Transfers	34,861	81,141	—	10,466	(126,468)	—
At 31 December 2008, net of accumulated depreciation	1,062,551	642,063	8,199	281,649	63,363	2,057,825
At 31 December 2008:						
Cost	1,156,570	1,131,771	22,113	411,682	63,363	2,785,499
Accumulated depreciation and impairment	(94,019)	(489,708)	(13,914)	(130,033)	—	(727,674)
Net carrying amount	1,062,551	642,063	8,199	281,649	63,363	2,057,825

16. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January	**1,548,120**	1,478,417	**29,492**	30,171
Additions	**160,928**	102,089	**—**	—
Acquisition of a subsidiary (note 33)	**19,541**	—	**—**	—
Recognised during the year	**(33,409)**	(30,828)	**(678)**	(679)
Exchange realignment	**1,783**	(1,558)	**—**	—
Carrying amount at 31 December	**1,696,963**	1,548,120	**28,814**	29,492
Current portion included in prepayments, deposits and other receivables	**(35,594)**	(32,007)	**(678)**	(679)
Non-current portion	**1,661,369**	1,516,113	**28,136**	28,813

The leasehold lands held under medium-term leases and a long-term lease with amounts of RMB1,625,121,000 and RMB36,248,000 are situated in Mainland China and India, respectively.

As at 31 December 2009, the Group was still in the process of obtaining the land use right certificates for certain leasehold lands with a carrying amount of RMB278,221,000. In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.

17. GOODWILL

Group	**RMB'000**
At 1 January 2008:	
Cost	63,399
Accumulated impairment	(4,796)
Net carrying amount	58,603
Cost at 1 January 2008, net of accumulated impairment	58,603
Acquisition of a subsidiary (note 33)	4,875
Impairment during the year	(4,875)
At 31 December 2008	58,603
At 31 December 2008:	
Cost	68,274
Accumulated impairment	(9,671)
Net carrying amount	58,603
Cost at 1 January 2009, net of accumulated impairment	58,603
Impairment during the year	—
Cost and carrying amount at 31 December 2009	58,603
At 31 December 2009:	
Cost	68,274
Accumulated impairment	(9,671)
Net carrying amount	58,603

17. GOODWILL (continued)

Impairment testing of goodwill

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

The recoverable amount of the automobile and related products cash-generating unit is also 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 12% (2008: 12%). The growth rate used to extrapolate the cash flows of the automobile and related products unit beyond the five-year period is 5% (2008: 5%). This growth rate exceeds the average growth rate of the industry in which the automobile and related products unit operates by 1%. Senior management of the automobile and related products unit believes that this growth rate is justified, given the new technology internally developed by the Group during the year.

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

	Automobiles and related products	
	2009	2008
	RMB'000	RMB'000
Carrying amount of goodwill	**58,603**	58,603

Key assumptions were used in the value in use calculation of the automobiles and related products cash-generating units for 31 December 2009 and 31 December 2008. 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 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.

18. OTHER INTANGIBLE ASSETS

Group	Development costs RMB'000	Industrial proprietary rights and patents RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2009					
Cost at 1 January 2009, net of accumulated amortisation and impairment	**622,906**	**28,190**	**6,538**	**72,823**	**730,457**
Additions - internal development	**175,399**	**—**	**—**	**—**	**175,399**
Additions - acquired	**—**	**3,303**	**—**	**23,344**	**26,647**
Write-off	**(25,435)**	**—**	**(205)**	**(150)**	**(25,790)**
Amortisation provided during the year	**(105,788)**	**(3,768)**	**(782)**	**(25,449)**	**(135,787)**
Exchange realignment	**—**	**—**	**—**	**(173)**	**(173)**
At 31 December 2009	**667,082**	**27,725**	**5,551**	**70,395**	**770,753**
At 31 December 2009:					
Cost	**931,178**	**60,506**	**59,614**	**140,666**	**1,191,964**
Accumulated amortisation and impairment	**(264,096)**	**(32,781)**	**(54,063)**	**(70,271)**	**(421,211)**
Net carrying amount at 31 December 2009	**667,082**	**27,725**	**5,551**	**70,395**	**770,753**
31 December 2008					
Cost at 1 January 2008, net of accumulated amortisation and impairment	509,216	19,325	7,359	50,281	586,181
Additions - internal development	182,684	—	—	—	182,684
Additions - acquired	—	44,261	1,942	42,768	88,971
Acquisition of a subsidiary (note 33)	—	—	—	464	464
Write - off	(7,940)	—	—	(261)	(8,201)
Amortisation provided during the year	(61,054)	(35,396)	(2,763)	(20,429)	(119,642)
At 31 December 2008	622,906	28,190	6,538	72,823	730,457
At 31 December 2008:					
Cost	801,715	79,073	59,874	117,483	1,058,145
Accumulated amortisation and impairment	(178,809)	(50,883)	(53,336)	(44,660)	(327,688)
Net carrying amount at 31 December 2008	622,906	28,190	6,538	72,823	730,457

Development costs represent expenditure to new technique or technology provided to the automobile business. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production. The remaining useful lives of the development costs are two to five years.

18. OTHER INTANGIBLE ASSETS (continued)

Company	Industrial proprietary rights and patents RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2009				
Cost at 1 January 2009, net of accumulated amortisation	**4,806**	**2,894**	**44,462**	**52,162**
Additions - acquired	**204**	**66**	**15,621**	**15,891**
Amortisation provided during the year	**(1,024)**	**(381)**	**(13,723)**	**(15,128)**
At 31 December 2009	**3,986**	**2,579**	**46,360**	**52,925**
At 31 December 2009:				
Cost	**16,802**	**6,119**	**79,609**	**102,530**
Accumulated amortisation	**(12,816)**	**(3,540)**	**(33,249)**	**(49,605)**
Net carrying amount at 31 December 2009	**3,986**	**2,579**	**46,360**	**52,925**
31 December 2008				
Cost at 1 January 2008, net of accumulated amortisation	1,521	1,951	21,700	25,172
Additions - acquired	7,514	3,811	31,725	43,050
Amortisation provided during the year	(4,229)	(2,868)	(8,963)	(16,060)
At 31 December 2008	4,806	2,894	44,462	52,162
At 31 December 2008:				
Cost	16,598	6,053	63,988	86,639
Accumulated amortisation	(11,792)	(3,159)	(19,526)	(34,477)
Net carrying amount at 31 December 2008	4,806	2,894	44,462	52,162

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	**3,644,374**	2,257,082

At the end of the reporting period, except for the amounts of approximately RMB 2,016,225,000 of loans to subsidiaries which are unsecured, bear interest at a rate of 4.37% to 7.47% per annum and are payable within one year, all amounts due from/to subsidiaries in the Company's current assets and current liabilities are unsecured, interest-free, and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BYD Lithium Battery Co., Ltd. ("BYD Li-ion")***	PRC/ Mainland China	RMB30,000,000	100%	—	Research, development, sale and manufacture of Li-ion batteries
Shanghai BYD Company Limited ("BYD SH")***	PRC/ Mainland China	US$63,500,000	75%	25%	Research, development, sale and manufacture of Li-ion batteries
BYD (H.K.) Co., Limited("BYD HK")	Hong Kong	HK$31,230,000	100%	—	Trading of NiCD, NiMH and Li-ion batteries and related products
BYD Automobile Company Limited ("BYD XiAn QC")***	PRC/ Mainland China	RMB1,250,000,000	99%	—	Research, development, sale and manufacture of automobiles
Shanghai BYD Electric Vehicle Company Limited ("BYD Auto SH")***	PRC/ Mainland China	RMB10,000,000	90%	10%	Research, development, sale and manufacture of automobiles and battery-powered bicycles
Beijing BYD Mould Company Limited ("BYD Mould")**	PRC/ Mainland China	RMB80,000,000	75.63%	24.37%	Design and manufacture of moulds
BYD Precision Manufacture Company Limited ("BYD Precision")***	PRC/ Mainland China	US$145,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Shenzhen BYD Electronic Component Co., Limited ("BYD Electronic Component")**	PRC/ Mainland China	RMB400,000,000	96%	4%	Production and sale of NiMH, NiCD and other batteries, hardware products, instruments and flexible printed circuit boards
Shenzhen BYD Microelectronics Co., Limited ("BYD Microelectronics")***	PRC/ Mainland China	US$40,000,000	17.5%	82.5%	Design, production and sale of integrated circuits
BYD Industry and Commerce Co., Limited, Huizhou ("BYD (Huizhou)")***	PRC/ Mainland China	US$90,000,000	25%	75%	Manufacture and sale of battery related products, and optoelectronic products

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huizhou BYD Battery Company Limited ("BYD HZ Battery")***	PRC/ Mainland China	US$50,000,000	30%	70%	Research, development, sale and manufacture of Li-ion batteries and accessories
Shenzhen BYD Auto Company Limited ("BYD Auto SZ")***	PRC/ Mainland China	US$163,000,000	75%	25%	Research and development of automobiles
BYD Electronic (International) Company Limited (BYD Int'l)*	Hong Kong	HK$440,000,000	—	65.76%	Investment holding
Golden Link Worldwide Limited ("Golden Link")	British Virgin Islands	US$50,000	—	100%	Investment holding
Beijing BTC Wireless Limited ("BYD BTC")***	PRC/ Mainland China	RMB20,000,000	—	69%	Research, manufacture and sale of battery moulds
BYD Electronic Company Limited ("BYD Electronic")	Cayman Islands	HK$50,000	—	65.76%	Investment holding
Lead Wealth International Limited ("Lead Wealth")	British Virgin Islands	US$50,000	—	65.76%	Investment holding
BYD (Tianjin) Company Limited ("BYD Tianjin")***	PRC/ Mainland China	US$40,000,000	—	65.76%	High-level assembly and painted circuit board assembly
Huizhou BYD Electronic Co., Ltd. ("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	RMB50,000,000	90%	10%	Sale and distribute of automobiles; provide related after-sales service
BYD Hungary Guarto, Szolgaltato es Kereskedelmi Korlatolt Felelossegu Tarsasag ("BYD Hungary ")	Hungary	HUF3,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
BYD Electronic Hungary Kft ("Hungary Electronic")	Hungary	HUF500,000	—	65.76%	Manufacture and sale of mobile handset components
BYD Electronics India Private Limited ("BYD India")	India	RS2,500,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Changsha BYD Auto Company Limited ("Changsha Auto")**	PRC/Mainland China	RMB500,000,000	—	100%	Research and development of auto mobiles and components
Changsha BYD Bus Company Limited ("Changsha Bus")****	PRC/Mainland China	RMB121,780,000	—	100%	Research and development of coach
Shaoguan BYD Auto Company Limited ("Shaoguan Auto")**	PRC/Mainland China	RMB30,000,000	—	100%	Research and development of auto mobiles and components
BYD (Shangluo) Industry Co., Ltd. ("Shangluo BYD")***	PRC/Mainland China	RMB150,000,000	91%	9%	Research, development, manufacture and sale of solar battery and solar array

19. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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

**** During the year, the group acquired Changsha Coach from Hunan Midea Coach manufacturing Co. Ltd ("Hunan Midea Coach"). Further details of this acquisition are disclosed in note 33 to the financial statements.

All subsidiaries above, except for BYD India, are not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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

20. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

Particulars of the jointly-controlled entity is as follows:

Name	Particulars of registered capital held	Place of registration	Percentage of Interest	Percentage of Voting power	Percentage of Profit sharing	Principal Activities
Foshan Jinhui Hi-tech optoelectronic material Company Limited ("BYD FS")	US$3,211,400	PRC/Mainland China	39.375%	40%	45%	Manufacture and sale of lithium ion batteries membranes

The above investment in a jointly-controlled entity is held by BYD HK which is 100% directly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity included in the consolidated financial statements:

	2009 RMB'000	2008 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	36,369	19,983
Non-current assets	10,661	9,907
Current liabilities	(17,170)	(3,213)
Net assets	29,860	26,677
Share of the jointly-controlled entity's results:		
Revenue	41,958	31,714
Income	821	2,047
	42,779	33,761
Total expenses	(23,088)	(17,798)
Tax	(2,533)	—
Profit after tax	17,158	15,963

21. INVENTORIES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Raw materials	1,558,455	2,416,564	94,750	218,352
Work in progress	1,078,292	1,184,804	125,954	186,026
Finished goods	1,413,567	2,893,554	86,142	154,258
Moulds held for production	358,093	420,613	—	—
	4,408,407	6,915,535	306,846	558,636

22. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables	4,334,026	2,969,492	772,546	684,222
Bills receivable	5,719,758	2,896,829	158,090	246,425
Impairment	(260,972)	(300,157)	(133,295)	(156,491)
	9,792,812	5,566,164	797,341	774,156

For sales under automobiles and related products segment, payment in advance, mainly in the form of bank bills, is normally required. For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 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 33% (2008: 41%) and 74% (2008: 64%) the Group's trade receivables were due from the Group's largest customer and the five largest customers. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Within three months	9,327,142	5,023,377	781,527	618,785
Three to six months	454,501	528,934	15,377	149,457
Six months to one year	9,882	9,937	437	2,215
Over one year	1,287	3,916	—	3,699
	9,792,812	5,566,164	797,341	774,156

At 31 December 2009, the Group pledged bills receivable of RMB3,008,000 (2008: RMB1,171,466,000) to secure the Group's bank loans, as further detailed in note 28 (a) to the financial statements.

22. TRADE AND BILLS RECEIVABLES (continued)

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

	Group		Company	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
At 1 January	**300,157**	201,399	**156,491**	87,616
Impairment of trade receivables (note 6)	**22,504**	118,913	**—**	72,111
Impairment losses reversed (note 6)	**(17,210)**	(4,686)	**(17,466)**	(3,236)
Written off as uncollectible	**(44,548)**	(14,920)	**(5,730)**	—
Exchange Realignments	**69**	(549)	**—**	—
At 31 December	**260,972**	300,157	**133,295**	156,491

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of RMB189,345,000 (2008: RMB183,503,000) with a carrying amount of RMB1,292,916,000 (2008: RMB1,590,221,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group		Company	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Neither past due nor impaired	**8,124,217**	3,538,289	**445,369**	545,803
Less than one year past due	**348,241**	307,147	**159,444**	51,714
	8,472,458	3,845,436	**604,813**	597,517

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. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Non-current portion				
Prepayment for property, plant and equipment	**1,383,289**	803,152	**12,580**	5,201
Prepayment for land use right	**570,000**	—	**—**	—
	1,953,289	803,152	**12,580**	5,201
Current-portion				
Prepayments	**247,132**	228,170	**9,272**	41,046
Deposits and other receivables	**374,603**	455,559	**38,883**	54,689
Loans to staff	**22,297**	28,230	**4,189**	4,900
	644,032	711,959	**52,344**	100,635

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

On 20 July 2009, Shenzhen BYD Auto and 河津市鑫星實業有限公司 signed the "Contractual Operation Contract", pursuant to which Shenzhen BYD Auto contracted with 河津市鑫星實業有限公司 for asset such as machinery and equipment and power systems ("contracted asset") located at He Jin, Shanxi province, and used for the manufacture of automobile components and parts (such as hub of the wheel) with a term of four years starting from 20 July 2009 until 20 July 2013. The total contracting fee is RMB129,500,000. As at 31 December 2009, the hub products related to the contracted assets were still in the R&D stage. Shenzhen BYD Auto haven't put the contracted assets into normal production. The total contracting fee is amortised over four years and the portion which will be amortised within one year is included in the current portion of prepayment.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	Notes	Group		Company	
		2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Cash and bank balances		**2,350,549**	1,688,175	**391,970**	149,064
Time deposits		**—**	17,946	**—**	—
		2,350,549	1,706,121	**391,970**	149,064
Less: Restricted bank deposits:					
Pledged time deposit	(i)	**(33,723)**	(4,724)	**—**	—
Cash and cash equivalents	(ii)	**2,316,826**	1,701,397	**391,970**	149,064

Notes:

(i) At 31 December 2009, the pledged bank deposit of RMB33,723,000 (2008: RMB4,724,000) was pledged for banking facilities of RMB33,723,000 (2008:for banking facilities of RMB1,726,000 and for importing materials of RMB2,998,000).

(ii) At the end of reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB1,414,789,000 (2008: RMB1,196,044,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(iii) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements
31 December 2009

25. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Within three months	**10,742,058**	5,963,428	**614,429**	1,203,493
Three to six months	**593,652**	646,185	**83,718**	57,371
Six months to one year	**84,658**	163,394	**2,892**	1,339
One to two years	**58,301**	59,125	**2,891**	6,378
Two to three years	**33,809**	6,744	**5,775**	1,909
Over three years	**6,180**	9,838	**1,890**	—
	11,518,658	6,848,714	**711,595**	1,270,490

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

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Other payables	**961,379**	770,681	**105,674**	50,235
Accruals	**577,526**	159,492	**38,277**	28,725
Accrued payroll	**738,315**	599,862	**94,376**	137,622
	2,277,220	1,530,035	**238,327**	216,582

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

27. DEFERRED INCOME

	Group	
	2009 RMB'000	2008 RMB'000
At 1 January	**588,081**	422,329
Received during the year	**172,500**	442,318
Released to income statement	**(328,242)**	(276,566)
At 31 December	**432,339**	588,081
Less: Portion classified as current liabilities	**(207,831)**	(221,076)
Non-current portion	**224,508**	367,005

28. INTEREST-BEARING BANK BORROWINGS

Group	2009			2008		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - Secured	2.22	2010	3,008	1.28-5.4	2009	1,193,522
	LIBOR+ 120bps	2010	230,793			
Bank loans - Unsecured	4.78	2010	50,000	4.03-8.08	2009	2,059,316
				LIBOR+ 125bps - 230bps	2009	826,850
				HIBOR+ 180bps	2009	54,622
Current portion of long term bank loans - Secured	4-4.86	2010	263,328	4-7.83	2009	236,540
			547,129			4,370,850
Non-current						
Bank loans - Secured	4-4.86	2011-2012	256,514	—	—	—
Bank loans - Unsecured	3.51-5.94	2011-2018	2,850,000	3.6-7.56	2010-2018	4,791,561
			3,106,514			4,791,561
			3,653,643			9,162,411

Company	2009			2008		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - Secured	—	—	—	3.5-5.4	2009	120,274
Bank loans - Unsecured	—	—	—	4.13-7.27	2009	1,593,843
				LIBOR+ 180bps - 230bps	2009	812,594
				HIBOR+ 180bps	2009	54,622
Current portion of long term bank loans - Unsecured	—	—	—	7.44	2009	165,000
			—			2,746,333
Non-current						
Bank loans - Unsecured	3.51-5.94	2011-2018	2,600,000	3.6-7.56	2010-2018	3,930,000
			2,600,000			6,676,333

28. INTEREST-BEARING BANK BORROWINGS (continued)

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**547,129**	4,370,850	**—**	2,746,333
In the second year	**1,406,514**	1,720,041	**1,350,000**	1,400,000
In the third to fifth years, inclusive	**1,100,000**	2,207,520	**650,000**	1,780,000
After five years	**600,000**	864,000	**600,000**	750,000
	3,653,643	9,162,411	**2,600,000**	6,676,333

Notes:

(a) Certain of the Group's bank loans are secured by the pledge of the Group's bills receivable, which had an aggregate carrying value at the end of reporting period of approximately RMB3,008,000 (2008: RMB1,171,466,000) (note 22).

(b) The carrying amounts of the Group's and the Company's bank borrowings approximate to their fair values.

(c) Except for an bank loans of RMB250,343,000 (2008: RMB1,706,264,000 in United State dollar and RMB 54,622,000 in Hong Kong dollars) which is denominated United State dollars, all borrowings are in RMB.

29. PROVISION

Group	Product warranties	
	RMB'000	RMB'000
	2009	2008
At 1 January	**92,260**	45,545
Additional provision	**278,872**	119,490
Amounts utilised during the year	**(122,282)**	(72,775)
At 31 December	**248,850**	92,260

The Group provides two-year or below 40,000-kilometre (whichever applicable) 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.

30. DEFERRED TAX

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

Deferred tax assets

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accrual and provision for warranty RMB'000	Total RMB'000
At 1 January 2009	**78,213**	**33,647**	**—**	**32,105**	**21,337**	**165,302**
Deferred tax credited/(charged) to the income statement during the year (note 11)	**1,994**	**4,235**	**21,382**	**(26,646)**	**19,660**	**20,625**
At 31 December 2009	**80,207**	**37,882**	**21,382**	**5,459**	**40,997**	**185,927**
At 1 January 2008	55,059	8,275	93,631	—	8,256	165,221
Deferred tax credited/(charged) to the income statement during the year (note 11)	23,154	25,372	(93,631)	32,105	13,081	81
At 31 December 2008	78,213	33,647	—	32,105	21,337	165,302

Company	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Total RMB'000
At 1 January 2009	**10,623**	**10,569**	**21,192**
Deferred tax credited to the income statement during the year	**(10,623)**	**(10,569)**	**(21,192)**
At 31 December 2009	**—**	**—**	**—**
At 1 January 2008	6,367	3,851	10,218
Deferred tax credited to the income statement during the year	4,256	6,718	10,974
At 31 December 2008	10,623	10,569	21,192

30. DEFERRED TAX (continued)

Deferred tax liabilities

Group	Construction contract revenue RMB'000	Development costs RMB'000	Total RMB'000
At 1 January 2009	—	—	—
Deferred tax credited to the income statement during the year (note 11)	—	—	—
At 31 December 2009	—	—	—
At 1 January 2008	714	1,501	2,215
Deferred tax credited to the income statement during the year (note 11)	(714)	(1,501)	(2,215)
At 31 December 2008	—	—	—

The Group has tax losses arising in Mainland China of RMB538,511,000 (2008: RMB336,584,000) that will expire in one to five years for offsetting against future taxable profits, the Group also has tax losses arising in India of RMB34,672,000 (2008: RMB83,201,000) that will expire in one to eight years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of 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:

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Tax losses	**1,094,848**	539,730	**131,876**	59,760
Deductible temporary differences	**1,419,279**	698,140	**347,535**	177,614
	2,514,127	1,237,870	**479,411**	237,374

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.

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

At 31 December 2009, no provision has been made to recognise a 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 no 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 RMB1,843,790,000 at 31 December 2009 (2008: RMB954,661,000).

31. SHARE CAPITAL

Shares	2009 RMB'000	2008 RMB'000
Authorised, issued and fully paid:		
2,275,100,000 (2008: 2,050,100,000) ordinary shares of RMB1 each	**2,275,100**	2,050,100

On 30 July 2009, with the approval from the China Securities Regulatory Commission ("CSRC"), MidAmerican Energy Holdings Company ("MidAmerican Energy") completed the acquisition of 225,000,000 new H Shares of the Company at an issuing price of HK$8 per share pursuant to the Strategic Investment and Acquisition Agreement the Company entered into with MidAmerican Energy dated 26 September 2008. Upon completion, the registered capital of the Company increased from RMB2,050,100,000 to RMB2,275,100,000 and MidAmerican Energy became a shareholder of the Company holding 225,000,000 H Shares.

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 7 of the financial statement.

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

(b) Company

	Note	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2008		1,523,080	(225,407)	225,279	741,315	2,264,267
Loss for the year	12	—	—	—	(150,801)	(150,801)
Capitalisation of reserve		(1,510,600)	—	—	—	(1,510,600)
At 31 December 2008		12,480	(225,407)	225,279	590,514	602,866
Gain for the year	12	—	—	—	1,374,663	1,374,663
Appropriate to statutory surplus reserve fund		—	—	137,466	(137,466)	—
Issue of ordinary shares		1,356,110	—	—	—	1,356,110
Proposed 2009 final dividend		—	—	—	(750,783)	(750,783)
At 31 December 2009		1,368,590	(225,407)	362,745	1,076,928	2,582,856

33. BUSINESS COMBINATION

On 7 August 2009, BYD Auto SZ acquired a 100% interest in Hunan Midea Coach manufacturing Co. Ltd. ("Hunan Midea Coach ") from Foshan Weishang Technique Industry Development Group Co. Ltd. at a consideration of RMB60,000,000 and changed the name of Hunan Midea Coach to Changsha BYD Bus Co. Ltd. ("Changsha Bus"). Changsha Bus is engaged in the development and manufacture of bus.

The fair values of the identifiable assets and liabilities of Changsha Bus as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on 7 August 2009 RMB'000	Carrying amount as at 7 August 2009 RMB'000
Property, plant and equipment	15	64,260	88,187
Prepaid land lease payment	16	19,541	18,986
Tax payable		(9,155)	(9,155)
Other current liabilities		(13,424)	(13,424)
		61,222	84,594
Negative goodwill on acquisition	5	(1,222)	
Satisfied by cash		60,000	

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

	RMB'000
Cash consideration	(60,000)
Payable to seller	3,000
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(57,000)

Since its acquisition, Changsha Bus had not contributed to the Group's turnover while made a loss of RMB7,306,000 to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB39,489,369,000 and RMB4,299,057,000 respectively.

33. BUSINESS COMBINATION (continued)

On 12 February 2008, BYD Hungary acquired 100% interests in Mirae Hungary Industrial Manufacturer Ltd. ("Mirae Hungary") from Mirae Industry Co. Ltd. ("Mirae Industry"), at a consideration of EUR15,500,000 (equivalent to approximately RMB165 million) and change the name Mirae Hungary as BYD Electronic Hungary Kft ("Hungary Electronic"). Mirae Hungary was engaged in manufacturing handset housing for Nokia Komarom Kft.

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

	Notes	Fair value recognised on 12 February 2008 RMB'000	Carrying amount as at 12 February 2008 RMB'000
Property, plant and equipment	15	140,949	145,787
Other intangible asset	18	464	464
Cash and bank balances		9,173	9,173
Inventory		5,982	5,982
Trade receivables		3,627	3,627
		160,195	165,033
Goodwill on acquisition	17	4,875	
Satisfied by cash		165,070	

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

	RMB'000
Cash consideration	**(165,070)**
Payable to seller	**34,619**
Cash and bank balances acquired	**9,173**
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(121,278)**

Since its acquisition, Hungary Electronic contributed RMB62,743,000 to the Group's turnover while made a loss of RMB45,334,000 to the consolidated profit for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year 2008, the revenue from continuing operations of the Group and the profit of the Group for the year 2008 would have been RMB26,795,036,000 and RMB1,245,334,000, respectively.

34. CONTINGENT LIABILITIES

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

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

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

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

34. CONTINGENT LIABILITIES (continued)

(b) On 24 July 2009, Shenzhen BYD Auto Company Limited ("BYD Auto SZ"), a wholly-owned subsidiary of the Company as the transferee signed the Equity Transfer Agreement with an independent third party, namely Foshan Weishang Technology Development Group Co. Ltd. ("Foshan Weishang") as transferor, in relation to BYD Auto SZ's acquisition of the entire equity interests in Hunan Midea Coach Manufacturing Co. Ltd ("Hunan Midea") which is wholly owned by Foshan Weishang at a consideration of RMB60,000,000. The procedures for industrial and commercial registration of the equity transfer have been completed on 7 August 2009 and Hunan Midea has changed its name to Changsha BYD Bus Co., Ltd ("Changsha BYD Bus") on 7 August 2009.

On 24 July 2009, the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government (the "Applicant") filed an arbitration application with China International Economic and Trade Arbitration Commission, Shanghai Commission to request Yunnan Midea Automobile Holding Co., Ltd. ("Yunan Midea") and Changsha BYD Bus to pay transformation fees in the sum of RMB30,297,000 to it and bear the default fine of RMB6,969,000 for failing to make advance payment of the transformation fees as well as the arbitration fees for the case and fees reasonably incurred by the Applicant for handling the case. The case was derived from the "Agreement for the Acquisition of the Property Right of Yunan Coach Factory" signed by the Applicant and Yunan Midea and Hunan Midea which stipulated that Yunan Midea and Hunan Midea acquired Yunnan Coach Factory at nil consideration by bearing the transformation fees. However, Yunan Midea and Hunan Midea have not paid the transformation fees.

The case has yet no outcome. Pursuant to the "Equity Transfer Agreement" signed by BYD Auto SZ and Foshan Weishang, Foshan Weishang shall assume all corresponding legal responsibilities in respect of the contingent liabilities, pending matters and property risks of Hunan Midea prior to the transfer of assets as stipulated in the "Equity Transfer Agreement". Foshan Weishang signed a document on 13 August 2009, pursuant to which it undertakes to assume all fees related to legal services incurred, all fees and costs payable by Changsha BYD Bus in respect of its participation in the arbitration case; all liabilities, indebtedness and responsibilities brought by the verdict of this arbitration case, and all losses suffered by Changsha BYD Bus due to such arbitration case. In addition, Midea Group Co., Ltd ("Midea Group") issued a Letter of Undertaking on 3 September 2009 pursuant to which it is agreed that Midea Group and Foshan Weishang shall assume rights and obligations of Changsha BYD Bus involving the said arbitration case and shall Jointly and severally bear liabilities thereof. It is also undertaken that Midea Group and Foshan Weishang shall deal with all matters arising from the above arbitration dispute, and shall bear the full costs incurred and undertake all responsibilities arising therefrom (including but not limited to the transformation fees, liquidated damages, arbitration fees and handling costs that shall be assumed according to the ruling in the arbitration award).

The case was derived from the matters prior to the transfer of equity from Changsha BYD Bus, to BYD Auto SZ. The obligation of potential risks of the case has been explicitly stipulated in the related equity transfer agreement, and Foshan Weishang and Media Group has respectively undertaken to assume all costs and losses payable by Changsha BYD Bus in respect of its participation in the arbitration case. Therefore, there will not bring material adverse impact to the Group, as it is not probable that the outcome of the arbitration will result in the economic benefit outflow from the Group, no liability has been accured by the Group.

34. CONTINGENT LIABILITIES (continued)

(c) On 9 November 2009, Nokia announced that it would initiate a charger exchange program and recommended the users to exchange the chargers for free replacement. The reason for the program was that the plastic covers of a limited number of the Nokia-branded chargers manufactured by a subsidiary of the Company could come loose and detach, exposing the internal components of the charger and may potentially pose an electrical shock hazard. The models of the chargers announced by Nokia are AC-3E and AC-3U manufactured during the period from 15 June 2009 to 9 August 2009 and AC-4U manufactured during the period from 13 April 2009 to 25 October 2009. As at 4 March 2010, the Company obtained from its customers replacement registrations of 24,594 by the end-users, with trend of decline in number of registration for replacement.

On 28 December 2009, the subsidiary of the Company received an invoice amounted to EUR1,539,000 from Nokia. This amount had been accrued as a liability as at the end of the reporting period. Due to the ongoing of the charger exchange program, the Company is still under further discussions with Nokia for further details. The potential compensation could not be reasonably estimated and accordingly, no further liability has been accrued by the Group.

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

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**815,410**	1,934,617

As at 31 December 2009, the banking facilities guaranteed to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB750,635,000 (2008: RMB878,070,000).

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**1,211**	1,754
In the second to fifth years, inclusive	**535**	234
Over five years	**—**	145
	1,746	2,133

(b) As lessee

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**7,767**	27,359
In the second to fifth years, inclusive	**4,747**	41,389
	12,514	68,748

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2009 RMB'000	2008 RMB'000
Contracted, but not provided for:		
Land and buildings	**1,637,591**	434,903
Plant and machinery	**2,387,516**	939,697
	4,025,107	1,374,600

(a) On 25 July 2009, BYD Auto Co., Ltd. ("BYD Auto"), a subsidiary of the company, entered into an investment agreement with the Management Committee of Xi'an Development Zone. According to the agreement, BYD Auto proposed to establish an additional new production plant in Xi'an Development Zone to accommodate the planned annual output of approximately 400,000 units of automobiles and components. Total investment of the project will amount to RMB5 billion. BYD Auto promised that the total capacity of BYD Auto would not be less than 500,000 units of automobiles per year in 2012 and 600,000 per year in 2013 and the sales of the products will be accomplished in Xi'an Development Zone.

(b) On 10 November 2009, Shenzhen BYD Auto Co. Ltd. ("Shenzhen BYD Auto"), a fully-owned subsidiary of the Company, entered into an investment agreement with People's Government of Shaoguan City, Guangdong Province. According to the agreement, Shenzhen BYD Auto proposed to build a state-level test track and automobile component production plant within the Dongguan-Shaoguan Industrial Transferred Zone. Total investment of the project will amount to approximately RMB1.5 billion. Shenzhen BYD Auto undertook that Shaoguan BYD would be fully commissioned in two years after the land use right obtained and the gross output is expected to exceed RMB1 billion in three years and the fiscal contribution to the tax revenue approximately RMB80 million per year.

37. RELATED PARTY TRANSACTIONS

(a) The Group did not carry out any material related party transactions during the year.

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

	2009 RMB'000	2008 RMB'000
Short term employee benefits	**25,697**	23,135
Pension scheme contributions	**27**	21
	25,724	23,156

38. 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:

2009	Group		
Financial assets	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	—	9,792,812	9,792,812
Financial assets included in prepayments, deposits and other receivables	—	96,437	96,437
Derivative financial instruments	1,000	—	1,000
Pledged deposits	—	33,723	33,723
Cash and cash equivalents	—	2,316,826	2,316,826
	1,000	12,239,798	12,240,798

2009			
Financial liabilities	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	11,518,658	11,518,658
Financial liabilities included in other payables and accruals	—	734,440	734,440
Derivative financial instruments	94	—	94
Interest-bearing bank borrowings	—	3,653,643	3,653,643
	94	15,906,741	15,906,835

2008	Group	
Financial assets	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	5,566,164	5,566,164
Financial assets included in prepayments, deposits and other receivables	483,789	483,789
Pledged deposits	4,724	4,724
Cash and cash equivalents	1,701,397	1,701,397
	7,756,074	7,756,074

Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	6,848,714	6,848,714
Financial liabilities included in other payables and accruals	770,681	770,681
Interest-bearing bank borrowings	9,162,411	9,162,411
	16,781,806	16,781,806

38. 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)

	Company			
	2009		2008	
Financial assets	Loans and receivables RMB'000	Total RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	797,341	797,341	774,156	774,156
Financial assets included in prepayments, deposits and other receivables	61,893	61,893	59,589	59,589
Due from subsidiaries	4,544,452	4,544,452	8,078,009	8,078,009
Restricted bank deposit, and cash and cash equivalents	391,970	391,970	149,064	149,064
	5,795,656	5,795,656	9,060,818	9,060,818

	Company				
Financial liabilities	2009			2008	
	Financial assets at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	711,595	711,595	1,270,490	1,270,490
Financial liabilities included in other payables and accruals	—	105,674	105,674	50,235	50,235
Derivative financial instruments	74	—	74	—	—
Interest-bearing bank borrowings	—	2,600,000	2,600,000	6,676,333	6,676,333
Due to subsidiaries	—	2,441,160	2,441,160	3,236,580	3,236,580
	74	5,858,429	5,858,503	11,233,638	11,233,638

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2009, approximately 6% (2008: 24%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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

	Group			Company	
2009	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity* RMB'000**
RMB	**25**	**(7,875)**	**—**	**(6,000)**	**—**
RMB	**(25)**	**7,875**	**—**	**6,000**	**—**
2008					
RMB	25	(12,951)	—	(9,906)	—
USD	25	(4,287)	—	(3,213)	—
HKD	25	(137)	—	(137)	—
RMB	(25)	12,951	—	9,906	—
USD	(25)	4,287	—	3,213	—
HKD	(25)	137	—	137	—

* Excluding retained profits and exchange fluctuation reserve.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Group		
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in owner's equity* RMB'000
2009			
If RMB weakens against USD	**5**	**(47,591)**	**—**
If RMB strengthens against USD	**(5)**	**47,591**	**—**
If RMB weakens against HKD	**5**	**(2,478)**	**—**
If RMB strengthens against HKD	**(5)**	**2,478**	**—**
2008			
If RMB weakens against USD	5	(18,371)	—
If RMB strengthens against USD	(5)	18,371	—
If RMB weakens against HKD	5	(3,085)	—
If RMB strengthens against HKD	(5)	3,085	—

* 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 customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 33% (2008: 41%) and 74% (2008: 64%) the Group's trade receivables were due from the Group's largest customer and the five largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

Financial liabilities

Group	2009					
	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	Total RMB'000
Interest-bearing bank borrowings	—	101,392	609,634	2,812,204	676,017	4,199,247
Trade and bills payables	270,766	9,771,724	1,476,168	—	—	11,518,658
Other payables	112,983	509,271	112,186	—	—	734,440
Derivative financial instruments	—	—	94	—	—	94
	383,749	10,382,387	2,198,082	2,812,204	676,017	16,452,439

	2008					
	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	Total RMB'000
Interest-bearing bank borrowings	3,981	2,352,350	2,187,508	4,572,058	1,009,940	10,125,837
Trade and bills payables	315,820	5,472,456	1,060,438	—	—	6,848,714
Other payables	329,193	391,567	49,921	—	—	770,681
	648,994	8,216,373	3,297,867	4,572,058	1,009,940	17,745,232

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Financial liabilities (continued)

Company			**2009**			
		Less than	**3 to less than**		**Over**	
	On demand	**3 months**	**12 months**	**1 to 5 years**	**5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank borrowings	**—**	**31,163**	**93,488**	**2,260,978**	**676,016**	**3,061,645**
Guarantees given to banks in connection with facilities granted to subsidiaries	**815,410**	**—**	**—**	**—**	**—**	**815,410**
Trade and bills payables	**1,818**	**450,962**	**264,621**	**—**	**—**	**717,401**
Other payables	**23,281**	**47,420**	**34,973**	**—**	**—**	**105,674**
Due to subsidiaries	**2,441,160**	**—**	**—**	**—**	**—**	**2,441,160**
	3,281,669	**529,545**	**393,082**	**2,260,978**	**676,016**	**7,141,290**

			2008			
		Less than	3 to less than	Over		
	On demand	3 months	12 months	1 to 5 years	5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	—	1,504,274	1,344,941	3,703,964	885,783	7,438,962
Guarantees given to banks in connection with facilities granted to subsidiaries	1,934,617	—	—	—	—	1,934,617
Trade and bills payables	63,517	796,362	410,611	—	—	1,270,490
Other payables	39,816	2,771	7,648	—	—	50,235
Due to subsidiaries	3,236,580	—	—	—	—	3,236,580
	5,274,530	2,303,407	1,763,200	3,703,964	885,783	13,930,884

39. 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 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. Equity represents equity attributable to owners of the parent. The gearing ratios as at ends of the reporting periods were as follows:

Group	2009 RMB'000	2008 RMB'000
Interest-bearing bank borrowings	3,653,643	9,162,411
Less: Cash and cash equivalents	(2,316,826)	(1,701,397)
Net debt	1,336,817	7,461,014
Equity attributable to owners of the parent	16,682,357	11,285,568
Gearing ratio	8%	66%

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 March 2010.

FIVE YEAR FINANCIAL SUMMARY

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.

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
REVENUE	**39,469,454**	26,788,253	21,211,213	12,938,917	6,498,330
Cost of sales	**(30,904,723)**	(21,569,417)	(16,963,526)	(10,200,734)	(5,043,785)
Gross profit	**8,564,731**	5,218,836	4,247,687	2,738,183	1,454,545
Other income and gains	**297,857**	332,845	279,160	157,026	46,670
Government grants and subsidies	**389,623**	359,098	6,173	—	—
Selling and distribution costs	**(1,489,708)**	(935,386)	(648,187)	(480,177)	(170,089)
Research and development costs	**(1,283,316)**	(1,163,091)	(695,221)	(404,335)	(113,643)
Administrative expenses	**(1,507,711)**	(1,483,547)	(846,646)	(445,862)	(469,869)
Other expenses	**(207,105)**	(472,838)	(211,665)	(136,748)	(12,258)
Finance costs	**(255,388)**	(491,945)	(388,421)	(246,942)	(142,508)
PROFIT BEFORE TAX	**4,508,983**	1,363,972	1,742,880	1,181,145	592,848
Income tax expense	**(430,543)**	(88,323)	(40,551)	(53,075)	(90,041)
PROFIT FOR THE YEAR	**4,078,440**	1,275,649	1,702,329	1,128,070	502,807
Attributable to:					
Equity holders of the parent	**3,793,576**	1,021,249	1,611,711	1,117,334	503,013
Minority interests	**284,864**	254,400	90,618	10,736	(206)
	4,078,440	1,275,649	1,702,329	1,128,070	502,807
TOTAL ASSETS	**40,735,597**	32,891,145	29,288,491	16,386,781	11,213,354
TOTAL LIABILITIES	**(21,708,470)**	(19,553,773)	(16,878,232)	(11,019,140)	(6,973,604)
MINORITY INTERESTS	**(2,344,770)**	(2,051,804)	(1,702,141)	(75,177)	(64,441)
NET ASSETS (EXCLUDING MINORITY INTERESTS)	**16,682,357**	11,285,568	10,708,118	5,292,464	4,175,309