GO WITH GREEN

ANNUAL REPORT 2010 年年報

比亞迪股份有限公司
BYD COMPANY LIMITED

(Stock Code 股份代號: 1211)

COMPANY PROFILE 公司簡介

BYD CORPORATE PROFILE

BYD Company Limited ("BYD" or "the Company" together with its subsidiaries, "the Group" stock code: 1211) is principally engaged in rechargeable battery business, handset components and assembly services, as well as automobile business which includes traditional fuel-engined vehicles and new energy vehicles.

BYD is a leading rechargeable battery manufacturer in the global arena with an extensive clientele of renowned international and domestic brand names. The Group currently produces diversified models of lithium-ion and nickel batteries, which are widely applied on mobile phones, cordless phones, power tools and other kinds of portable electronic devices.

As a one-stop handset component supplier, the Group produces quality handset components, such as handset cases, key-pads, LCD screens, flexible printed circuit boards as well as camera modules and provides handset design and assembly service. The Group successfully spun off BYD Electronic (International) Company Limited ("BYD Electronic") for a separate listing on the Main Board of Hong Kong Stock Exchange on 20 December 2007.

Since tapping into the automobile business in 2003, by leveraging on its superior value for money and international quality products, according to the China Association of Automobile Manufactures, the Group has achieved remarkable growth in automobile business and continued ranked the first in terms of sales volume among manufacturers of domestic-brand sedans in 2010. To date the Group has manufactured and sold over 1 million units of sedans, thus establishing its leading position among domestic independent automobile brands.

In September of 2008, MidAmerican Energy Holdings Company, a subsidiary of Berkshire Hathaway entered into an agreement with BYD, pursuant to which MidAmerican Energy Holdings Company agreed to acquire approximately 10% of the Group's equity interest to become the Group's long term strategic partner and further propel the Group to develop new energy vehicles and environmentally friendly products. To further propel the electric vehicle business, the Group entered into a joint venture contract with Daimler AG to jointly research and develop a new electric car. In December of the same year, the Group delivered 10 units of F3DM, the first dual mode vehicle with no reliance of specialized charging stations, to the Housing Authority of the City of Los Angeles of the US to start to demonstrate BYD electric vehicles to institutional customers in the U.S.

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

比亞迪股份有限公司(「比亞迪」或「本公司」，連同其附屬公司統稱「本集團」；股份代號：1211)主要從事二次充電電池業務、手機部件及組裝業務，以及包含傳統燃油汽車及新能源汽車在內的汽車業務。

比亞迪為全球領先的二次充電電池製造商，客戶基礎龐大，涵蓋多個享譽國際及國內市場的知名品牌。集團現時生產各款型號的鋰離子電池及鎳電池，可廣泛應用於手提電話、無線電話、電動工具及其它便攜式電子產品。

作為一站式手機部件供應商，本集團生產各種優質的手機部件，包括手機外殼、手機鍵盤、液晶顯示屏、柔性線路板及相機攝像頭等，並提供手機整機設計及組裝服務。於二零零七年十二月二十日，集團成功分拆比亞迪電子(國際)有限公司(「比亞迪電子」)於香港聯交所主板獨立上市。

自二零零三年拓展汽車業務以來，憑藉集團產品的高性價比優勢及具備國際標準的卓越質量，集團的汽車業務一直高速增長，根據汽車工業協會統計數據，於二零一零年蟬聯成為國內自主品牌轎車生產企業銷量第一名。目前，集團累計產銷超過百萬輛轎車，奠定了比亞迪作為國內自主品牌領導者的地位。

二零零八年九月，Berkshire Hathaway(巴郡－哈撒韋公司)旗下附屬公司MidAmerican Energy Holdings Company(中美能源控股公司)與比亞迪簽訂協議同意認購本集團一成股權，成為集團的長期投資戰略夥伴，以推動旗下的新能源汽車及環保產品。為進一步推動新能源汽車業務，集團與Daimler AG(戴姆勒)簽署合資經營合同，共同研究及開發新電動車。同年十二月，集團推出的全球第一款不依賴專業充電站的雙模汽車F3DM已交付十台予美國洛杉磯市住房局(HACLA)，正式開始在美國對集團客戶作示範推廣。

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

CONTENTS

FINANCIAL HIGHLIGHTS

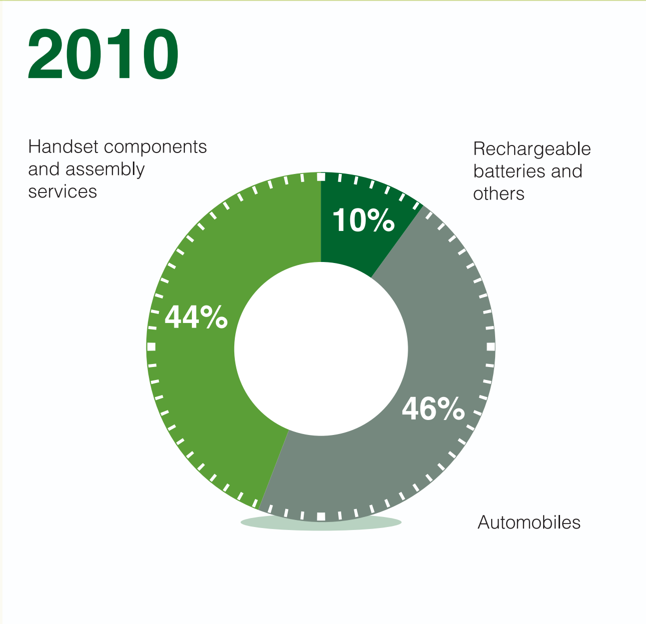
FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

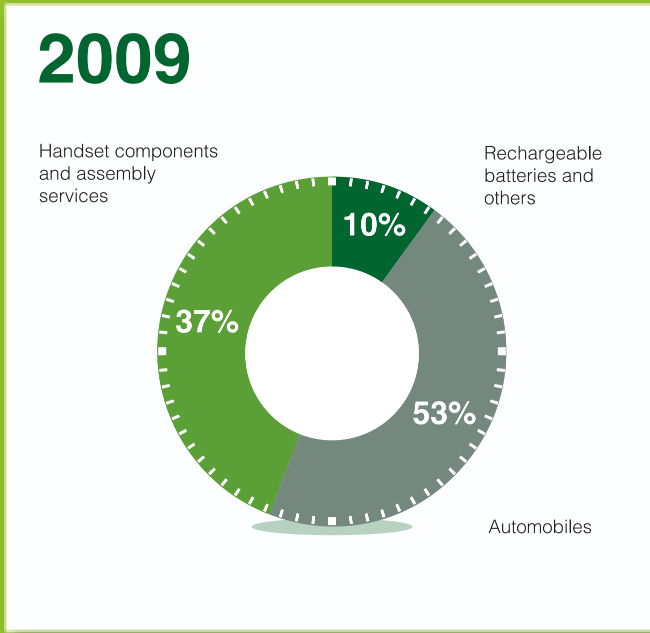
	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**46,685,349**	39,469,454	26,788,253	21,211,213	12,938,917
Gross profit	**8,264,374**	8,564,731	5,218,836	4,247,687	2,738,183
Gross profit margin (%)	**18**	22	19	20	21
Profit attributable to equity holders of the parent	**2,523,414**	3,793,576	1,021,249	1,611,711	1,117,334
Net profit margin (%)	**5**	10	4	8	9

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	**18,460,319**	16,682,357	11,285,568	10,708,118	5,292,464
Total assets	**53,874,663**	40,735,597	32,891,145	29,288,491	16,386,781
Gearing ratio (%) (Note)	**65**	8	66	24	78
Current ratio (times)	**0.65**	0.94	1.04	1.05	0.85
Trade and bills receivables turnover (days)	**71**	73	77	75	76
Inventory turnover (days)	**54**	70	100	87	101

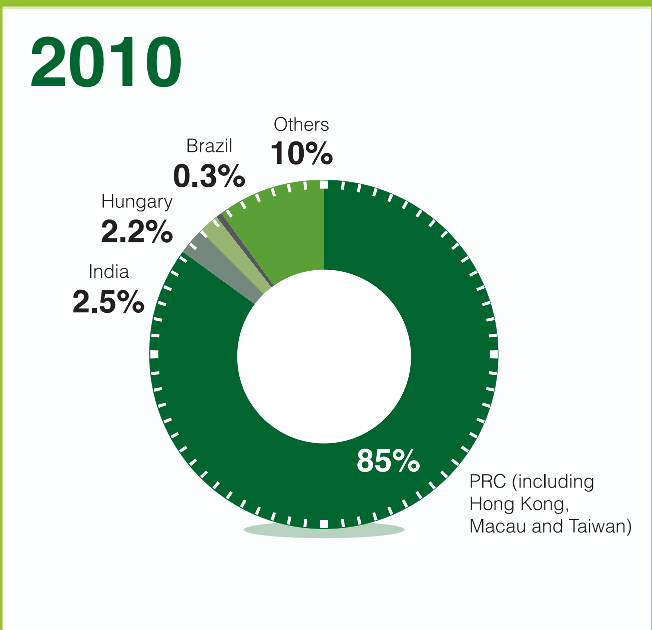
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

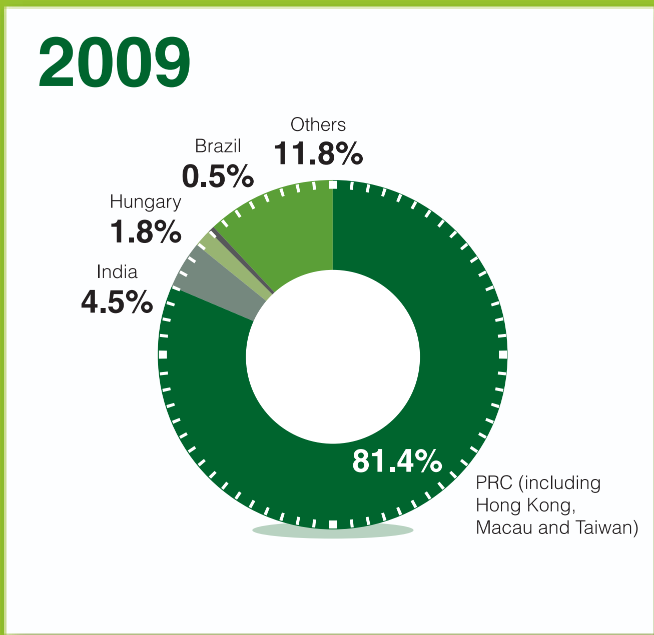
TURNOVER BREAKDOWN BY PRODUCT CATEGORIES





TURNOVER BREAKDOWN BY LOCATIONS OF CUSTOMERS





CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Wang Chuan-fu

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang
Xia Zuo-quan

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
Wu Chang-qi

AUTHORIZED REPRESENTATIVES

Wang Chuan-fu
Wu Jing-sheng

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INDEPENDENT INTERNATIONAL AUDITORS

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WEBSITE

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STOCK CODE

1211

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 2010 (the "Year").

Reviewing 2010, the global financial system gradually got back to a firmer foundation following the continual recovery of financial crisis in 2008. Given the fact that the PRC automobile industry continued to maintain rapid growth during the Year, the Group timely changed the previous marketing strategy of expanding the distributor network swiftly and was committed to optimizing the automobile sales network as well as maintaining a steady development of its operations. Meanwhile the rechargeable battery business continued to maintain its leading position in the industry during the Year. In particular, the commercial operation of lithium ferrous phosphate batteries proceeded smoothly, and the Group commenced the commercial operation of its new energy business. In addition, the Group's handset components and assembly services also successfully captured the upturn in the handset market and the business opportunity of the popularization of smart phones, generating satisfactory income for the Group. During the Year under review, turnover of the Group increased by approximately 18.28% to RMB46,685 million. Profit attributable to equity holders of the parent company was approximately RMB2,523 million. Earnings per share were RMB1.11. The Board of Directors did not recommend a final dividend for the year ended 31 December 2010.

Since the commencement of automobile business in 2003, BYD has created a sustained advantage of price competitiveness ratio by leveraging its vertical integration operation and it continually expanded the customer base with its reasonable prices and quality products. During the Year, the Group has altered its market strategy from rapidly expanding the distributor network to aggressively optimizing the automobile sales network. Notwithstanding the influence brought by the sales network adjustment, the Group's overall automobile business managed to maintain stable performance, achieving overall automobile sales of more than 500,000 units, representing an increase of approximately 10% year on year. Various models manufactured by the Group achieved satisfactory sales. The three new automobile models, namely G3, M6 and L3, were well accepted in the market. These models further diversified the product mix of the Group while creating new revenue sources for the Group.

Apart from conventional automobiles, the Group's new energy automobile business achieved a significant breakthrough during the Year. The Group's electric vehicle E6, dual-mode electric vehicle F3DM and electric bus K9 all achieved satisfactory progress during the Year and won wide recognition. To further drive the electric vehicle business, apart from self-development, the Group and Daimler AG ("Daimler") signed a joint venture contract in May 2010 to establish "Shenzhen BYD Daimler New Technology Co., Ltd." in China for the joint research and development of new electric vehicles. In February 2011, Shenzhen BYD Daimler New Technology Co., Ltd. obtained business license and was officially established.

During the Year, the global handset market and the power tool market revived gradually from the financial crisis. The Group successfully maintained its leading position in the rechargeable battery market with a dominating global market share. In addition, the Group also further advanced its new energy plan focusing on electric vehicles, solar batteries and energy storage stations. The Group further invested in the enhancement of production capacity of lithium ferrous phosphate batteries and aggressively expanded its application areas, which contributed new growth in revenue and profit for the Group's rechargeable battery business.

For handset components and assembly services, the Group successfully captured the business opportunity of an upturn in the market during the Year to continue to expand its market share. Benefiting from the popularization of smart phones driving the rise of the domestic 3G handset market, the Group achieved significant growth in its handset components, assembly services and original design manufacturing ("ODM") services. Leveraging its strong product competitiveness, the Group cemented the cooperation relationship with its existing customers and enhanced its market share in other leading global manufacturers.

Looking forward to 2011, it is anticipated that the automobile industry will maintain a steady development momentum. Therefore, the Group will further optimize the sales network and diversify the automobile models this year so as to continue to increase the Group's market share in China. Meanwhile, the Group will also continue to step up investment in the new energy automobile sector and is determined to become a globally leading manufacturer in the conventional automobile and new energy automobile fields. On the other hand, new energy business is an important direction of the Group's future development. By leveraging its technology and cost advantages in the new energy sector, the Group is committed to achieving the commercial operation of its new energy business by establishing a strong new energy industry chain to facilitate the long-term and sustainable development of the business. As for handset components and assembly services, the Group will continue to improve its research and development capability and technologies, maintain and enhance product quality as well as cost advantages, and strive to develop an integrated global platform for manufacture and services, so as to further enhance its market position.

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

Finally, on behalf of BYD, I would like to express gratitude to our loyal customers, business partners, investors and shareholders for their support and trust in the Group and all the staff members who have been alongside with and made contribution to the Group. 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

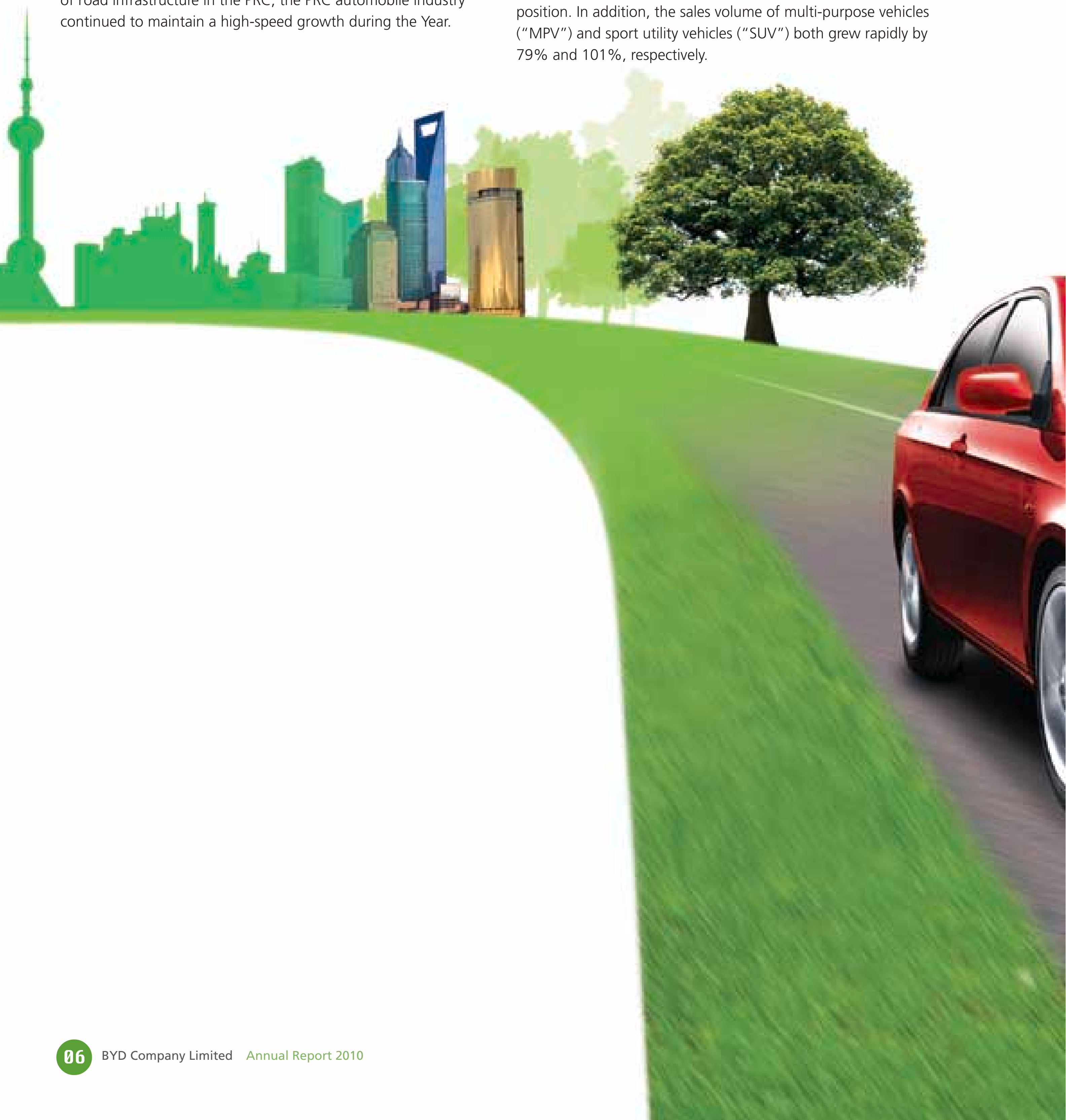
Shenzhen, the PRC, 12 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT REVIEW

Reviewing 2010, the global financial system gradually got back to a firmer foundation following the continual recovery of financial crisis in 2008. In the course of the continuous recovery, by leveraging its economic strength, the PRC played an integral role in boosting the global economic rebound, overtaking Japan for the first time in 2010 to become the world's second largest economy. With the rapid growth of the PRC's economy and accelerating urbanization as well as the continuous improvement of road infrastructure in the PRC, the PRC automobile industry continued to maintain a high-speed growth during the Year.

According to the China Association of Automobile Manufacturers, the sales volume of automobiles in the PRC in 2010 exceeded 18 million units, representing a year-on-year growth of approximately 32% and the PRC continued to be the world's largest automobile market. During the Year, production and sales of all types of automobiles had an increasing trend, and the sales volume of sedans reaching 9.49 million units, representing a year-on-year growth of approximately 27%, market share of domestic independent brands continued to increase to 31% and continued to occupied a major market position. In addition, the sales volume of multi-purpose vehicles ("MPV") and sport utility vehicles ("SUV") both grew rapidly by 79% and 101%, respectively.



Across the global automobile market, electric vehicle characterized by the quality of environmental protection and energy conservation is currently a focus in the development of the world's automobile industry. The PRC has made the new energy vehicles represented by plug-in hybrid automobiles and pure electric vehicles an emerging industry with priority. In order to implement the plan on the cultivation and development of strategic new emerging industries issued by the State Council, strengthen the deployment of energy conservation and emission reduction, special funds were allocated by the Ministry of Finance at the level of the central government in June 2010 to launch pilot projects by granting subsidies to individuals purchasing new energy vehicles. Pursuant to this policy, the State will grant subsidies of RMB 3,000 per kWh for new energy vehicles meeting the requirements; the maximum amount of the subsidies for plug-in hybrid automobiles will be RMB 50,000 per unit and the amount will be RMB 60,000 per unit for pure electric vehicles. Moreover, Shenzhen municipal government's implementation of a pilot subsidy scheme for new energy vehicles was certified and passed by experts in July 2010. Under the scheme, the maximum amount of the subsidies for entitled plug-in hybrid automobiles will be RMB 30,000 per unit and the amount will be RMB 60,000 per unit for entitled pure electric vehicles; and by 2012, a total of 22,200 charging posts for low-speed, middle-speed and high-speed charging are planned to be constructed to establish a diversified and networked charging system. The policy support from the central and local governments at all levels on new energy vehicles lays the foundation for the rapid development of the new energy vehicle industry.

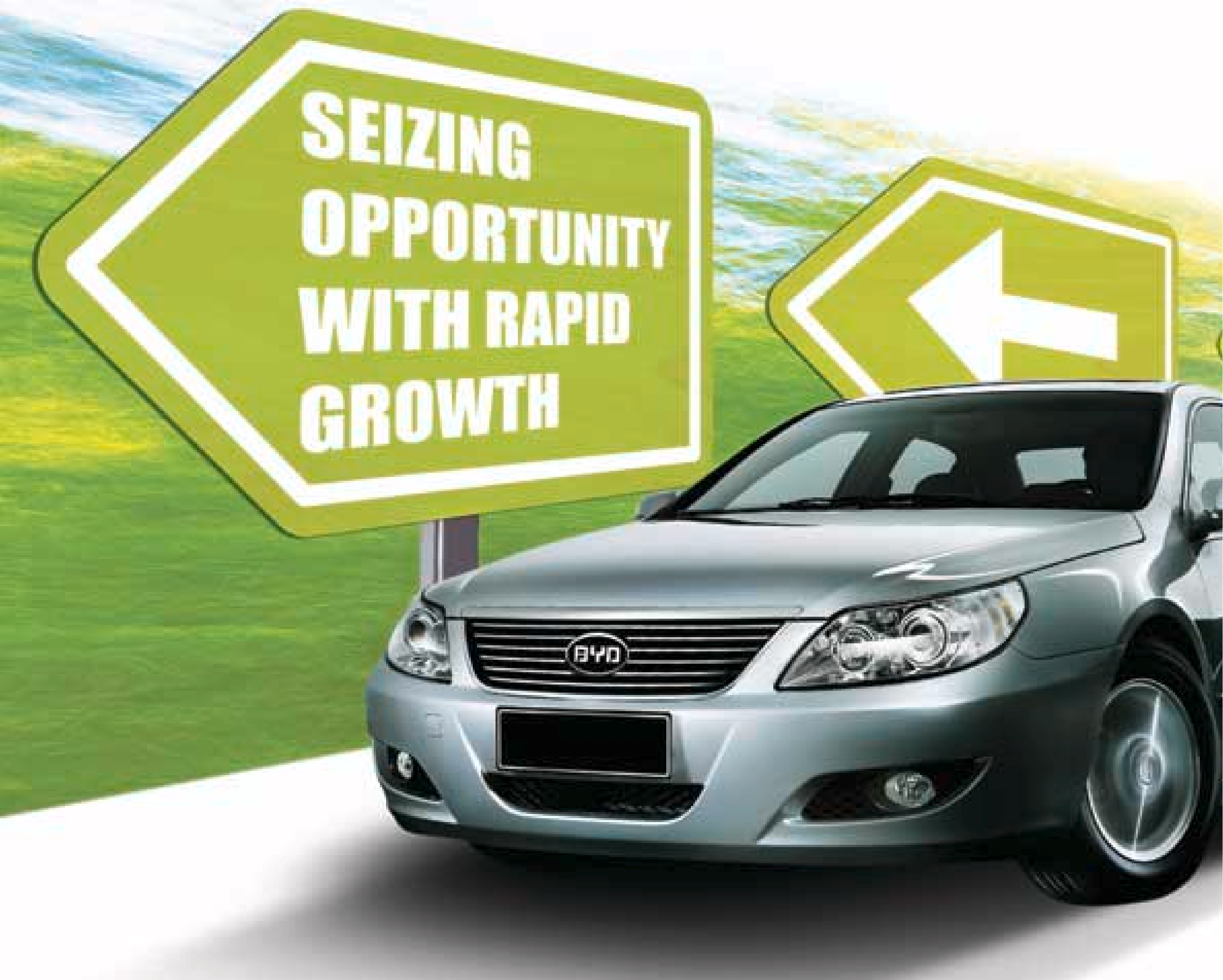
During the Year, as global consumers' confidence and consumption power revived gradually and the application of smart phones gained popularity, the world's handset market saw full recovery in 2010. According to the report by Gartner, an international market research company, the global output of handsets was approximately 1.6 billion units in 2010, representing a year-on-year increase of approximately 32%, of which the output of smart phones increased by approximately 72% to 297 million units as compared to 2009, representing 19% of the total output of handsets. As the market resumed its rapid growth, smart phones manufacturers of new brands and new platform and systems emerged successively and handset manufacturers of traditional brands also actively expanded into the smart phone market. The positive market situation provided a good opportunity for one-stop suppliers equipped with the ability of vertical integration and the possession of a global production and service platform, and the one-stop suppliers with their strong brands, cost advantages and leading position was able to expand the market share.

BUSINESS REVIEW

The major businesses of BYD Company Limited ("BYD" or the "Group") comprise the automobile business, the rechargeable battery business and the handset components and assembly services. During the Year, the automobile business of the Group continued to contribute the majority of the Group's revenue and profit. Meanwhile, the Group maintained its world-leading position in the rechargeable battery business, and continued to keep a good strategic partnership with world-leading handset manufacturers. The new energy business which has been actively propelled by the Group was in good progress and made a contribution to its revenue during the Year. As for its handset components and assembly services, the Group successfully enlarged its market share by capitalizing on its innovative concept and outstanding product competitiveness during the Year.

AUTOMOBILE BUSINESS

Since the commencement of automobile business in 2003, BYD has created a sustained advantage of price competitiveness ratio by leveraging its vertical integration operation and it continually expanded the customer base with its reasonable prices and quality products. After years of effort, the Group's automobile products have received wide recognition in the market. By way of the continuous enhancement of product research and development, the improvement of its quality control as well as the escalation of its operation efficiency through further vertical integration, the Group has been consistently optimizing and adjusting the Group's product mix and managed to launch a series of new models which drove the increasing sales of the Group's vehicles. To date the Group has manufactured and sold over 1 million units of sedans, thus establishing its leading position among domestic independent automobile brands.



During the Year, the Group has altered its market strategy from rapidly expanding the distributor network to aggressively optimizing the automobile sales network. Notwithstanding the influence brought by the sales network adjustment, the Group's overall automobile business managed to maintain stable performance, achieving a turnover of approximately RMB21,550 million, representing a slight increase from last year.

During the Year, the Group's automobiles recorded an overall sales volume of over 500,000 units, representing a year-on-year increase of approximately 10%. According to the China Association of Automobile Manufacturers, BYD continued to rank first in sales volume among manufacturers of domestic branded sedans in 2010. During the Year, various models manufactured by the Group achieved satisfactory sales, among which the best-selling F3 model maintained its hot selling trend and once again ranked first among single model of sedans in the PRC in 2010. The mini sedan F0 model and the F6 model targeting the medium-to-high-end market were continually well-received in the market, with average sales volume of over 10,000 units and 4,000 units per month, respectively. Furthermore, the G3 model, a fuel-engined automobile launched a year ago, the M6 model, the first MPV model launched in August and the L3 model, a sedan launched in the fourth quarter were well accepted in the market. These models further diversified the product mix of the Group while creating new revenue sources for the Group.

With the support from the central government on the new energy vehicle policy, the Group promoted the commercialization and popularization of new energy vehicles in domestic and international market at the right time with a commitment to becoming a leader of global new energy automobile field. The Group's new energy automobile business achieved a significant breakthrough during the Year. The accumulative mileage of the 50 units of E6, pure electric vehicles, which are currently used as taxis under trial operation in Shenzhen, exceeded 1.5 million km by December 2010. The E6 model characterized by excellent performance has become a role model of electric vehicle technology in the world. On the other hand, the Group delivered 10 units of F3DM, a dual-mode electric vehicle, to the Housing Authority of the City of Los Angeles of the US ("HACLA") in December 2010 to start to demonstrate BYD electric vehicles to institutional customers in the US. To date, the K9 model, the electric bus of the Group, has commenced trial operation in Shenzhen and Changsha and will be put into commercial scale operation in 2011, a revolution in current public transportation system.

In order to further optimize the Group's domestic distribution channel, the Group further communicated with its distributors during the Year to enhance the satisfaction and the long-term profitability of its distributors. The Group also increased investment in expanding its production capacity during the Year. In particular, the construction of the automobile manufacture base in Changsha was in steady progress and is expected to provide sufficient production capacity for meeting future market demand. In addition, BYD has been actively laying the foundation for the overseas electric vehicle business and had established a regional sales headquarters in North America in the middle of the Year.

Apart from organic development, the Group also vigorously cooperated with third parties with synergies to seek more business opportunities. On 1 March 2010, BYD entered into a memorandum of understanding with Daimler AG ("Daimler"), pursuant to which both parties will cooperate 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. On 27 May 2010, both parties entered into a joint venture contract in relation to the establishment of Shenzhen BYD Daimler New Technology Co., Ltd.（深圳比亞迪•戴姆勒新技術有限公司）in the PRC with a registered capital of RMB600 million and equally held by BYD and Daimler. It is the business goal of the joint venture company to research and develop a new electric car, including technology platform, power-train technology, design and brand and to leverage this vehicles tapping into the PRC market. The new electric car to be developed by the joint venture company will combine Daimler's proprietary technologies in vehicle structure and safety areas and BYD's outstanding automobile battery and driving technologies. Daimler and BYD will together develop and launch the new electric car under a new brand to be registered and owned by the joint venture company. In February 2011, Shenzhen BYD Daimler New Technology Co., Ltd. has obtained business license and was officially established.

On 18 June 2010, BYD entered into a joint venture contract with Compagnie Générale de Location d'Equipements ("CGL") for the proposed establishment of a joint venture company named BYD Auto Finance Company Limited（比亞迪汽車金融有限公司）in Shenzhen, the PRC, which will be engaged in financing business for purchasing cars in mainland China, including by way of providing loans to end-customers of new cars. The registered capital of the joint venture company will be RMB500 million, of which BYD will contribute RMB400 million and CGL will contribute Euro equivalent of RMB100 million. The joint venture

contract and the establishment of the joint venture company have been approved by the China Banking Regulatory Commission.

RECHARGEABLE BATTERY BUSINESS

In 2010, the global handset market and the power tool market revived gradually from the financial crisis. During the Year, the Group's rechargeable battery and other related products business achieved stable growth and recorded revenue of approximately RMB4,582 million. During the Year, BYD maintained its leading position in the rechargeable battery market with a dominating global market share.

In the area of lithium-ion batteries, with its established leading position in the market for years and its high-quality and cost-effective products, the Group managed to maintain strategic partnerships with world-leading handset manufacturers and secure new projects and orders. In the area of nickel battery business, the economy of the US and Europe has been recovering in a slow pace and drove the orders for power tools and toys during the Year, leading to the recovery of the Group's nickel battery business from the bottom in 2009. As one of the world's largest nickel battery manufacturers, the Group managed to maintain its solid market share through its consistent high-quality nickel battery products for years.

During the Year, the Group further advanced its new energy plan focusing on electric vehicles, solar batteries and energy storage stations, and it commenced the commercial operation of its new energy business. The Group further invested in the enhancement of production capacity of lithium ferrous phosphate batteries and aggressively expand its application areas. During the Year, the lithium ferrous phosphate batteries was successfully applied in the Group's electric vehicles and energy storage stations to fully demonstrate the commercial reliability of lithium ferrous phosphate batteries.

Through the development of the solar battery business by way of vertical integration, the Group's production process covers the complete industry chain from polysilicon, silicon wafer, and extends to solar cell, solar module and solar power station, which effectively minimize production costs and maximize production efficiency. According to European Photovoltaic Industry Association ("EPIA"), the world's installed solar power capacity amounted to 7,203MW in 2009 while the estimated installed capacity would double to 15,515MW in 2010. The strong demand for solar power as a result of global economic development will bring huge business opportunities for the Group's solar power business. During the Year, Phase I of the Group's solar power base located in Shangluo was basically completed. Benefiting from the outstanding product

competitiveness and strong market demand, sales amounted to approximately RMB759 million during the Year. With the gradual realization of the production capacity of Phase II, it is anticipated that this business will achieve sustainable growth in the future.

As an important part of the "Silicon-Iron Strategy" of the Group, the energy storage station business also made a major breakthrough during the Year. By leveraging the supporting policies of the State on new energy development, the Group actively participated in new energy projects associated with such policies, including the construction and demonstrative operation of solar power stations and energy storage stations. During the Year, the Group cooperated with a number of power grid companies and national scientific institutions inside or outside the PRC. Several MW energy storage stations were delivered successful.

HANDSET COMPONENTS AND ASSEMBLY SERVICES

The Group provides customers with one-stop vertically integrated supply services continuously. During the Year, the Group recorded sales of approximately RMB20,553 million, representing a significant year-on-year increase of approximately 42.77%.

For 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 casings, microphones, connectors and other handset assembly parts, and the provision of handset design and assembly services, including high-level assembly service and printed circuit board (PCB) assembly service.

During the Year, benefiting from the popularization of smart phones, driving the rise of the domestic 3G handset market, the Group achieved significant growth in its handset components, assembly services and original design manufacturing service ("ODM"). As a result, the sales of BYD Electronic grew substantially to approximately RMB16,647 million (inclusive of its sales to the Group), representing a substantial growth of approximately 48.65% over 2009. Leveraging its strong product competitiveness, BYD Electronic cemented the cooperation relationship with its existing customers and enhanced its market share in other leading global manufacturers. Apart from handset components and assembly services undertaken by BYD Electronic, the Group's handset component products also include liquid crystal displays (LCDs), flexible PCBs and handset cameras. During the Year, the sales of non-BYD Electronic handset components was approximately RMB4,060 million, representing an increase of approximately 22.44% over 2009.

PROPOSED ISSUE OF A SHARES

During the Year, the Group proceeded with its plan of A Share Issue. Upon approval at the extraordinary general meeting and the class meetings held on 30 August 2010, the effective period of the resolutions in respect of the A Share Issue and the Authorizations had been extended for 12 months till 7 September 2011. For details, please refer to the announcement dated 13 July 2010, the circular dated 14 July 2010, and the announcement dated 30 August 2010 of the Company.

FUTURE PROSPECTS AND STRATEGIES

Automobile Business

Despite the expiry of a number of favorable automobile industry policies, such as Vehicle Purchase Tax Reduction Policy on Passenger Vehicles with an Engine Capacity of 1.6 Liters or Smaller（減徵 16 升及以下排量乘用車車輛購置稅）, at the end of 2010, driven by the factors as the stable improvement of the living standard of urban and rural residents, accelerating urbanization and industrialization as well as the gradual revival of exports, the automobile industry is expected to maintain a stable growing trend. Looking forward to 2011, BYD will endeavor to improve its operation quality, product quality, channel management and profitability. The Group will further optimize its sales networks and formulate specific sales strategies for each model. In 2011, the Group will further diversify the models by launching the first SUV model S6, the high-end model G6 and the minivan model, so as to become an automobile manufacturer with a full range of vehicle models and enhance the proportion of medium-to-high-end vehicle models to its total sales volume, further enhancing its domestic market share. Meanwhile, the Group will put more efforts to expand overseas markets and actively increase presence in overseas markets in order to have stronger influence of its automobile products in the international market.

With increasing concerns over energy conservation and emission reduction across the globe, government from different countries has enlarged their degree of support to new energy vehicles accordingly. As for the PRC with a fast-developing economy, apart from the benefits of energy conservation and environmental protection, new energy vehicles also help to alleviating the shortage of petroleum resources in the PRC and reducing its reliance on imported petroleum. Therefore, the Chinese government has introduced favorable policies for new energy vehicles and improved the relevant ancillary facilities, so as to accelerate the commercialization and popularization of new energy vehicles. For example, Adjustment and Revitalization Planning for the Automobile Industry（《汽車產業調整和振興計劃》）and the Notice on Promoting the Pilot Work of Demonstrating Energy Conservation and New Energy Vehicles（《關於開展節能與新能源汽車示範推廣試點工作的通知》）issued in 2009 aimed to facilitate the scale manufacture and sale of electric vehicles. In view of the national support to new energy vehicles, the Group will continue to intensify its investment effort in the new energy vehicle business and expand the production capacity of electric vehicles to meet market demand. The Group will be committed to accelerating the industrialization of new energy automobiles in domestic and overseas markets to facilitate the development of the new energy automobile industry.

BYD will unswervingly follow the development path of "self-research and development, self-production and self-owned brand" continuously. It will further enhance its brand awareness and reputation as well as launch more competitive and diversified automobile products of good quality in order to become a global leading manufacturer of traditional and new energy vehicles.

Rechargeable Battery Business

Looking forward to 2011, the global handset market will gradually recover as the global economy picks up and a number of smart phones will be launched. The PRC is expected to become the world's second largest smart phone market following the US. Facing increasingly fierce competition in the handset market, the Group will continue to maintain its strategic cooperative partnership with the world-leading handset manufacturers, further diversify the application of battery products and expand the application areas of lithium ferrous phosphate batteries, so as to better prepare for the development of the new business fields such as electric vehicles and energy storage stations. The Group is confident in maintaining the steady development of the business, consolidating its leading position in the market and will cultivate a new growth momentum while bringing the Group a steady income.

The global demand for energy is steadily on the rise along with the economic development. In the light of increasingly tight supply of traditional energy and deteriorating environmental pollution, low-carbon and emission reduction are receiving more and more attention and support from government of different countries. As various countries accelerate the pace of curbing global warming currently and green environmental concept as a focus is also set out in the national 12th 5-year plan, the core of BYD's new energy business is low carbon, energy conservation and environmental protection. Looking forward to 2011, the Group will actively explore the solar battery business and invest in the research and development, manufacture and sales of solar batteries, therefore this business will become a new growth momentum of the Group. Meanwhile, the Group will strive to become a leading new energy manufacturer in the industry.

Energy storage stations can effectively solve the problem of network surf limits caused by fluctuations in new energy power and provide a cost-effective, safe and steady solution for the application of new energy power and the transformation of the global energy structure. By providing customers with a complete system consisting of solar battery products and energy storage stations, the Group will be capable of rendering one-stop solutions to the issues of new energy power generation, storage, continuous supply and subsequent applications. The Group will continue to diversify the application of energy storage stations in the domestic and international markets and actively expand the production capacity of energy storage batteries in order to establish its global leading position in the energy storage field.

New energy business is an important direction of BYD's future development. By leveraging its technology and cost advantages in the new energy sector, the Group is committed to achieving the scale commercial operation of its new energy business by establishing a strong new energy industry chain to facilitate the long-term and sustainable development of the business.

Handset Components and Assembly Services

In 2011, the handset market will continue to expand and the global output of handsets will steadily increase, which will in turn drive the growing demand for handset components, overall handset design and assembly services. With the constant increase in 3G users in the PRC, the Group will continue to place considerable resources in the research and development of 3G handsets. It will attract new customers and obtain more customer orders as well as enhanced market share by leveraging its vertically integrated strategy, handset products with price competitiveness and constantly increasing ODM capabilities. In addition, as the age of smart phones arrives officially, the landscape of the domestic telecommunication sector and the global handset sector is expected to undergo a major change. Looking forward, the Group will continue to improve its research and development capability and technologies, maintain and enhance product quality as well as cost advantages, and strive to develop an integrated global platform for manufacture and services, so as to further enhance its market position.

FINANCIAL REVIEW

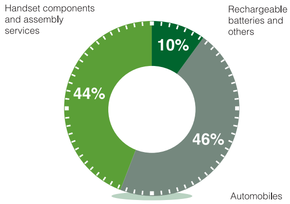
Turnover and Profit attributable to Equity Holders of the Parent Company

During the Year, turnover increased by approximately 18.28% as compared to that of 2009, mainly due to the rapid growth of the handset components, assembly services and ODM businesses during the Year. Profit attributable to equity holders of the parent company decreased by approximately 33.48% as compared to the same period of the previous year, which was mainly attributable to intense competition and the increase in selling and distribution costs during the Year.

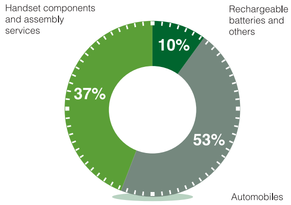
Segmental Information

The table below sets out comparisons of the Group's turnover by product category for the years ended 31 December 2009 and 2010:

2010



2009



During the Year, the handset components and assembly service businesses of the Group grew rapidly, accounting for a larger share of the overall turnover.

Gross Profit and Margin

During the Year, the Group's gross profit decreased by approximately 3.51% to approximately RMB8,264 million. Gross profit margin decreased from approximately 21.70% in 2009 to approximately 17.70% in the Year. The decrease in gross profit margin was mainly due to intense market competition and the change in product mix.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB3,139 million, compared with approximately RMB12,016 million in 2009. Total borrowings as at 31 December 2010, including all bank loans, were approximately RMB14,052 million, compared with approximately RMB3,654 million as at 31 December 2009. The maturity profile of the bank loans and interest thereof spread over a period of ten years, with approximately RMB11,363 million repayable within one year and approximately RMB1,244 million in the second year, approximately RMB1,651 million within three to five years and approximately RMB491 million over five years. The increase in total borrowings was mainly due to the expansion of production capacity and development of new businesses which led to an increase in capital expenditure. The Group maintained adequate liquidity to meet its daily management and capital expenditure requirements and controlled internal operating cash flows.

Turnover days of accounts and bills receivables remained relatively stable and stood at approximately 71 days for the year ended 31 December 2010, compared to approximately 73 days for the same period in 2009. Inventory turnover days shortened from approximately 70 days for the year ended 31 December 2009 to approximately 54 days for the year ended 31 December 2010. The shortening of inventory turnover days was mainly attributable to the year-on-year increase in sales amount and sales cost during the year; while average inventory had no material change compared to the same period last year.

Capital Structure

The Group's Financial Division is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 31 December 2010, borrowings were primarily settled in Renminbi, while cash and cash equivalents were primarily held in Renminbi and US dollar. The Group maintained 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 2010 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are settled in Renminbi and US dollar. During the Year, the Group did not experience any significant difficulties in its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt applicable measures to prevent exposure to exchange rate risk.

Employment, Training and Development

As at 31 December 2010, the Group had over 180,000 employees. During the Year, total staff cost accounted for approximately 14.39% 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 2010, 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 did not redeem any of its shares during the period from 1 January 2010 to 31 December 2010. 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 37 to the financial statements for details of capital commitments.

CONTINGENT LIABILITIES

Please refer to note 35 to the financial statements for details of contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Please refer to note 42 to the financial statements for details of events after the reporting period.

EXECUTIVE DIRECTOR

Wang Chuan-fu

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

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

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang

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

Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology of Beijing (北京科技大學)) from 1985 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 Shenzhen Zhengxuan Investment (Holdings) Co., Ltd (深圳市正軒投資有限公司), the Chairman of Beijing Zhengxuan Zhongteng Investment Co., Ltd (北京正軒中騰投資有限責任公司), an Executive Director of Nanjing Applica Technology Co., Ltd (南京雅普利華生物科技有限公司) and the Vice-chairman of BYD Charity 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.

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 senior manager of Beijing Xinghua Accounting Firm Co., Ltd.

Wu Chang-qi

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

SUPERVISORS

Dong Jun-qing

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

Li Yong-zhao

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

Zhang Hui-bin

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

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 and a supervisor of BYD Charity Foundation.

Yan Chen

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

SENIOR MANAGEMENT

Yang Long-zhong

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

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 and a director of BYD Charity Foundation.

Wu Jing-sheng

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

Mao De-he

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

Lian Yu-bo

Mr. Lian Yu-bo, born in 1964, Chinese national with no right of abode overseas, master degree holder, senior engineer. Mr. Lian graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in July 1986, with a bachelor degree majoring in aircraft manufacturing engineering. In September 2000, he obtained an professional MBA degree from Nanjing University. Mr. Lian 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, general manager of Division 13 and general manager of Division 12. He is also a director and CEO of Shenzhen BYD Daimler New Technology Co., Ltd. and a director of BYD Charity Foundation.

He Long

Mr. He Long, born in 1972, Chinese national with no right of abode overseas, master degree holder. Mr. He graduated from Peking University in 1999 and obtained a bachelor of science degree in applied chemistry, an LLB and a master 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 Foshan Jinhui Hi-Tech Optoelectronic Material Co., Ltd (佛山市金輝高科光電材料有限公司), a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. and a director of BYD Charity Foundation.

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 Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd. and a director of BYD Charity Foundation.

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

BOARD MEETINGS

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting; written notices are sent to all Directors 10 days before a provisional board meeting. The meeting agenda is set in consultation with members of the Board. The Board held eleven meetings in 2010. The attendance of individual Director at the Board meetings is set out below:

Members of the Board	Number of Board Meetings Attended	Attendance Rate
Executive Director		
WANG Chuan-fu	11	100%
Non-executive Directors		
LU Xiang-yang	11	100%
XIA Zuo-quan	11	100%
David L. Sokol	11	100%
Independent Non-executive Directors		
LIN You-ren	11	100%
LI Dong	11	100%
WU Chang-qi	11	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 2010, 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 four meetings in 2010 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 2009, the three months ended 31 March 2010, the six months ended 30 June 2010 and the nine months ended 30 September 2010, 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	4	100%
LI Dong	4	100%
WU Chang-qi	4	100%
LU Xiang-yang	4	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 2010, 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 2010 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 2010 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 2010, 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 2010, 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 2010, the total remuneration paid and payable by the Company to the independent international auditors, Ernst & Young, was RMB3,055,000 for audit services. The audit fee was approved by the Board.

The appointment of one of the top four international accounting firms or one of the other accounting firms permitted to engage in the business of H share auditing in the PRC as the independent international auditor of the Company for 2011 has been recommended 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 by the Audit Committee and a summary of major audit findings is reported regularly to the Audit Committee. During the reporting year, the Internal Audit Department reviewed the key operations of the Group, identified areas of concern and held constructive communications with the Audit Committee.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2010.

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.

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 2010.

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 2010.

An analysis of the Group's performance for the year ended 31 December 2010 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 2010 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 101 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2011 (Tuesday) to 10 June 2011 (Friday), 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 9 May 2011 (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 33 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2010 amounted to approximately RMB96,689,000 (2009: RMB3,404,000).

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 32 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2010, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB1,220,343,000 (2009: RMB1,076,928,000).

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 102 of this annual report.

DIRECTORS

The Directors who held office during the year ended 31 December 2010 and up to the date of this report are:

— Executive director:
Mr. Wang Chuan-fu

— Non-executive directors:
Mr. Lu Xiang-yang
Mr. Xia Zuo-quan
Mr. David L. Sokol (resigned on 1 April 2011)

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management of the Company are set out on pages 15 to 18.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2010, 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 RMB1.00 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 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 2010, 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 2010, 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 RMB1.00 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 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
Morgan stanley *(note 2)*	41,496,497(L)	1.82	5.23
	41,189,413(S)	1.81	5.19
Li Lu *(note 3)*	55,511,200(L)	2.44	7.00
LL Group, LLC *(note 3)*	55,511,200(L)	2.44	7.00
Blackrock, Inc. *(note 4)*	46,520,475(L)	2.04	5.87
	2,291,387(S)	0.10	0.29
FIL Limited *(note 5)*	39,711,986(L)	1.75	5.01

(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. Morgan Stanley was deemed to be interested in 41,496,497 H shares (L) and have a short position in 41,189,413 H shares (S) through its controlled corporations.
3. 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.
4. Blackrock, 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.
5. FIL Limited was interested as investment manager in 39,711,986 H shares (L).

The total issued share capital of the Company as at 31 December 2010 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 2010.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	10.93%
— the five largest suppliers combined	21.08%
Sales	
— the largest customer	18.32%
— the five largest customers combined	37.82%

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 2010 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. A resolution will be proposed at the forthcoming annual general meeting to appoint one of the top four international accounting firms or one of the other accounting firms permitted to engage in the business of H share auditing in the PRC as the independent international auditor of the Company for 2011.

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, The PRC, 12 March 2011

In 2010, in accordance with the principle of being accountable to all shareholders, the Supervisory Committee of the Company fully complied with the duties to supervise and ensure that the resolutions as passed in the Shareholders' General Meetings were consistently implemented, the legal interest of shareholders was protected and the duties conferred under the Articles of Association and in the Shareholders' General Meetings were completed in accordance with the Company Law, the Articles of Association and the relevant provisions, in order to facilitate a disciplined operation and sustainable development of the Company.

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

On 12 March 2010, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2009 was considered and approved accordingly.

On 21 August 2010, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2010 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 2010 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 2010, 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 2011

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 consolidated financial statements of BYD Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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 2011

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5	**46,685,349**	39,469,454
Cost of sales		**(38,420,975)**	(30,904,723)
Gross profit		**8,264,374**	8,564,731
Other income and gains	5	**531,891**	297,857
Government grants and subsidies	7	**353,679**	389,623
Selling and distribution costs		**(2,175,881)**	(1,489,708)
Research and development costs	6	**(1,403,459)**	(1,283,316)
Administrative expenses		**(1,917,889)**	(1,507,711)
Other expenses		**(254,619)**	(207,105)
Finance costs	8	**(281,383)**	(255,388)
Share of profits and losses of jointly-controlled entities		**25,554**	—
PROFIT BEFORE TAX	6	**3,142,267**	4,508,983
Income tax expenses	11	**(223,677)**	(430,543)
PROFIT FOR THE YEAR		**2,918,590**	4,078,440
PROFIT FOR THE YEAR			
Attributable to:			
Owners of the parent	12	**2,523,414**	3,793,576
Non-controlling interests		**395,176**	284,864
		2,918,590	4,078,440
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
– For profit for the year		**RMB1.11**	RMB1.77

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		**2,918,590**	4,078,440
Exchange differences on translation of foreign operations		**7,833**	35,127
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7,833**	35,127
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,926,423**	4,113,567
Attributable to:			
Owners of the parent	12	**2,528,745**	3,816,606
Non-controlling interests		**397,678**	296,961
		2,926,423	4,113,567

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**24,877,113**	18,906,929
Investment properties		**—**	1,927
Prepaid land lease payments	16	**4,386,785**	1,661,369
Goodwill	17	**65,914**	58,603
Other intangible assets	18	**1,222,772**	770,753
Prepayments	24	**4,172,190**	1,953,289
Available-for-sale investments	21	**—**	—
Deferred tax assets	31	**371,337**	185,927
Property under development		**166,851**	—
Investments in jointly controlled entities	20	**59,160**	—
Total non-current assets		**35,322,122**	23,538,797
CURRENT ASSETS			
Inventories	22	**6,537,852**	4,408,407
Trade and bills receivables	23	**8,152,800**	9,792,812
Prepayments, deposits and other receivables	24	**1,869,370**	644,032
Derivative financial instruments		**—**	1,000
Pledged deposits	25	**13,784**	33,723
Cash and cash equivalents	25	**1,978,735**	2,316,826
Total current assets		**18,552,541**	17,196,800
CURRENT LIABILITIES			
Trade and bills payables	26	**11,033,448**	11,518,658
Other payables and accruals	27	**3,196,861**	2,277,220
Advances from customers		**2,864,656**	3,340,965
Deferred income	28	**54,435**	207,831
Derivative financial instruments		**—**	94
Interest-bearing bank borrowings	29	**11,003,490**	547,129
Tax payable		**204,758**	236,701
Provision	30	**317,565**	248,850
Total current liabilities		**28,675,213**	18,377,448
NET CURRENT LIABILITIES		**(10,122,672)**	(1,180,648)
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,199,450**	22,358,149

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,199,450**	22,358,149
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**3,049,000**	3,106,514
Deferred income	28	**999,374**	224,508
Total non-current liabilities		**4,048,374**	3,331,022
Net assets		**21,151,076**	19,027,127
EQUITY			
Equity attributable to owners of the parent			
Issued capital	32	**2,275,100**	2,275,100
Reserves	33	**16,185,219**	13,656,474
Proposed final dividend	13	**—**	750,783
		18,460,319	16,682,357
Non-controlling interests		**2,690,757**	2,344,770
Total equity		**21,151,076**	19,027,127

Director *Director*

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 32)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 33)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 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
Profit for the year	—	—	—	—	—	3,793,576	—	3,793,576	284,864	4,078,440
Other comprehensive income for the year	—	—	—	—	23,030	—	—	23,030	12,097	35,127
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 non-controlling interests	—	—	(927)	—	—	—	—	(927)	(2,772)	(3,699)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(7,923)	(7,923)
Investment from a non-controlling 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 and 1 January 2010	2,275,100	1,368,590*	4,349,366*	1,145,518*	(48,650)*	6,841,650*	750,783	16,682,357	2,344,770	19,027,127
Profit for the year	—	—	—	—	—	2,523,414	—	2,523,414	395,176	2,918,590
Other comprehensive income for the year	—	—	—	—	5,331	—	—	5,331	2,502	7,833
Total comprehensive income for the year	—	—	—	—	5,331	2,523,414	—	2,528,745	397,678	2,926,423
Final 2009 dividends declared	—	—	—	—	—	—	(750,783)	(750,783)	—	(750,783)
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(51,691)	(51,691)
The government subsidies designated to increase the reserve fund	—	—	4,736	—	—	(4,736)	—	—	—	—
Appropriation to statutory surplus reserve fund	—	—	—	312,695	—	(312,695)	—	—	—	—
Proposed final 2010 dividend	—	—	—	—	—	—	—	—		
At 31 December 2010	2,275,100	1,368,590*	4,354,102*	1,458,213*	(43,319)*	9,047,633*	—	18,460,319	2,690,757	21,151,076

* These reserve accounts comprise the consolidated reserves of RMB16,185,219,000 (2009: RMB13,656,474,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,142,267**	4,508,983
Adjustments for:			
Finance costs	8	**281,383**	255,388
Share of profits and losses of jointly-controlled entities		**(25,554)**	—
Bank interest income	6	**(27,431)**	(18,073)
Government grants and subsidies		**(82,541)**	(340,242)
Loss on disposal of items of non-current assets	6	**41,051**	92,062
Net fair value gains on derivative instruments			
- transactions not qualifying as hedges	5, 6	**—**	(906)
Gain on settlement of derivative instruments		**(217)**	(868)
Depreciation	6	**2,016,615**	1,594,453
Impairment of inventories	6	**41,647**	229,037
Impairment of trade receivables	6	**10,947**	22,504
Impairment losses of trade receivables reversed	6	**(43,033)**	(17,210)
Recognition of prepaid land lease payments	6	**67,631**	33,409
Impairment of items of property, plant and equipment	6	**—**	45,082
Impairment of financial asset available for sale	21	**11,139**	—
Excess over the cost of a business combination	5	**—**	(1,222)
Amortisation of other intangible assets	18	**165,062**	135,787
		5,598,966	6,538,184
(Increase)/Decrease in inventories		**(2,171,092)**	2,278,092
(Increase)/Decrease in trade and bills receivables		**1,660,916**	(4,232,011)
(Increase)/Decrease in prepayments, deposits and other receivables		**(1,399,716)**	71,514
Increase/(Decrease) in trade and bills payables		**(485,210)**	4,669,944
Increase in other payables and accruals		**756,267**	730,748
Increase/(Decrease) in advances from customers		**(476,309)**	2,069,035
Increase in provision for warranties		**68,715**	156,590
Cash generated from operations		**3,552,537**	12,282,096
Interest received		**27,431**	18,073
Taxes paid		**(441,030)**	(283,964)
Net cash flows from operating activities		**3,138,938**	12,016,205

	Notes	2010 RMB'000	2009 RMB'000
Net cash flows from operating activities		**3,138,938**	12,016,205
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,113,939)**	(5,796,720)
Increase in non-current prepayments		**(2,425,714)**	(1,150,137)
Increase in prepaid land lease payments		**(2,275,757)**	(160,928)
Receipt of government grants		**697,178**	184,500
Additions to other intangible assets	18	**(620,694)**	(202,046)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		**80,138**	36,583
Proceeds from settlement of derivative instruments		**1,123**	868
(Increase)/Decrease in pledged deposits		**19,939**	(28,999)
Acquisition of subsidiary	34	**(36,039)**	(57,000)
Payment of shareholding in a jointly-controlled entity		**(9,000)**	—
Net cash flows used in investing activities		**(12,682,765)**	(7,173,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**12,719,565**	4,421,616
Repayment of bank loans		**(2,328,309)**	(9,941,114)
Interest paid		**(405,492)**	(301,925)
Dividends paid		**(750,783)**	—
Dividends paid to a non-controlling shareholder		**(51,705)**	(7,909)
Investment from a non-controlling shareholder		**—**	6,700
Repurchase of shares of a subsidiary		**—**	(3,703)
Proceeds from issue of a subsidiary's shares		**—**	1,581,110
Net cash flows from/(used in) financing activities		**9,183,276**	(4,245,225)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(360,551)**	597,101
Cash and cash equivalents at beginning of year		**2,316,826**	1,701,397
Effect of foreign exchange rate changes, net		**22,460**	18,328
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,978,735**	2,316,826
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,205,763**	2,137,197
Non-pledged time deposits with original maturity of less than three months when acquired	25	**786,756**	213,352
Pledged time deposit for banking facilities	25	**(13,784)**	(33,723)
Cash and cash equivalents as stated in the statement of financial position		**1,978,735**	2,316,826

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,632,760**	1,757,137
Investments in subsidiaries	19	**3,913,332**	3,644,374
Prepaid land lease payments	16	**27,610**	28,136
Other intangible assets	18	**36,229**	52,925
Prepayments	24	**204,446**	12,580
Available-for-sale investments	21	**—**	—
Total non-current assets		**5,814,377**	5,495,152
CURRENT ASSETS			
Inventories	22	**304,990**	306,846
Trade and bills receivables	23	**1,078,558**	797,341
Tax recoverable		**4,738**	4,738
Prepayments, deposits and other receivables	24	**75,774**	52,344
Due from subsidiaries	19	**5,519,190**	4,137,940
Cash and cash equivalents	25	**88,593**	391,970
Total current assets		**7,071,843**	5,691,179
CURRENT LIABILITIES			
Trade and bills payables	26	**840,689**	711,595
Other payables and accruals	27	**283,677**	238,327
Advanced from customers		**39,074**	22,949
Derivative financial instruments		**—**	74
Interest-bearing bank borrowings	29	**1,960,432**	—
Due to subsidiaries	19	**3,336,042**	2,004,647
Total current liabilities		**6,459,914**	2,977,592
NET CURRENT ASSETS		**611,929**	2,713,587
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,426,306**	8,208,739
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	29	**1,409,000**	2,600,000
Net assets		**5,017,306**	5,608,739
EQUITY			
Issued capital	32	**2,275,100**	2,275,100
Reserves	33(b)	**2,742,206**	2,582,856
Proposed final dividend	13	**—**	750,783
Total equity		**5,017,306**	5,608,739

Director *Director*

1. CORPORATE INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products. The activities of the Company's subsidiaries are set out in note 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 RMB10,122,672,000 as at 31 December 2010, the consolidated financial statements have been prepared on a going concern basis as it is the directors' contention that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of A Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 17 included in Improvements to HKFRS 2009 and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*
HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 17 Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. The Group has no leases in Hong Kong.

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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendment to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011.

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

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements:* Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

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

In prior years, the Group's investments in jointly-controlled entities are accounted for by the proportionate consolidation method. During the year, the directors of the Company have decided to adopt equity method of accounting. Since the financial effect on the financial statements is immaterial, no retrospective restatement is made.

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Know-how

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

Software

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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.

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

Financial assets carried at cost

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 joint ventures, 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 joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

(c) 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;

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

(e) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences 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 the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease

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

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

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considered that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 31 to the financial statements.

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 2010 was RMB65,914,000 (2009: 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, plant and equipment and intangible assets are placed into use. The estimated useful lives or the total production reflects the directors' estimate of the period that the Group intends to derive future economic benefits from the use of the Group's items of property, plant and equipment or intangible assets.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing, tax rate and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2010 was RMB371,337,000 (2009: RMB185,927,000). 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 2010, the best estimate of the carrying amount of capitalised development costs was RMB1,133,697,000 (2009: RMB667,082,000). Further details are contained in note 18 to the financial statements.

Warranty provisions

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

Allowance for doubtful receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

Xi'an Construction in progress

As of 31 December 2010, the Group had not obtained the land use right certificate for land located in Hu County, Xi'an City of Shaanxi Province and was still in the process of completing land use formalities. According to State-owned Construction Land Use Rights Bidding Notice of Hu County, Xi'an City issued on 20 February 2011 and bidding details released by Land Reserve Center of Hu County on 4 March 2011, the construction in progress on the aforesaid land will be transferred with the price of RMB18,400,000 along with land use right. The Group believes that it is highly possible for the Group to win the bid, thus there is no need to make disposal of the aforesaid construction in progress as of 31 December 2010. The Group recorded RMB 18,400,000 as non-operating expense for the year based on the estimated bidding price. This is the best estimation by management based on current information.

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 and new energy products;

(b) the mobile handset components segment comprises the manufacture and sale of mobile handset components such as housings, keypads and the provision of assembly services;

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

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

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

Segment assets exclude deferred tax assets, goodwill, derivative 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 2010	Rechargeable Battery and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	4,581,758	20,553,382	21,550,209	—	46,685,349
Intersegment sales	195,028	405,914	87,695	—	688,637
Others including other gross income from sales of raw materials and disposal of scrap materials	419,029	232,046	452,336	—	1,103,411
Taxes and surcharges	3,568	13,108	642,980	—	659,656
	5,199,383	21,204,450	22,733,220	—	49,137,053
Reconciliation:					
Elimination of intersegment sales					(688,637)
Elimination of other gross income					(1,103,411)
Elimination of taxes and surcharges					(659,656)
Revenue – sales to external customers					46,685,349
Segment results	252,350	1,606,877	1,742,896	(89)	3,602,034
Reconciliation:					
Elimination of intersegment results					(27,639)
Interest income					27,431
Dividend income and unallocated gains					583,323
Corporate and other unallocated expenses					(761,499)
Finance costs					(281,383)
Profit before tax					3,142,267
Segment assets	9,914,907	13,222,035	27,981,856	59	51,118,857
Reconciliation:					
Elimination of intersegment receivables					(723,044)
Elimination of intersegment sales unrealized profit					(51,633)
Corporate and other unallocated assets					3,530,483
Total assets					53,874,663
Segment liabilities	1,813,153	3,809,745	12,463,625	1	18,086,524
Reconciliation:					
Elimination of intersegment payables					(723,044)
Corporate and other unallocated liabilities					15,360,107
Total liabilities					32,723,587

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Rechargeable Battery and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Other segment information:					
Impairment losses of items of property, plant and equipment recognized in the income statement	—	—	—	—	—
Loss on disposal of items of property, plant and equipment	10,375	23,595	7,081	—	41,051
Loss on disposal of other intangible assets	—	—	—	—	—
Depreciation and amortisation	413,000	825,122	1,011,186	—	2,249,308
Capital expenditure	1,412,757	814,675	9,359,717	—	11,587,149*

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

Year ended 31 December 2009	Rechargeable Battery and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
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
Others including other gross income from sales of raw materials and disposal of scrap materials	144,133	179,258	647,498	(46)	970,843
Taxes 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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009	Rechargeable Battery and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
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*

Geographical information

(a) *Revenue from external customers*

	2010 RMB'000	2009 RMB'000
China (including Hong Kong, Macau and Taiwan)	**39,676,134**	32,127,692
India	**1,176,011**	1,765,289
Hungary	**1,005,453**	738,937
Brazil	**150,790**	187,721
Others	**4,676,961**	4,649,815
	46,685,349	39,469,454

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2010 RMB'000	2009 RMB'000
China (including Hong Kong, Macau and Taiwan)	**34,229,398**	22,676,247
India	**573,150**	568,643
Hungary	**71,481**	106,445
Others	**76,756**	1,535
	34,950,785	23,352,870

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 RMB8,501,119,000(2009: RMB7,001,812,000) was derived from sales made by the battery and other products segment and mobile handset components segment to a single customer, including sales to a group of entities which are know to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

		Group	
	Notes	2010 RMB'000	2009 RMB'000
Revenue			
Sale of goods		**37,579,719**	34,480,959
Assembly service income		**9,105,630**	4,988,495
		46,685,349	39,469,454
Other income			
Subcontracting income		**2,122**	4,520
Bank interest income	6	**27,431**	18,073
Gross rental income		**9,615**	6,930
Gain on disposal of scrap		**274,717**	172,394
Penalty from supplliers		**56,354**	43,812
Amounts overdue and unable to be collected by creditors		**56,463**	215
Others		**105,189**	49,785
		531,891	295,729
Gains			
Fair value gains, net:			
Derivative instruments - transactions not qualifying as hedges	6	**—**	906
Gain on bargain purchase	6,34	**—**	1,222
		531,891	297,857

6. PROFIT BEFORE TAX

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

	Notes	Group 2010 RMB'000	Group 2009 RMB'000
Cost of inventories sold		**29,998,863**	25,947,018
Cost of services provided		**8,380,465**	4,728,668
Depreciation		**2,016,615**	1,594,453
Impairment of items of property, plant and equipment**	15	**—**	45,082
Amortisation of other intangible assets other than development costs****	18	**32,715**	29,999
Research and development costs:			
Deferred expenditure amortised*	18	**132,347**	105,788
Current year expenditure		**1,403,459**	1,283,316
		1,535,806	1,389,104
Minimum lease payments under operating leases:			
Land and buildings located in Mainland China		**20,724**	16,774
Auditors' remuneration		**7,240**	6,617
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		**5,963,563**	4,067,415
Welfare		**90,111**	48,243
Retirement benefit scheme contributions		**339,696**	157,212
		6,393,370	4,272,870
Amortisation of land lease payments	16	**67,631**	33,409
Amortisation of assets related to "Contractual Operation Contract"		**32,375**	13,490
Loss on disposal of items of property, plant and equipment**		**41,051**	66,272
Loss on disposal of other intangible assets**		**—**	25,790
Foreign exchange differences, net**		**101,174**	18,937
Impairment of trade receivables	23	**10,947**	22,504
Impairment losses of trade receivables reversed	23	**(43,033)**	(17,210)
Impairment of inventories***		**41,647**	229,037
Impairment of available-for-sale investments	21	**11,139**	—
Product warranty provision	30	**246,005**	278,872
Net fair value gains on derivative instruments - transactions not qualifying as hedges	5	**—**	(906)
Rental income on investment properties less direct operating expenses of RMB: Nil (2009: RMB1,286,000)		**—**	(280)
Bank interest income	5	**(27,431)**	(18,073)
Gain on bargain purchase ^	5	**—**	(1,222)

* 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 items of property, plant and equipment 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 other intangible assets other than development costs for the year is included in "Administrative expenses" in the consolidated income statement.

^ Gain on bargain purchase is included in "Other income and gains" in the consolidated income statement.

7. GOVERNMENT GRANTS AND SUBSIDIES

	Group	
	2010	2009
	RMB'000	RMB'000
Related to assets		
Subsidies on research and development activities for automobile and related products (note (a))	**23,801**	8,889
Others	**19,540**	13,620
Related to income		
Subsidies on research and development activities for automobile and related products (note (a))	**39,200**	293,863
Subsidies on basic research and development activities (note (b,c))	**184,886**	—
Others	**86,252**	73,251
	353,679	389,623

(a) In 2008, BYD Auto SZ, a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB864,647,000 which were provided by the local government to support automotive research and development activities. The government grants did not specify any repayment terms or other conditions that are required to be met. For the year ended 31 December 2010, RMB63,001,000 was recognized as government grant income (2009: RMB302,752,000) 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 2010, Changsha BYD Auto Co.,Ltd ("Changsha Auto"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB150,000,000 which were provided by the Economy Commission of Changsha City to support automotive research and development activities. For the year ended 31 December 2010, RMB150,000,000 was recognized as income from government grants upon Changsha Auto incurring research and development cost expenses.

(c) In November 2010, Huizhou BYD Battery Co.,Ltd ("Huizhou Battery"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB34,886,000 which were provided by the Bureau of Industry and Trade Development of the Huizhou Daya Bay Economic & Technical Development Zone to support fundamental research activities since the setup of Huizhou Battery. For the year ended 31 December 2010, RMB34,886,000 was recognized as income from government grants upon Huizhou Battery incurring research cost expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank borrowings	**235,853**	301,925
Bank charges for discounted notes	**177,230**	10,732
	413,083	312,657
Less: Interest capitalised	**(131,700)**	(57,269)
	281,383	255,388

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 4.76% (2009: 6.94%).

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	
	2010 RMB'000	2009 RMB'000
Fees	450	450
Other emoluments:		
Salaries, allowances and benefits in kind	6,409	5,214
Pension scheme contributions	6	6
	6,415	5,220
	6,865	5,670

(a) Independent non-executive directors

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

	2010 RMB'000	2009 RMB'000
Ms. Li Dong	150	150
Mr. Wu Chang-qi	150	150
Mr. Lin You-ren	150	150
	450	450

There was no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

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

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

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year except for one non-executive director (2009: Nil).

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: one) director. Details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2009: four) non-director, highest paid employees for the year are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	**18,169**	12,101
Pension scheme contributions	**15**	13
	18,184	12,114

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

	Number of employees	
	2010	2009
RMB2,500,001 to RMB3,000,000	**—**	1
RMB3,000,001 to RMB3,500,000	**—**	3
RMB3,500,001 to RMB4,000,000	**—**	—
RMB4,000,001 to RMB4,500,000	**—**	—
RMB4,500,001 to RMB5,000,000	**4**	—
	4	4

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy reduced enterprise income tax rates ranging from 11% 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.

	2010 RMB'000	2009 RMB'000
Group:		
Current – Hong Kong		
Charge for the year	873	—
Current – Mainland China		
Charge for the year	408,214	451,168
Deferred (note 31)	(185,410)	(20,625)
Total tax charge for the year	223,677	430,543

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	2010 RMB'000	%	2009 RMB'000	%
Profit before tax	3,142,267		4,508,983	
Tax at the statutory tax rate	785,567	25.0	1,127,246	25.0
Lower tax rate for specific provinces or local authority	(521,090)	(16.6)	(847,288)	(18.8)
Profits attributable to jointly-controlled entites	(4,279)	(0.1)	—	—
Income not subject to tax	—	—	(267)	—
Expenses not deductible for tax	32,121	1.9	89,108	2.0
Tax losses not recognised	67,223	2.1	110,523	2.5
Tax losses utilised from previous periods	(51,412)	(1.6)	(270)	—
Super-deduction of research and development costs	(84,453)	(2.7)	(48,509)	(1.1)
Tax charge at the Group's effective rate	223,677	7.1	430,543	9.5

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB159,350,000 (2009: profit of RMB1,374,663,000) which has been dealt with in the financial statements of the Company (note 33(b)).

13. DIVIDENDS

The directors do not recommend payment of dividend in respect of the year. In 2009, dividend proposed is as follows:

	2009 RMB'000
Final proposed subsequent to the reporting period – RMB0.33 per ordinary share	750,783

In 2009, the final dividend proposed subsequent to the reporting period had not been recognized as a liability at the end of reporting period, and was subject to the approval of the company's shareholders at the 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 2,275,100,000 (2009: 2,143,850,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2010 **RMB'000**	2009 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**2,523,414**	3,793,576

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year.	**2,275,100,000**	2,143,850,000

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 2010							
At 31 December 2009 and at 1 January 2010:							
Cost	5,944,856	19,830	11,581,737	91,543	1,512,239	4,580,974	23,731,179
Accumulated depreciation and impairment	(409,914)	(9,263)	(3,883,216)	(39,928)	(481,929)	—	(4,824,250)
Net carrying amount	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929
At 1 January 2010, net of accumulated depreciation and impairment	5,534,942	10,567	7,698,521	51,615	1,030,310	4,580,974	18,906,929
Additions	58,714	4,791	1,729,111	41,468	491,835	5,766,051	8,091,970
Transfers from investment properties	1,927	—	—	—	—	—	1,927
Acquisition of a business (note 34)	24,810	—	3,214	—	—	—	28,024
Disposals	(4,142)	(8,178)	(110,238)	(2,187)	(377)	(6,383)	(131,505)
Write off impairment	—	—	10,746	—	30		10,776
Depreciation provided during the year	(152,871)	(929)	(1,567,977)	(12,535)	(282,303)	—	(2,016,615)
Transfers	873,945	—	1,824,540	797	239,890	(2,939,172)	—
Exchange realignment	(9,670)	—	(4,589)	(62)	40	(112)	(14,393)
At 31 December 2010, net of accumulated depreciation and impairment	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
At 31 December 2010:							
Cost	6,880,678	12,592	14,855,875	129,749	2,225,397	7,401,358	31,505,649
Accumulated depreciation and impairment	(553,023)	(6,341)	(5,272,547)	(50,653)	(745,972)	—	(6,628,536)
Net carrying amount	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113

* The land situated in Hungary with a cost of HUF283,736,000 being equivalent to RMB8,994,000 (2009: equivalent to RMB10,251,000) is freehold and not depreciated; the land situated in Japan with a cost of JPY 300,000,000 being equivalent to RMB21,895,000 is freehold and not depreciated.

** As at 31 December 2010, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB1,850,680,000 (2009: 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 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 34)	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

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

15. 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

At 31 December 2010, certain of the Group's machineries with a net carrying amount of approximately RMB266,000 (2009: Nil) were pledged to secure general banking facilities granted to the Group (note 29(a)).

16. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount at 1 January	**1,696,963**	1,548,120	**28,814**	29,492
Additions	**2,961,723**	160,928	**164**	—
Acquisition of a subsidiary (note 34)	**—**	19,541	**—**	—
Transferred to property under development	**(115,966)**	—	**—**	—
Recognised during the year	**(67,631)**	(33,409)	**(679)**	(678)
Exchange realignment	**283**	1,783	**—**	—
Carrying amount at 31 December	**4,475,372**	1,696,963	**28,299**	28,814
Current portion included in prepayments, deposits and other receivables	**(88,587)**	(35,594)	**(689)**	(678)
Non-current portion	**4,386,785**	1,661,369	**27,610**	28,136

The leasehold lands held under medium term leases and a long term lease with amounts of RMB4,350,637,000 and RMB36,148,000 are situated in Mainland China and India, respectively.

As at 31 December 2010, the Group was still in the process of obtaining the land use right certificates for certain leasehold lands with a carrying amount of RMB229,575,000 (2009: 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 2009:	
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 net carrying amount at 31 December 2009	58,603
At 31 December 2009:	
Cost	68,274
Accumulated impairment	(9,671)
Net carrying amount	58,603
Cost at 1 January 2010, net of accumulated impairment	58,603
Acquisition of a business (note 34)	7,311
Impairment during the year	—
Cost and net carrying amount at 31 December 2010	65,914
At 31 December 2010:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914

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 has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% (2009: 12%). The growth rate used to extrapolate the cash flows of the automobile and related products unit beyond the five-year period is 0% (2009: 5%).

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

	Automobiles and related products	
	2010 RMB'000	2009 RMB'000
Carrying amount of goodwill	**65,914**	58,603

Key assumptions were used in the value in use calculation of the automobiles and related products cash-generating units for 31 December 2010 and 31 December 2009. 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 RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2010					
Cost at 1 January 2010, net of accumulated amortisation and impairment	667,082	27,725	5,551	70,395	770,753
Additions - internal development	598,962	—	—	—	598,962
Additions - acquired	—	792	—	20,940	21,732
Acquisition of a business (note 34)	—	—	—	704	704
Disposal	—	(1,311)	(2,657)	(345)	(4,313)
Amortisation provided during the year	(132,347)	(5,454)	(696)	(26,565)	(165,062)
Exchange realignment	—	—	—	(4)	(4)
At 31 December 2010	1,133,697	21,752	2,198	65,125	1,222,772
At 31 December 2010:					
Cost	1,530,141	59,989	6,053	158,580	1,754,763
Accumulated amortisation and impairment	(396,444)	(38,237)	(3,855)	(93,455)	(531,991)
Net carrying amount at 31 December 2010	1,133,697	21,752	2,198	65,125	1,222,772
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
Disposal	(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

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 RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2010				
Cost at 1 January 2010, net of accumulated amortisation	**3,986**	**2,579**	**46,360**	**52,925**
Additions – acquired	**—**	**—**	**7,513**	**7,513**
Disposal	**(330)**	**(50)**	**(9,052)**	**(9,432)**
Amortisation provided during the year	**(914)**	**(331)**	**(13,532)**	**(14,777)**
At 31 December 2010	**2,742**	**2,198**	**31,289**	**36,229**
At 31 December 2010:				
Cost	**16,307**	**6,053**	**71,797**	**94,157**
Accumulated amortisation	**(13,565)**	**(3,855)**	**(40,508)**	**(57,928)**
Net carrying amount at 31 December 2010	**2,742**	**2,198**	**31,289**	**36,229**
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

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	**3,913,332**	3,644,374

At the end of the reporting period, except for the amounts of approximately RMB2,596,700 of loans to subsidiaries which are unsecured, bear interest at a rate of 3.51% to 5.34% 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 Batteries 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 Automobile Company Limited ("BYD Auto SH")***	PRC/ Mainland China	RMB10,000,000	90%	10%	Research, development, sale and manufacture of automobiles and battery -powered bicycles
Beijing BYD Mould Company Limited ("BYD Mould")**	PRC/ Mainland China	RMB80,000,000	75.63%	24.37%	Design and manufacture of moulds
BYD Precision Manufacture Company Limited ("BYD Precision")***^	PRC/ Mainland China	US$145,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Shenzhen BYD Electronic Parts Co., Limited ("BYD Electronic Parts")**	PRC/ Mainland China	RMB400,000,000	96%	4%	Production and sale of NiMH, NiCD and other batteries, hardware products, instruments and flexible printed circuit boards
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

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 Direct	Indirect	Principal activities
BYD Industry and Commerce Co., Limited, Huizhou ("BYD HZ")***	PRC/ Mainland China	US$150,000,000	34%	66%	Manufacture and sale of battery related products, and optoelectronic products
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$188,000,000	78%	22%	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 Virgi Islands	US$50,000	—	100%	Investment holding
Beijing BTC Wireless Limited Company ("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
BYD (Huizhou) Electronic Company Limited ("BYD Huizhou Electronic")***^	PRC/ Mainland China	US$110,000,000	—	65.76%	High-level assembly
BYD Auto Sales Company Limited ("BYD Auto Sales")**	PRC/ Mainland China	RMB50,000,000	90%	10%	Sale and distribution 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

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	
BYD Electronics India Private Limited ("BYD India")^	India	RS2,500,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
Changsha BYD Auto Company Limited ("Changsha Auto")**	PRC/ Mainland China	RMB500,000,000	—	100%	Research and development of auto mobiles and components
Changsha BYD Coach Company Limited ("Changsha Coach")	PRC/ Mainland China	RMB121,780,000	—	100%	Research and development of coach
Shaoguan BYD Auto Company Limited ("Shaoguan Auto")**	PRC/ Mainland China	RMB30,000,000	—	100%	Research and development of automobiles and components
Shangluo BYD Industry Company Limited ("Shangluo BYD")***	PRC/ Mainland China	RMB150,000,000	91%	9%	Research, development, manufacture and sale of solar battery and solar array

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

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

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

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

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

20. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2010 RMB'000	2009 RMB'000
Share of net assets	59,160	—

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of registered capital held	Place of registration	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Foshan Jinhui Hi-tech Optoelectronic Material Company Limited ("BYD FS")*	US$3,211,400	PRC	39.375%	40%	39.375%	Manufacture and sale of ion exchange membrane
Shenzhen Pengcheng Electric Car Rental Company Limited**	RMB20,000,000	PRC	45%	40%	45%	Taxi business, advertising and rental of electric vehicles

* The investment is held by BYD HK, which is 100% directly held by the Company.

** The investment is held by BYD Auto SZ, which is 100% indirectly held by the Company.

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

	2010 RMB'000	2009 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	53,456	36,369
Non-current assets	31,284	10,661
Current liabilities	(25,580)	(17,170)
Net assets	59,160	29,860
Share of the jointly-controlled entities' results:		
Revenue	56,501	41,958
Income	1,193	821
	57,694	42,779
Total expenses	(28,268)	(23,088)
Tax	(3,872)	(2,533)
Profit after tax	25,554	17,158

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Listed equity investments, at fair value:				
China Mainland	11,139	—	6,210	—
Impairment	(11,139)	—	(6,210)	—
	—	—	—	—

The share of the available for sale investment has suspended for one year. The directors has reassessed its value at the end of the reporting period and full impairment was recognised in the income statement for the year.

22. INVENTORIES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Raw materials	2,172,018	1,558,455	74,245	94,750
Work in progress	1,588,463	1,078,292	129,728	125,954
Finished goods	2,315,228	1,413,567	101,017	86,142
Moulds held for production	462,143	358,093	—	—
	6,537,852	4,408,407	304,990	306,846

At 31 December 2010, the Group's inventories with a carrying amount of RMB87,426,000 (2009: Nil) were pledged as security for the Group's bank loans, as further detailed in note 29(a) to the financial statements.

23. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade receivables	5,543,153	4,334,026	963,193	772,546
Bills receivable	2,756,210	5,719,758	210,811	158,090
Impairment	(146,563)	(260,972)	(95,446)	(133,295)
	8,152,800	9,792,812	1,078,558	797,341

For sales under the automobiles and related products segment, payment in advance, mainly in the form of bank bills, is normally required. For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 31% (2009: 33%) and 75% (2009: 74%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. Trade receivables are non-interest-bearing.

23. TRADE AND BILLS RECEIVABLES (continued)

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

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Within three months	**7,643,668**	9,327,142	**999,408**	781,527
Three to six months	**504,990**	454,501	**79,060**	15,377
Six months to one year	**4,142**	9,882	**90**	437
Over one year	**—**	1,287	**—**	—
	8,152,800	9,792,812	**1,078,558**	797,341

At 31 December 2010, the Group pledged bills receivable of RMB29,169,000 (2009: RMB3,008,000) to secure the Group's bank loans, as further detailed in note 29 (a) to the financial statements.

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

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
At 1 January	**260,972**	300,157	**133,295**	156,491
Impairment of trade receivables (note 6)	**10,947**	22,504	**145**	—
Impairment losses reversed (note 6)	**(43,033)**	(17,210)	**(13,763)**	(17,466)
Written off as uncollectible	**(82,836)**	(44,548)	**(24,231)**	(5,730)
Exchange Realignments	**513**	69	**—**	—
At 31 December	**146,563**	260,972	**95,446**	133,295

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

	Group		Company	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Neither past due nor impaired	**7,258,902**	8,124,217	**964,087**	445,369
Less than one year past due	**892,042**	348,241	**114,386**	159,444
	8,150,944	8,472,458	**1,078,473**	604,813

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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current portion				
Prepayment for property, plant and equipment	**3,889,684**	1,383,289	**2,621**	12,580
Prepayments for land use right	**80,681**	570,000	**—**	—
Prepayment for investment in an associate	**201,825**	—	**201,825**	—
	4,172,190	1,953,289	**204,446**	12,580
Current portion				
Prepayments	**698,873**	247,132	**12,169**	9,272
Deposits and other receivables	**1,135,218**	374,603	**59,878**	38,883
Loans to staff	**35,279**	22,297	**3,727**	4,189
	1,869,370	644,032	**75,774**	52,344

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 assets such as machinery and equipment and power systems located at He Jin, Shanxi province for the manufacture of automobile components and parts (such as wheels) with a term of four years starting from 20 July 2009 until 20 July 2013. The total contracting fee was RMB129,500,000 in which RMB51,260,000 and RMB32,375,000 were included in the non-current portion of the prepayment for property, plant and equipment and current portion of prepayments, respectively.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**1,205,763**	2,137,197	**88,593**	391,970
Time deposits		**786,756**	213,352	**—**	—
		1,992,519	2,350,549	**88,593**	391,970
Less: Restricted bank deposits:					
Pledged deposit	(i)	**(13,784)**	(33,723)	**—**	—
Cash and cash equivalents	(ii)	**1,978,735**	2,316,826	**88,593**	391,970

Notes:

(i) At 31 December 2010, the pledged bank deposit of RMB13,784,000 (2009: RMB33,723,000) was pledged for banking facilities of RMB13,784,000 (2009: for banking facilities of RMB33,723,000).

(ii) At the end of reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB1,379,604,000 (2009: RMB1,414,789,000). 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.

26. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Within three months	**10,042,146**	10,742,058	**755,526**	614,429
Three to six months	**799,404**	593,652	**81,765**	83,718
Six months to one year	**118,907**	84,658	**1,024**	2,892
One to two years	**44,504**	58,301	**1,243**	2,891
Two to three years	**11,244**	33,809	**368**	5,775
Over three years	**17,243**	6,180	**763**	1,890
	11,033,448	11,518,658	**840,689**	711,595

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

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Other payables	**1,347,371**	961,379	**146,061**	105,674
Accruals	**846,292**	577,526	**40,975**	38,277
Accrued payroll	**1,003,198**	738,315	**96,641**	94,376
	3,196,861	2,277,220	**283,677**	238,327

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

28. DEFERRED INCOME

	Group	
	2010 RMB'000	2009 RMB'000
At 1 January	**432,339**	588,081
Received during the year	**892,564**	172,500
Released to the income statement	**(271,094)**	(328,242)
At 31 December	**1,053,809**	432,339
Less: Portion classified as current liabilities	**(54,435)**	(207,831)
Non-current portion	**999,374**	224,508

29. INTEREST-BEARING BANK BORROWINGS

Group	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000
Current						
Bank loans - Secured	3.60-5.45	2011	3,031,737	2.22	2010	3,008
	LIBOR+ 230bps-280bps	2011	321,073	LIBOR+ 120bps	2010	230,793
Bank loans - Unsecured	3.42-5.52	2011	6,443,612	4.78	2010	50,000
Current portion of long term bank loans - Secured	4.00-5.27	2011	57,068	4-4.86	2010	263,328
Current portion of long term bank loans - Unsecured	3.60-5.53	2011	1,150,000	—	—	—
			11,003,490			547,129
Non-current						
Bank loans - Secured	5.04-5.85	2012-2013	1,490,000	4-4.86	2011-2012	256,514
Bank loans - Unsecured	5.04-5.60	2012-2018	1,559,000	3.51-5.94	2011-2018	2,850,000
			3,049,000			3,106,514
			14,052,490			3,653,643

Company	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000
Current						
Bank loans - Secured	3.80	2011	1,000	—	—	—
Bank loans - Unsecured	5.00-5.52	2011	809,432	—	—	—
Current portion of long term bank loans - Unsecured	3.60-5.53	2011	1,150,000	—	—	—
			1,960,432			—
Non-current						
Bank loans - Unsecured	5.04-5.34	2012-2018	1,409,000	3.51-5.94	2011-2018	2,600,000
			3,369,432			2,600,000

29. INTEREST-BEARING BANK BORROWINGS (continued)

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	11,003,490	547,129	1,960,432	—
In the second year	901,500	1,406,514	509,000	1,350,000
In the third to fifth years, inclusive	1,697,500	1,100,000	450,000	650,000
After five years	450,000	600,000	450,000	600,000
	14,052,490	3,653,643	3,369,432	2,600,000

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the pledge of the Group's bills receivable, which had an aggregate carrying value at the end of the reporting period of approximately RMB29,169,000 (2009: RMB3,008,000) (note 23);

(ii) mortgages over the Group's machineries, which had an aggregate carrying value at the end of the reporting period of approximately RMB266,000 (2009: Nil) (note 15);

(iii) floating charges over certain of the Group's machineries lading totalling RMB9,534,000 (2009: Nil); and

(iv) floating charges over certain of the Group's inventories bill totalling RMB87,426,000 (2009: Nil) (note 22)

In addition, the Company has guaranteed certain of the Group's bank loans up to RMB4,773,483,000 (2009: RMB750,635,000) as at the end of the reporting period.

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

(c) Except for bank loans of RMB493,056,000 (2009: RMB250,343,000) which are denominated United States dollars, all borrowings are in RMB.

30. PROVISION

Group	Product warranties	
	RMB'000 2010	RMB'000 2009
At 1 January	248,850	92,260
Additional provision	246,005	278,872
Amounts utilised during the year	(177,290)	(122,282)
At 31 December	317,565	248,850

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

31. DEFERRED TAX

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

Deferred tax assets

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accruals and provision for warranties RMB'000	Total RMB'000
At 1 January 2010	80,207	37,882	21,382	5,459	40,997	185,927
Deferred tax credited/(charged) to the income statement during the year (note 11)	33,373	(23,650)	102,892	5,210	67,585	185,410
At 31 December 2010	113,580	14,232	124,274	10,669	108,582	371,337
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

Company	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Total RMB'000
At 1 January 2010	—	—	—
Deferred tax credited to the income statement during the year	—	—	—
At 31 December 2010	—	—	—
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	—	—	—

The Group has accumulated tax losses arising in Mainland China of RMB600,452,000 (2009: RMB959,224,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has tax losses arising in India of RMB119,938,000 (2009: RMB135,624,000) 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.

31. DEFERRED TAX (continued)

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Tax losses	**720,390**	1,094,848	**25,780**	131,876
Deductible temporary differences	**2,279,425**	1,419,279	**338,955**	347,535
	2,999,815	2,514,127	**364,735**	479,411

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 2010, no provision has been made to recognise deferred tax liabilities arising on the future distribution of retained profits from these subsidiaries as the Company controls the dividend policy of these subsidiaries and in the opinion of the directors, it is 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 RMB3,151,800,000 at 31 December 2010 (2009: RMB1,843,790,000).

32. SHARE CAPITAL

Shares	2010 RMB'000	2009 RMB'000
Authorised, issued and fully paid:		
2,275,100,000 (2009: 2,275,100,000) ordinary shares of RMB1 each	**2,275,100**	2,275,100

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.

33. 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 35 of the financial statements.

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

(b) Company

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2009		12,480	(225,407)	225,279	590,514	602,866
Total comprehensive income 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 final 2009 dividend	13	—	—	—	(750,783)	(750,783)
At 31 December 2009		1,368,590	(225,407)	362,745	1,076,928	2,582,856
Total comprehensive income for the year		—	—	—	159,350	159,350
Appropriate to statutory surplus reserve fund		—	—	15,935	(15,935)	—
At 1 December 2010		1,368,590	(225,407)	378,680	1,220,343	2,742,206

34. BUSINESS COMBINATION

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

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

	Notes	Fair value recognised on 31 March 2010 RMB'000	Carrying amount as at 31 March 2010 RMB'000
Property, plant and equipment	15	**28,024**	**35,335**
Other intangible asset	18	**704**	**704**
		28,728	
Goodwill on acquisition	17	**7,311**	
Satisfied by cash		**36,039**	

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

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

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

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

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 Coach Co. Ltd. ("Changsha Coach"). Changsha Coach is engaged in the development and manufacture of buses.

34. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of Changsha Coach 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 Coach 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 2009 year, the revenue of the Group and the profit of the Group for the year ended 31 December 2009 would have been RMB39,489,369,000 and RMB4,299,057,000 respectively.

35. CONTINGENT LIABILITIES

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

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

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

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

35. CONTINGENT LIABILITIES (continued)

(b) On 9 November 2009, Nokia announced that it would initiate a charger exchange program and recommended end-users of its mobile phones 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 30 June 2010, the Company obtained 26,080 replacement registrations by end-users from Nokia, representing an insignificant number. Since July 2010, Nokia no longer actively recorded the number of replacement registrations by end-users for the charger exchange program.

On 28 December 2009, the subsidiary of the Company received an invoice amounted to EUR1,539,000 from Nokia. This amount has been paid during 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.

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

According to the legal advice issued by the Company's litigation lawyer, in light of the preliminary stage of the legal process, we cannot assure of the final consequence. However, we believe that the Company can defense against the appeal proposed by the plaintiff on the basis of the favourable evidence. As a result, it is uncertain whether this litigation may result in compensation obligation, and should it be so, the amount would not be reliably measured and the Company has not made any provision for the expected liabilities.

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

	Group		Company	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**5,240,958**	815,410

As at 31 December 2010, the banking facilities guaranteed to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB4,773,483,000 (2009: RMB750,635,000).

36. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Within one year	**10,585**	7,767
In the second to fifth years, inclusive	**2,226**	4,747
	12,811	12,514

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Land and buildings(i)	**1,474,670**	1,637,591
Plant and machinery(ii)	**4,737,428**	2,387,516
Capital contribution in respect of investments	**700,000**	—
	6,912,098	4,025,107
Authorised, but not contracted for:		
Capital contributions payable to a jointly-controlled entity	**15,643**	—
	6,927,741	4,025,107

Notes:

(i) Included in the above capital commitment is a commitment with regards to the under-mentioned BYD Automobile Plant II project, the Shaoguan Base project and the Changsha Sedan project with the total amount of RMB574,075,000;

(ii) Included in the above capital commitment is a commitment with regards to the under-mentioned BYD Automobile Plant II project, the Shaoguan Base project and the Changsha Sedan project with the total amount of RMB629,521,000;

(a) BYD Automobile Plant II Project

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

(b) Shaoguan Base Project

Shenzhen BYD Auto Co. Ltd. ("Shenzhen BYD Auto"), a fully-owned subsidiary of the company, entered into an investment agreement with People's Government of Shaoguan City, Guangdong Province. According to the agreement, Shenzhen BYD Auto proposed to build a state-level test track and automobile component production plant within the Dongguan-Shaoguan Industrial Transferred Zone (the "Shaoguan Base Project"). 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.

(c) Changsha Sedan Project

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

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

	Group	
	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:	**16,602**	—

38. RELATED PARTY TRANSACTIONS

(a) During the year, the sales of Electric Car to Shenzhen Pengcheng Electric Car Rental Company Limited were made according to the published prices, which was amount to RMB12,812,000 (2009: Nil).

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

	2010 RMB'000	2009 RMB'000
Short term employee benefits	35,994	25,697
Pension scheme contributions	30	27
	36,024	25,724

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

39. 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:

2010

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

2010

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

39. 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)

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

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

39. 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			
	2010		2009	
Financial assets	Loans and receivables RMB'000	Total RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and bills receivables	**1,078,558**	**1,078,558**	797,341	797,341
Financial assets included in prepayments, deposits and other receivables	**9,297**	**9,297**	61,893	61,893
Due from subsidiaries	**5,519,190**	**5,519,190**	4,544,452	4,544,452
Cash and cash equivalents	**88,593**	**88,593**	391,970	391,970
	6,695,638	**6,695,638**	5,795,656	5,795,656

	Company				
	2010		2009		
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000	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	**840,689**	**840,689**	—	711,595	711,595
Financial liabilities included in other payables and accruals	**128,432**	**128,432**	—	105,674	105,674
Derivative financial instruments	**—**	**—**	74	—	74
Interest-bearing bank borrowings	**3,369,432**	**3,369,432**	—	2,600,000	2,600,000
Due to subsidiaries	**3,336,042**	**3,336,042**	—	2,441,160	2,441,160
	7,674,595	**7,674,595**	74	5,858,429	5,858,503

40. FAIR VALUE AND FAIR VALUE HIERARCHY

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

	Group			
	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Financial assets				
Trade and bills receivables	**8,152,800**	9,792,812	**8,152,800**	9,792,812
Financial assets included in prepayments, deposits and other receivables	**172,261**	96,437	**172,261**	96,437
Derivative financial instruments	**—**	1,000	**—**	1,000
Pledged deposits	**13,784**	33,723	**13,784**	33,723
Cash and cash equivalents	**1,978,735**	2,316,826	**1,978,735**	2,316,826
	10,317,580	12,240,798	**10,317,580**	12,240,798
Financial liabilities				
Trade and bills payables	**11,033,448**	11,518,658	**11,033,448**	11,518,658
Financial liabilities included in other payables and accruals	**1,247,219**	734,440	**1,247,219**	734,440
Derivative financial instruments	**—**	94	**—**	94
Interest-bearing bank borrowings	**14,052,490**	3,653,643	**14,052,490**	3,653,643
	26,333,157	15,906,835	**26,333,157**	15,906,835

	Company			
	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Financial assets				
Trade and bills receivables	**1,078,558**	797,341	**1,078,558**	797,341
Financial assets included in prepayments, deposits and other receivables	**9,297**	61,893	**9,297**	61,893
Due from subsidiaries	**5,519,190**	4,544,452	**5,519,190**	4,544,452
Cash and cash equivalents	**88,593**	391,970	**88,593**	391,970
	6,695,638	5,795,656	**6,695,638**	5,795,656
Financial liabilities				
Trade and bills payables	**840,689**	711,595	**840,689**	711,595
Financial liabilities included in other payables and accruals	**128,432**	105,674	**128,432**	105,674
Derivative financial instruments	**—**	74	**—**	74
Interest-bearing bank borrowings	**3,369,432**	2,600,000	**3,369,432**	2,600,000
Due to subsidiaries	**3,336,042**	2,441,160	**3,336,042**	2,441,160
	7,674,595	5,858,503	**7,674,595**	5,858,503

40. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

Fair value hierarchy

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

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

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

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

Assets measured at fair value:

Group

As at 31 December 2009	Level 2 RMB'000
Derivative financial instruments	1,000

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

Liabilities measured at fair value:

Group

As at 31 December 2009	Level 2 RMB'000
Derivative financial instruments	94

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

Company

As at 31 December 2009	Level 2 RMB'000
Derivative financial instruments	74

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2010, approximately 47% (2009: 6%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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

		Group		Company	
	Increase/ (decrease) in basis points RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity *
2010					
RMB	**25**	**(10,122)**	**—**	**(5,898)**	**—**
RMB	**(25)**	**10,122**	**—**	**5,898**	**—**
2009					
RMB	25	(7,875)	—	(6,000)	—
RMB	(25)	7,875	—	6,000	—

* Excluding retained profits and exchange fluctuation reserve

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

	Group		
	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in owners' equity* RMB'000
2010			
If RMB weakens against USD	**5**	**(58,039)**	**—**
If RMB strengthens against USD	**(5)**	**58,039**	**—**
If RMB weakens against HKD	**5**	**24**	**—**
If RMB strengthens against HKD	**(5)**	**(24)**	**—**
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	—

* Excluding retained profits and exchange fluctuation reserve

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 31% (2009: 33%) and 75% (2009: 74%) the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

Financial liabilities

Group	2010					
	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	—	3,656,771	7,706,545	2,895,008	490,605	14,748,929
Trade and bills payables	1,711,516	8,213,283	1,108,649	—	—	11,033,448
Other payables	208,145	311,722	727,352	—	—	1,247,219
	1,919,661	12,181,776	9,542,546	2,895,008	490,605	27,029,596

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company	2010					
	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	—	42,218	2,062,559	1,138,039	490,605	3,733,421
Guarantees given to banks in connection with facilities granted to subsidiaries	5,240,958	—	—	—	—	5,240,958
Trade and bills payables	435,618	328,467	76,604	—	—	840,689
Other payables	73,391	10,484	44,557	—	—	128,432
Due to subsidiaries	3,336,042	—	—	—	—	3,336,042
	9,086,009	381,169	2,183,720	1,138,039	490,605	13,279,542

Company	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	—	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

41. 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 2010 and 31 December 2009.

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

Group	2010 RMB'000	2009 RMB'000
Interest-bearing bank borrowings	**14,052,490**	3,653,643
Less: Cash and cash equivalents	**(1,978,735)**	(2,316,826)
Net debt	**12,073,755**	1,336,817
Equity attributable to owners of the parent	**18,460,319**	16,682,357
Gearing ratio	**65%**	8%

42. EVENTS AFTER THE REPORTING PERIOD

On 16 February 2011, Shenzhen BYD Daimler New Technology Co.,Ltd. was officially established. The scope of operations of the joint venture company principally include design, research of passenger vehicles, electric cars, e-drive systems, power systems for vehicles and other parts and components of passenger vehicles; the development of prototype and manufacturing equipment to the above products; and technological consultancy services and technology transfer.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 March 2011.

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.

	2010 **RMB'000**	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
REVENUE	**46,685,349**	39,469,454	26,788,253	21,211,213	12,938,917
Cost of sales	**(38,420,975)**	(30,904,723)	(21,569,417)	(16,963,526)	(10,200,734)
Gross profit	**8,264,374**	8,564,731	5,218,836	4,247,687	2,738,183
Other income and gains	**531,891**	297,857	332,845	279,160	157,026
Government grants and subsidies	**353,679**	389,623	359,098	6,173	—
Selling and distribution costs	**(2,175,881)**	(1,489,708)	(935,386)	(648,187)	(480,177)
Research and development costs	**(1,403,459)**	(1,283,316)	(1,163,091)	(695,221)	(404,335)
Administrative expenses	**(1,917,889)**	(1,507,711)	(1,483,547)	(846,646)	(445,862)
Other expenses	**(254,619)**	(207,105)	(472,838)	(211,665)	(136,748)
Finance costs	**(281,383)**	(255,388)	(491,945)	(388,421)	(246,942)
Share of profits and losses of jointly-controlled entities	**25,554**	—	—	—	—
PROFIT BEFORE TAX	**3,142,267**	4,508,983	1,363,972	1,742,880	1,181,145
Income tax expense	**(223,677)**	(430,543)	(88,323)	(40,551)	(53,075)
PROFIT FOR THE YEAR	**2,918,590**	4,078,440	1,275,649	1,702,329	1,128,070
Attributable to:					
Equity holders of the parent	**2,523,414**	3,793,576	1,021,249	1,611,711	1,117,334
Minority interests	**395,176**	284,864	254,400	90,618	10,736
	2,918,590	4,078,440	1,275,649	1,702,329	1,128,070
TOTAL ASSETS	**53,874,663**	40,735,597	32,891,145	29,288,491	16,386,781
TOTAL LIABILITIES	**(32,723,587)**	(21,708,470)	(19,553,773)	(16,878,232)	(11,019,140)
MINORITY INTERESTS	**(2,690,757)**	(2,344,770)	(2,051,804)	(1,702,141)	(75,177)
NET ASSETS (EXCLUDING MINORITY INTERESTS)	**18,460,319**	16,682,357	11,285,568	10,708,118	5,292,464

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