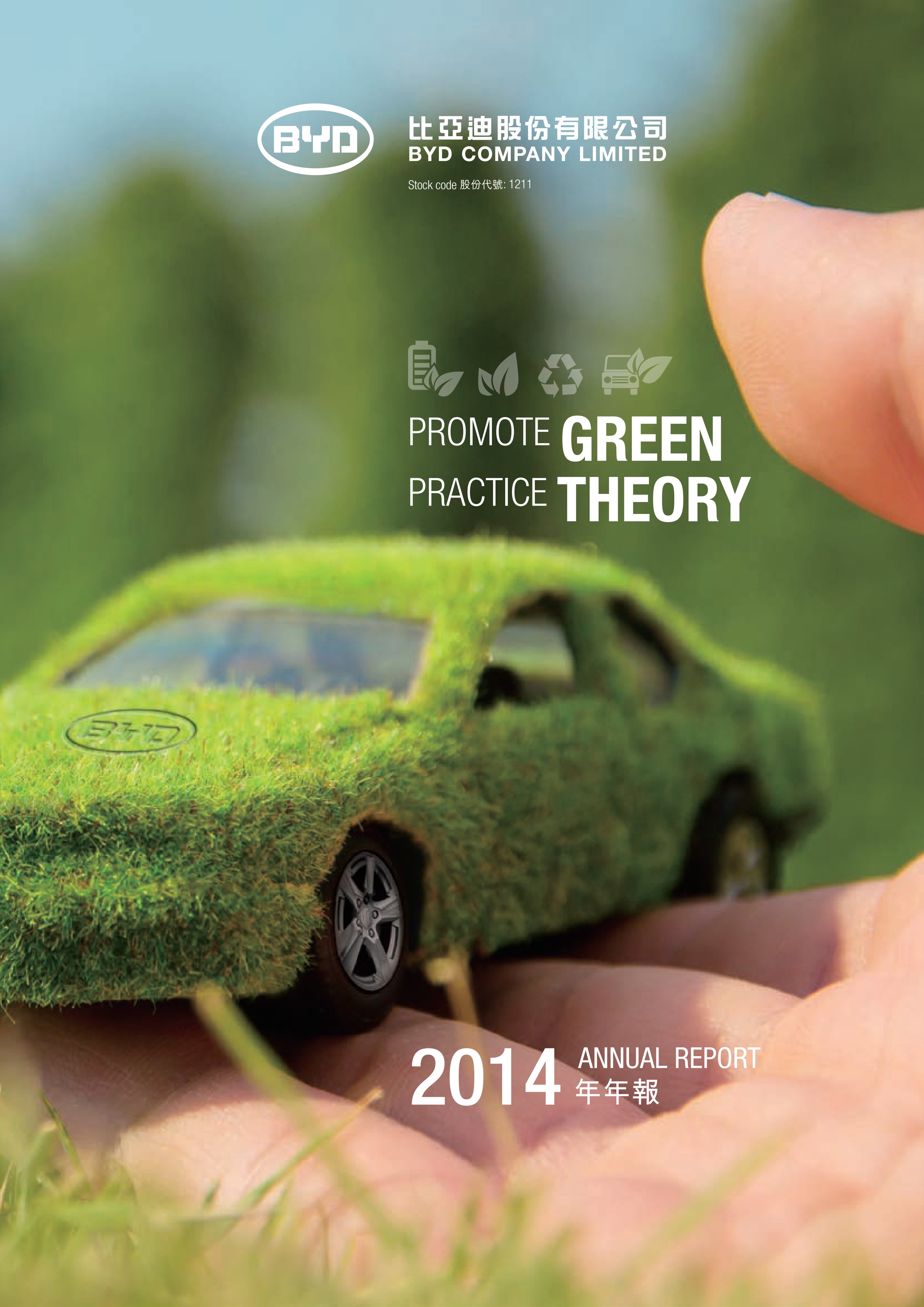

比亞迪股份有限公司
BYD COMPANY LIMITED

Stock code 股份代號: 1211

PROMOTE GREEN
PRACTICE THEORY

2014 ANNUAL REPORT
年年報

Company Profile
公司簡介

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

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

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

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

In September 2008, MidAmerican Energy Holdings Company (now renamed as Berkshire Hathaway Energy), a subsidiary of Berkshire Hathaway, entered into an agreement with the Company, pursuant to which MidAmerican Energy Holdings Company acquired 225 million H Shares of the Company, representing 9.56% of the Company's total capital at present, to become the Group's long term strategic partner. In February 2011, the joint venture of the Group and Daimler AG was formally established for the joint research and development of electric vehicles. In June 2011, the Company made an IPO of 79 million RMB ordinary shares (A shares) which were listed on the SME Board of Shenzhen Stock Exchange ("the Shenzhen Stock Exchange").

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

比亞迪股份有限公司(「比亞迪」或「本公司」,連同其附屬公司統稱「本集團」;股份代號:(H股:01211;A股:002594)主要從事二次充電電池及光伏業務、手機部件及組裝業務,以及包含傳統燃油汽車及新能源汽車在內的汽車業務,同時利用自身的技術優勢積極拓展新能源產品領域的相關業務。

比亞迪為全球領先的二次充電電池製造商之一,主要客戶包括三星、諾基亞及華為等手機領導廠商,以及博世、TTI等全球性的電動工具及其他便攜式電子設備廠商。本集團生產的鋰離子電池及鎳電池廣泛應用於手機、數碼相機、電動工具、電動玩具等各種便攜式電子設備和電動產品。

作為全球領先的手機部件及組裝業務的供應商之一,本集團可以為客戶提供從整機設計、部件生產到整機組裝的垂直整合的一站式服務,產品覆蓋手機、平板電腦、筆記本電腦及其他消費類電子產品等領域,但不生產自有品牌的整機產品。該業務的主要客戶包括三星、諾基亞、蘋果、HTC、華為、聯想、惠普及東芝等智能移動終端領導廠商。

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

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

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

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Financial Highlights

Five-Year Comparison of Key Financial Figures

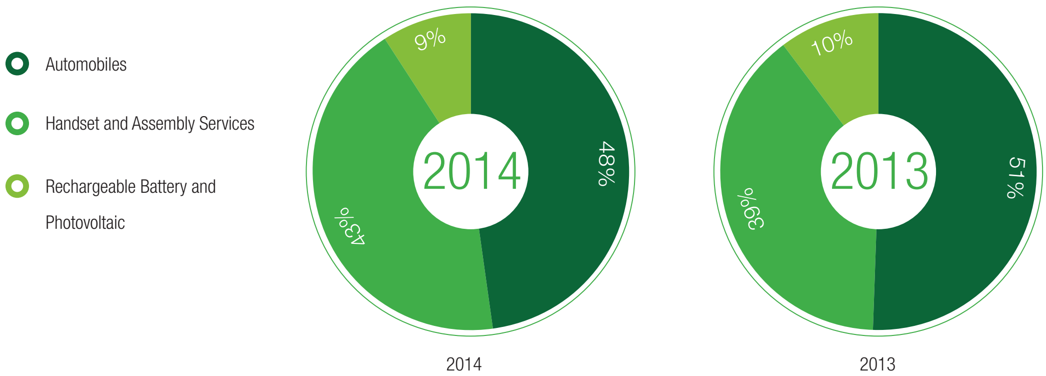
	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**55,366,384**	49,767,887	44,380,858	46,312,282	46,685,349
Gross profit	**7,623,458**	6,516,314	5,126,328	6,867,025	8,264,374
Gross profit margin (%)	**14**	13	12	15	18
Profit attributable to equity holders of the parent	**433,525**	553,059	81,377	1,384,625	2,523,414
Net profit margin (%)	**0.8**	1	0.2	3	5

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	**25,365,597**	21,709,764	21,196,984	21,124,517	18,460,319
Total assets	**94,008,855**	78,014,834	70,007,807	66,881,036	53,874,663
Gearing ratio (%) (Note)	**103**	94	71	70	65
Current ratio (times)	**0.77**	0.69	0.63	0.66	0.65
Trade and bills receivables turnover (days)	**118**	86	83	71	71
Inventory turnover (days)	**71**	68	67	62	54

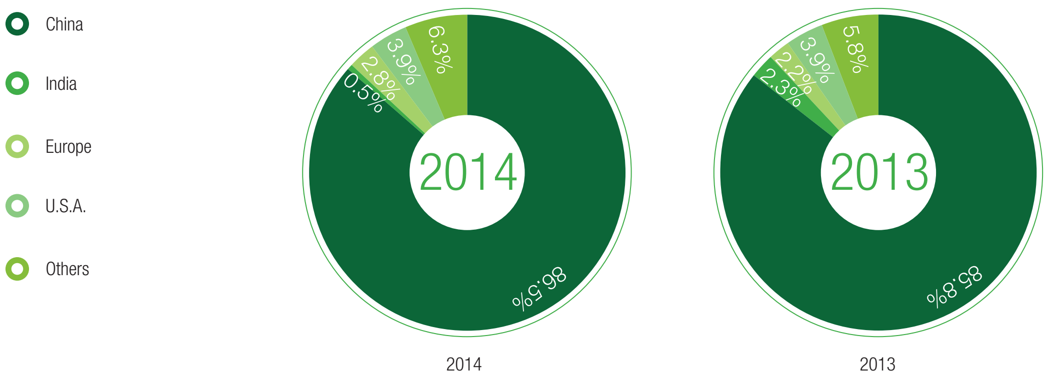
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

Financial Highlights

Turnover Breakdown by Product Categories



Turnover Breakdown by Locations of Customers



Corporate Information

Executive Director
Wang Chuan-fu

Non-executive Directors
Lv Xiang-yang
Xia Zuo-quan

Independent Non-executive Directors
Wang Zi-dong
Zou Fei
Zhang Ran

Supervisors
Dong Jun-qing
Li Yong Zhao
Wang Zhen
Yan Chen
Huang Jiang-feng

Company Secretary
Li Qian

Audit Committee
Lv Xiang-yang
Wang Zi-dong
Zou Fei
Zhang Ran (Chairman)

Remuneration Committee
Wang Chuan-fu
Xia Zuo-quan
Wang Zi-dong
Zou Fei (Chairman)
Zhang Ran

Nomination Committee
Wang Chuan-fu
Lv Xiang-yang
Wang Zi-dong (Chairman)
Zou Fei
Zhang Ran

Strategy Committee
Wang Chuan-fu (Chairman)
Lv Xiang-yang
Xia Zuo-quan
Wang Zi-dong
Zou Fei

Authorized Representatives
Wang Chuan-fu
Li Qian

Legal Address
Yan An Road
Kuichong
Longgang District
Shenzhen
Guangdong Province
The PRC

International Auditors
Ernst & Young

Domestic Auditors
Ernst & Young Hua Ming (LLP)

Corporate Information

Place of Business in Hong Kong

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

Hong Kong Share Registrar and Transfer Office

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

Investor and Media Relations Consultant

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

Website

www.byd.com.cn

Stock Code

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

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2014 (the "Year").

In 2014, China's economic growth slowed down and hit the lowest level in over two decades. This, coupled with the fierce market competition, a change in policy on subsidies for energy-efficient automobiles and restriction of purchase and use of vehicles, caused the growth of the traditional automobile market to decelerate significantly. By contrast, the new energy vehicle market recorded explosive growth in the past year as it benefitted from the government's favourable policies, enriched product offerings and technological advancement. Meanwhile, the consistent momentum in the growth of the smartphone market bolstered the development of the handset component and assembly industry. Notably, metal casings' market share grew bigger because of its outstanding texture and performance. For the rechargeable battery industry, the market for traditional batteries industry realized steady development but the photovoltaic market remained depressed because Europe and the United States were conducting antidumping and countervailing duty investigations and that the performance of the domestic market fell short of expectations.

Against this backdrop, turnover of the Group increased by 11.25% to RMB55,366 million during the Year. Profit attributable to owners of the parent Company decreased by 21.61% to RMB434 million. Earnings per share were RMB0.18. The Board of Directors does not recommend payment of dividend.

BYD is a pioneer in research, development and promotion of new energy vehicles. During the Year, the Group continued to focus on the promotion of "Qin" (秦). "Qin" (秦), which is a plug-in hybrid vehicle featuring "electricity for trips and gasoline for journeys", promptly become the best seller of the year because of its outstanding functional performance and fashionable design. In addition, we have received a satisfactory level of orders for "DENZA", the pure electric vehicle jointly launched by the Company and Daimler. In its drive to electrify public transportation, the Group actively promoted the application of pure electric buses and taxis in China and overseas markets. Currently, the Group's pure electric public transportation network covers over 10 cities in China, and over 30 countries and regions around the world. As for its traditional automobile business, the Group recorded decreases in both sales volume and income due to the unfavourable operating environment. However, the Group actively capitalized on the rapid emergence of local brands in the sport utility vehicle (SUV) market by launching S7, a high-end SUV model, and recorded satisfactory sales performance, while the sales of its S6 model continued to be hot.

As for the handset component and assembly business, the scope of the applications of the Group's self-developed plastic-metal hybrid technology (PMH) widened, enabling the Group to secure contracts from domestic and overseas handset companies to produce a number of their high-end flagship models of handsets. The Group also obtained sizeable production contracts from its major clients, thus further enhancing its client mix and sales income. Its original design manufacturing (ODM) business took advantage of the active promotion of new models by the international brand owners, as evidenced by the rapid growth in their orders for the Group's smartphones, tablets and other mobile intelligent terminals during the Year.

In its rechargeable battery and photovoltaic business, the Group continued to increase the energy density of lithium ferrous phosphate ("LFP") batteries while lowering the cost. At the same time, it strived to develop new types of batteries with higher energy density, with a view to increasing the mileage and the overall competitive advantages of its new energy vehicles. The businesses of lithium-ion batteries and nickel batteries dropped during the Year. As for solar energy business, the market competition is still fierce which caused a decline in the products' prices. Despite the Group's effort to expedite the market expansion and actively seek to expand its sales, the solar energy business still recorded a significant loss during the Year.

In 2015, the new energy vehicle industry, as one of China's important approaches to improve energy efficiency and reduce carbon emissions, strengthen national energy security and transform and enhance industrial structure, has been elevated to the national strategy level and can look forward to invaluable opportunities for rapid development. The Group will further enrich its offering of new energy vehicles, expedite the overall arrangement throughput the value chain of its new energy vehicle business and in different market segments so as to consolidate and reinforce its leading technologies and solidify its market leadership. By seizing the unprecedented opportunities brought about by the exponential growth in the industry, the Group will strive to make great leap forward at its new energy vehicle business.

Chairman's Statement

The handset component and assembly business is set to benefit from the strong growth in the smartphones which will be driven by the rising popularity of mobile Internet and the communication technology upgrades. As a leading supplier of handset component and assembly service in the world, the Group will continue to solidify and strengthen its cooperation with leading handset brand manufacturers in both the domestic and overseas markets, and actively secure orders of more competitive new models from them to produce high-end consumer electronics so as to increase the contribution from that business to its income and profit.

The Group's rechargeable battery and photovoltaic business will capitalize on the rapid development of the new energy vehicle industry by stepping up its effort in research and development, enhancing the performance of LFP batteries and actively expanding the LFP battery production capacity. Its solar energy business will strive for a breakeven by continuously stepping up its effort in market development and pressing on with its cost-control measures.

BYD will remain committed to the social responsibility that lies in the heart of its corporate spirit. It will contribute to the world's environmental protection by trying to realize its three green energy dreams, namely new energy vehicles, solar power station and energy storage station. On behalf of BYD, I would like to express gratitude to our customers, business partners, investors and shareholders for their support and trust in the Group and all the staff members for their diligence in the past year. BYD will continue to expedite the development of all its businesses and focus on maximizing returns to shareholders.

Wang Chuan-fu
Chairman
Shenzhen, the PRC, 27 March 2015

GREEN **DREAMS**

GREEN **FUTURE**


PROMOTE
INNOVATION
LEADING
TECHNOLOGY

Management Discussion & Analysis

INDUSTRY ANALYSIS AND REVIEW

Automobile Business

In 2014, China's economy, under increased downward pressure, showed an overall slowdown, with gross domestic product ("GDP") growth decelerating to 7.4%. Under the "new normal" of the country' economic development, the growth of the country's automobile business also decelerated significantly.

According to the statistics released by China Association of Automobile Manufacturers (CAAM), the accumulated sales volume of automobiles in China in 2014 grew by 6.9% to 23.49 million units. The growth rate was 7 percentage points lower than that in 2013. The country's domestic brand automakers saw their market share shrink markedly with both the selling price and sales volume under enormous pressure as they were buffeted by a number of factors such as intense competition exacerbated by the Sino-foreign joint ventures' forays into the market for affordable sedans, the change to subsidy policy on energy-efficient automobiles, and the authorities' restrictions on purchase and use of cars. In 2014, sales of passenger vehicles under domestic brands rose by 4.1% to 7.57 million units, and accounted for 38.4% of the total sales in the country, down by 2.1 percentage points compared to that in 2013. However, outstanding price-performance ratio and technological advancement made the sport utility vehicles (the "SUV") of the domestic brands popular in the market with a rapid increase in demand. In 2014, the sales volume of SUV in China increased by 36.4% to 4.08 million units, of which 1.89 million units belonged to the domestic brands and represented an increase of 50.9%.

The year 2014 is generally regarded to have marked the beginning of an era for commercializing new energy vehicles in China by the industry due to the explosive growth in sales of that type of vehicles in the market in 2014. According to the data from CAAM, the country sold a total of 74.8 thousand new energy vehicles in 2014, representing a 323.8% increase compared to that in 2013. In particular, the sales volume of plug-in hybrid vehicle surged by 878.1% to 29.7 thousand units.

Management Discussion & Analysis

The industrialization of the market for new energy vehicles benefited not only from technical enhancement and the accelerated collaboration in the industry but also the the full support from the enactment of the comprehensive and favourable policies by the central and provincial governments. In July 2014, the General Office of the State Council issued the "Guiding Opinions on Accelerating the Promotion and Application of New Energy Vehicles" (關於加快新能源汽車推廣應用的指導意見) in which the development of new energy vehicle was raised to the national strategy level. The Guiding Opinions called for cancellation of regional protectionism and acceleration of the construction of vehicle charging facilities, and that the public services sector shall actively promote the use of new energy vehicles. Moreover, it is stipulated that buyers of new energy vehicles shall be exempted from paying the purchase tax in order to promote healthy and rapid development of the new energy vehicle industry. In December 2014, the "Notice on the Promotion and Application of Financial Supporting Policy on New Energy Vehicles 2016-2020 (Consultation Draft)" (關於2016-2020年新能源汽車推廣應用財政支持政策的通知 (徵求意見稿)), was jointly issued by the country's four ministries and it was agreed that the subsidy for new energy vehicles will be extended to 2020. Local governments nationwide (including Beijing, Shanghai and Wuhan) also introduced a series of supporting policies for new energy vehicles facilities, encouraging the promotion and application of new energy vehicles in regions various. All these have demonstrated the government's efforts and determination to facilitate the rapid development of new energy vehicles and have helped to make the operating environment favourable for the new energy vehicle industry.

Handset Component and Assembly Business

According to Gartner, a market research institution, global handset shipments in 2014 amounted to 1.88 billion units, representing an increase of 3.89% compared to that of 2013. In particular, the smartphone shipments rose by 28.4% to 1.24 billion units, accounting for 66.3% of the global handset shipments, and still dominating the mobile communications market. In the domestic market, the successive launches of the fourth generation (4G) mobile communication network by three communication operators into operation have marked the rapid development of the mobile Internet, and will generate replacement demand for more advanced mobile devices. The rapid rise of domestic brand manufacturers, including Huawei, vivo, Lenovo, TCL and Xiaomi has boosted awareness of the domestic Chinese brands, driving the development of the industry. Meanwhile, metal casings continued to be well received by more and more handset manufacturers due to their better appearance, texture and performance. This has resulted in a rapid growth in the demand for metal casings, whose market share continued to increase, giving impetus to the business growth of the world's leading metal casing manufacturers.

Rechargeable Battery and Photovoltaic Business

During 2014, the global shipment volume of handsets was stable, leading to steady demand for lithium-ion battery. Notably, there is a shortage of upstream automobile batteries amid the rapid development of the new energy vehicle industry. While stepping up their efforts to increase production capacity, many battery manufacturers around the world attempted to develop new materials and conducted technological research, with an aim of enhancing the performance of batteries. This has generated new opportunities for the rechargeable battery industry's development. Meanwhile, the photovoltaic industry is facing the headwind as the United States and European Union are conducting antidumping and countervailing duty investigations, as well as a continuous decline in the products' prices.

BUSINESS REVIEW

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (which are collectively referred to as the "Group") are principally engaged in automobile business (which manufactures traditional fuel-powered vehicles and new energy vehicles), the business of handset components and assembly services and rechargeable battery and photovoltaic business. During the Year, the overall revenue of the Group was approximately RMB55,366 million, representing an increase of 11.25%. The business of automobiles and related products realized revenue of approximately RMB26,270 million, representing an increase of 3.87%. The business of handset components and assembly generated revenue of approximately RMB24,116 million, representing an increase of 23.93%. The rechargeable battery and photovoltaic business recorded revenue of approximately RMB4,980 million, representing a decrease of 0.76%.

Management Discussion & Analysis

Automobile Business

In China's traditional fuel-powered automobile industry, the policy changes and intensified market competition have exerted downward pressure on the selling price and sales volume of the products of the domestic brands during the Year. The Group was also adversely affected, and recorded a 21.33% decrease in its sales volume of vehicles to about 373 thousand units. Nevertheless, the Group actively capitalized on the strong emergence of domestic brands in the SUV market. In the second half of 2014, the Group promoted a new high-end SUV model, S7, which was well-received by the market and the sales volume continued to grow rapidly. S7 and the highly popular model of S6 contributed to the continuous increase of the total sales volume of the Group's SUV, partly offsetting the decline in sales of certain models of traditional vehicles. In addition to the launch of S7, the Group also launched G5 in the second half of 2014, which is an A+ class sedan equipped with the world's leading passenger intelligent operating system. Access to Internet is available via Wi-Fi connection, thus greatly raising the computerization level of the automobile products, bolstering the transformation of traditional automobiles into intelligent vehicles.

The new energy vehicle industry achieved groundbreaking developments in 2014 by taking advantage of continuous product diversification and enhancement of the vehicles' performance, as well as the increased support from government. BYD was leading the industry in technological research and commercial promotion of new energy vehicles, and continuously consolidated its leading position in the new energy vehicle market by capitalizing on the advanced technology and outstanding performance of its products. During the Year, the Group has accumulated a great number of unfulfilled orders on hand for new energy vehicles due to the limitation of the battery production capacity. As such, the Group was actively expanding its battery production capacity in an attempt to meet the market demand during the Year. The new production capacity was gradually put into operation in the first quarter of 2015, and is expected to provide the Group with sufficient lithium ferrous phosphate ("LFP") battery production capacity to meet the demand for batteries used in new energy vehicles in the future when they are run in full capacity. It is anticipated that this will increase both the sales volume and market share of the Group's new energy vehicles.

During the Year, revenue from the Group's new energy vehicle business increased by about 6 times to approximately RMB7,251 million, accounting for 27.60% of the revenue of the Group's automobile business. The sales volume of the new energy vehicles grew by 9 times. In particular, the sales volume of plug-in hybrid vehicles, "Qin (秦)", grew significantly, promptly become the best seller among the new energy vehicles in China and maintained a leading position in the private car market of new energy vehicle. Sales Volume of K9 pure electric buses and e6 pure electric taxis grew continuously, and lead the way of public transportation electrification in the world. According to the data released by CAAM, BYD's share in the market for new energy vehicles was 27.9% in 2014, and its share in the market for plug-in hybrid vehicles was 49.6%, making the Company far ahead of other industry players and its consolidated leading position in the market.

Management Discussion & Analysis

In the private car market, the Group continued to focus on the promotion of plug-in hybrid vehicles featuring "electricity for trips and gasoline for journeys". Given the current insufficient ancillary facilities for charging, a plug-in hybrid vehicle is now the most appropriate new energy vehicle model in China. The Group believes that the model will mark the key direction for development in the market for new energy private cars. During the Year, "Qin" (秦), the plug-in hybrid vehicle model promoted by the Group, has gained consumers' recognition for its excellent power performance of accelerating to 100 km/h in 5.9 seconds, high energy efficiency of average oil consumption of 1.6 litres per 100 km, advanced intelligent operating system and fashionable appearance and design. This also quickly made it the champion of new energy vehicles in terms of annual sales volume, thus further improving the awareness and reputation of the "BYD" brand.

In addition, the pure electric vehicle "DENZA", jointly developed by the Group and Daimler, was launched in September 2014. Combining Daimler's advanced complete vehicle technologies and centennial brand influence with BYD's leading battery technology, "DENZA" provided consumers with excellent driving experience, which helped the Group to expand its presence in the pure electric passenger vehicle market.

As for public transportation, the Group continued its development strategy of public transportation electrification. During the Year, the Group actively promoted the pure electric buses and taxis in both the domestic and overseas markets. In Shenzhen, which is one of the model cities in the world of adopting electric automobiles, until now 780 K9 pure electric buses and 850 e6 pure electric taxies were put into operation, with their accumulated mileages amounting to 57 million km and 270 million km respectively, and their maximum mileages for a single vehicle amounted to 250,000 km and 640,000 km respectively. In addition to Shenzhen, the Group also promoted the use of new energy vehicles in over 10 cities in China, including Nanjing, Dalian and Hangzhou. Commercial production also commenced in over 30 countries and regions in Europe, Asia, North America and South America.

As for recharging facilities, the State Grid Corporation of China announced in May 2014 that it would introduce private investment in construction of charging facilities for electric vehicles, so as to address the shortage of charging facilities and facilitate the development of the new energy vehicle industry. Local governments also actively promoted the construction of charging facilities. The municipal governments in Beijing, Shanghai, Hefei and Wuhan have specified the required proportion of charging facilities for new energy vehicles in newly established districts and car parks. In addition, the Group has developed its multi-storey charging station to make full use of the limited space and actively sought cooperation with third parties to popularize charging facilities.

During the Year, the Group was approved to establish a joint venture, BYD Auto Finance Company Limited (比亞迪汽車金融有限公司), with Bank of Xi'an to provide relevant services, including granting financial loans to car dealers and consumers. This will help boost the sales of BYD automobiles and bring meaningful contribution to the Group's income and profit.

Handset Component and Assembly Business

Through its handset component and assembly business, the Group provides handset manufacturers with the vertically integrated one-stop services of designing and assembling the whole handset and producing components. The Group is one of the most competitive suppliers of handset components and assembly services in the world, and its major customers include such international brands as Samsung, Apple, Nokia, HTC and HP and leading domestic manufacturers of electronic products such as Huawei, vivo, Lenovo and TCL. During the Year, the revenue from the Group's handset component and assembly business rose by approximately 23.93% to RMB24,116 million.

During the Year, the 3G and 4G networks became increasingly widespread in the world, resulting in a persistent and rapid growth in sales of smartphones which were replacing feature handsets. Meanwhile, consumers had higher requirement for the performance and appearance of smartphones. The plastic-metal hybrid (the "PMH") technology developed by the Group has been used in a wider scope of application, and had set the trend in the high-end smartphone market. During the Year, the handset component and assembly business achieved a breakthrough. The Group successively obtained a number of contracts from a newly gained major customer to mass-produce mid-range and high-end models of smartphones, further improving the customer base and sales revenue of the Group and driving the sustainable growth in the future. The Group's original design manufacturing ("ODM") business continued to win contracts from world-famous brand manufacturers to produce smartphones, tablets, and other mobile intelligent terminals, thereby achieving rapid growth in business.

Management Discussion & Analysis

Rechargeable Battery and Photovoltaic Business

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries products, which are widely used in portable electronic devices, including handsets, digital cameras, power tools gadgets and electrical toys. The Group is also actively researching on and developing LFP batteries and solar battery products, and is committed to applying such products to new energy vehicles, energy storage stations and solar power stations, etc. During the Year, the Group's rechargeable battery and photovoltaic business recorded revenue of approximately RMB4,980 million, representing a decrease of 0.76%.

As the world's leading company in the developing and promoting the applications of lithium-ion battery and nickel battery, the Group actively capitalized on the thriving development of smartphones during the Year and improving and strengthening its customer base and expanding the scope of its product applications, so as to consolidate and enhance its leading position in the market. The Group continued to enhance the energy density of LFP battery while lowering its cost so as to enhance the overall competitive advantage of the new energy vehicles. Meanwhile, it also developed a new type of battery with higher energy density to increase the cruising mileage of the new energy vehicles.

For the energy storage station business, the Group completed the construction of the world's largest user side ferrous battery energy storage station in Pingshan New District, Shenzhen during the Year. The energy storage station has the capacity of 20MW/40MWH, allowing an industrial park to manage and adjust the power load. In the solar energy business, the Group provided NuGenCapital, a famous renewable energy manufacturer in the United States, with photovoltaic modules which were adopted in various power stations in Massachusetts with a total capacity of 10MW. During the Year, the Group's solar energy business still registered a large loss due to the intense market competition and falling product price.

Placing of Shares

The Group placed 121,900,000 new H shares at HK$35 per share in May 2014. The net proceeds from the placing net of commission and the estimated expenses are approximately HK$4.2 billion, which will be used mainly for expanding the LFP battery production scale and replenishing working capital in order to expedite the development of its new energy vehicle business.

Prospect and Strategies

In 2015, China's economy is expected to develop consistently after having reached a "new normal". The central government will step up the economic restructuring and at the same time try to prevent excessive deceleration of economic growth. Although the risk and pressure of an economic slowdown still linger, China is expected to achieve steady economic growth, with "stable growth" as the general tone of the central government's planning for the country's economic development. Following the development philosophy which emphasizes "technology, quality and responsibility", the Group will endeavor to enhance its technological level and product quality, and accelerate the development of its new energy-related business, with the aim of reinforcing its leading position in the market for new energy vehicles.

Management Discussion & Analysis

Automobile Business

Growth in China's automobile market is expected to decelerate due to the country's macro-economic slowdown. However, the ongoing urbanization, the people's rising disposable income, the upgrade demand in first- and second-tier markets and the release of the potential demand in the third- and fourth-tier cities will continue to drive the demand for automobiles. Moreover, domestic brands still have much room for development in the SUV market due to their focus on technical innovation, attention to the driving experience and the outstanding price-performance ratio. The development of new energy vehicle is the right strategy for China to transform itself from a nation known for enormous output of vehicles to one noted for comprehensive strength in automobile industry. As the new energy vehicle industry will strike a balance between economic benefits and environmental protection, it has been raised to national strategy level and earmarked by the government for its support currently and in the long term. It is expected that the industry will continue to receive strong support from the government's policies. With the consistently improving performance, cost advantages, driving experience, and the gradual enhancement of charging facilities, the new energy vehicles will gradually replace the traditional automobiles in the future, and the new energy vehicle industry will have a golden opportunity for rapid development.

The Group will capitalize on the government's increasing support and the continuous improvement of ancillary facilities in the industry by expediting the overall deployment throughout the value chain of its new energy vehicle business and in different market segments. In terms of technology, the Group has already mastered the three core technologies of battery, electric motor and electric control of new energy vehicles, and will maintain its technological advantages and leading market position through its "542 strategy" which represents three breakthroughs, including the power performance of accelerating to 100 km/h in less than 5 seconds, all-time four-wheel drive and the gasoline consumption of less than 2 litres per 100 km. In terms of planning, the Group will initiate the "7+4" strategy for full market coverage in transportation by introducing new energy vehicles in seven target markets for private cars, public buses, taxis, sanitation vehicles, inter-city transportation, logistic trucks and construction vehicles and four markets for such special-duty vehicles for warehouses, airports, mines and ports. In terms of product launches, the Group plans to introduce several new models of vehicle to the market in 2015 and will diversify its product portfolio by extending the product range of its new energy vehicles from the sedans to SUV in order to capitalize on the strong emergence of the domestic brands in the SUV market.

Looking ahead to the future, BYD will launch a series of new energy models, including "Tang (唐)", which is the world's first dual-mode SUV with three powertrains and four-wheel drive, a medium-sized dual-mode SUV, a compact dual-mode SUV, a dual-mode MPV and the pure electric model of "Qin (秦)". These new product launches are expected to further increase the sales volume of new energy vehicles, improve the product portfolio, and enhance the economies of scale, which will thus help boost the revenue and profit of the business of new energy vehicles.

For the business of traditional fuel-powered vehicles, the Group will continue to implement the "smart strategy", striving to fully satisfy the need of the users concerning three main aspects, namely intelligent

automobile network, intelligent driving and intelligent safety, so that they may enjoy a convenient, comfortable and safe driving experience. The Group has also incorporated and quickly applied innovative ideas in technology by fully leveraging its advantages in vertical integration of its automobile business and the synergy between the automobile and IT industries. This encompasses the incorporation of cloud services, PM2.5 green purification system, Car Pad system, remote control driving technology, 360-degree panoramic vision system and head-up display (HUD) night vision system in its automobile products. All these are aimed at providing its user with a comprehensive intelligent driving solution. Apart from S7 and G5 that have been launched, the Group will launch more models by adopting the "smart strategy" in the future, which will add impetus to the development of its traditional fuel-powered automobile business.

Management Discussion & Analysis

Handset Component and Assembly Business

The rising popularity of mobile Internet and the advancement of communication technology will result in the rapid development of mobile intelligent terminals. According to an estimate from Gartner, the global handset shipments in 2015 will increase to 1.94 billion units, and the smartphone's share in the global handset shipments will continue to rise on the back of the consistent and more rapid growth in the smartphone market. Meanwhile, more and more domestic and overseas manufacturers adopt the metal casings with PMH technology in order to enhance the performance and competitiveness of their products. The Group, therefore, believes that the market potential of its handset component and assembly business remains enormous.

As the developer and promoter of PMH technology, the Group will leverage its first-mover advantage and solid market position to promote the application of PMH technology. By actively participating in the development and production of high-end mainstream models of global leading brand manufacturer to help it for larger market share through enhancing its competitiveness in global smartphone market. In the future, the Group will take the initiative to expand the scope of applications of the products, optimize the customer base and expand its production capacity to enhance economies of scale. All these measures will enhance the contribution of the handset component and assembly business to the Group's revenue and profit.

Management Discussion & Analysis

In 12 February 2015, BYD announced its disposal of the handset component business which included flexible printed circuit boards, LCD display modules and camera modules, etc. The disposal will help the Group sharpen its strategic focus, expedite its business transformation and enhancement, optimize the asset structure and resources allocation, and promote the long-term development of its core business.

Rechargeable Battery and Photovoltaic Business

The continual development of mobile intelligent terminals adds impetus to the rechargeable battery business. In the future, the Group will continue to expand the scope of applications for lithium-ion batteries and nickel batteries so as to increase its market share. On the other hand, the explosive development of new energy vehicles will substantially boost the demand for the motive power batteries. As such, the Group will continue to put more efforts in research on enhancing the performance and quality of the LFP batteries while actively expanding its LFP battery production capacity to meet the vast demand triggered off by the exponential growth of new energy vehicles. For the solar energy business, the Group will continue to expand both domestic and overseas markets, and will strive for a breakeven in 2015 while increasing the revenue of the business.

Forecast operating results for January to March 2015

Estimated operating results for January to March 2015: The net profit was positive with a year-on-year increase of over 50%.

Change (in percentage) of net profit attributable to shareholders of the listed company for January to March 2015	735.70	to	1,153.55
Range of net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2015	10,000	to	15,000
Net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2014	1,197		

Reasons for changes in results	Benefited from the strong support from the government's policies and the continuously consolidating competitive advantage of the new energy vehicles of the Group, the Group's new energy vehicle business was expected to sustain its strong growth momentum. As for the traditional automobile business, it was projected that the sales of new models such as S7 and G5 would continue to boom as a driver to the overall promising development of the Group's traditional automobile business. As for the handset components and assembly business, the global development of smartphone and sizeable production of high-end flagship model from new customer would facilitate the continued development of the Group's handset components business. Under the fierce market competition and a continuous decline in product pricing, it was likely for the solar energy business to drag the overall results of the Group for Q1 2015 to a relatively large extent.

Financial Review

Turnover and Profit attributable to owners of the Parent Company

During the Year, turnover increased by 11.25% as compared to that of 2013, which was mainly driven by the significant growth in the sales of new energy vehicles and the growth of the handset components and assembly business. Profit attributable to equity holders of the parent company decreased by 21.61% as compared to the same period of the previous year, mainly attributable to the decline in the sales of the traditional automobiles.

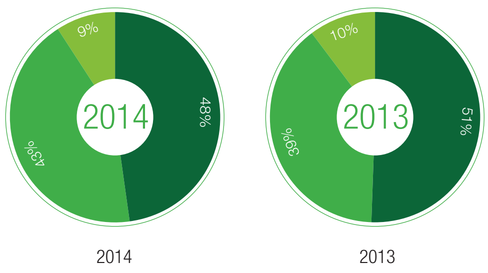
Management Discussion & Analysis

Segmental Information

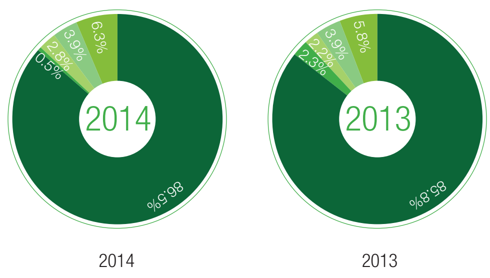
The charts below sets out comparisons of the Group's turnover by product category for the years ended 31 December 2014 and 2013:

During the Year, the handset components and assembly businesses of the Group saw a rapid growth, accordingly, the proportion of turnover increase a little compare to that of last year.

Turnover Breakdown by Product Categories



Turnover Breakdown by Locations of Customers



Gross Profit and Margin

During the Year, the Group's gross profit increased by approximately 16.99% to approximately RMB7,623 million. Gross profit margin increased from approximately 13.09% in 2013 to approximately 13.77% during the Year. The increase in gross profit margin was mainly due to the increase in the gross profit of the handset components and assembly business.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB38 million, compared with approximately RMB2,436 million in 2013. Total borrowings as at 31 December 2014, including all bank loans and bonds, were approximately RMB30,152 million, compared with approximately RMB24,824 million as at 31 December 2013. The maturity profile of the bank loans thereof spread over a period of fifteen years, with approximately RMB19,173 million repayable within one year and approximately RMB3,993 million in the second year, approximately RMB6,969 million within the third to the fifth years and approximately RMB17 million over five years. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

For the year ended 31 December 2014, turnover period of accounts and bills receivables was approximately 118 days, as compared to approximately 86 days for the same period in 2013. The increase in turnover days of receivable was mainly due to the increase in the sales of new energy vehicles and thus a longer credit term for payments of automobiles. The inventory turnover period was approximately 71 days for the year ended 31 December 2014 as compared to about 68 days for the same period in 2013 without significant change.

Capital Structure

The Group's Financial Division is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 31 December 2014, borrowings were primarily settled in RMB, while cash and cash equivalents were primarily held in RMB and US dollar. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the period. The loans remaining outstanding as at 31 December 2014 were at fixed interest rates or floating interest rates for RMB loans and foreign currency loans.

Management Discussion & Analysis

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 31 December 2014, the Group had approximately 190,000 employees. During the period, total staff cost accounted for approximately 18.21% of the Group's turnover. Employees' remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal development.

Share Capital

As at 31 December 2014, the share capital of the Company was as follows:

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

Purchase, Sale or Redemption of Shares

The Company did not redeem any of its shares during the period from 1 January 2014 to 31 December 2014. During the period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Capital Commitment

Please refer to note 39 to the financial statements for details of capital commitments.

Contingent Liabilities

Please refer to note 37 to the financial statements for details of contingent liabilities.

Environmental Protection

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

Directors, Supervisors and Senior Management

Executive Director

Wang Chuan-fu

Mr. Wang Chuan-fu, born in 1966, Chinese national with no right of abode overseas, master 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 Mr. Lv Xiang-yang and took the position of general manager. He is the Chairman, an Executive Director and the President of the Company responsible for overseeing the general operations of the Group and determining the business strategies for the Group. He is a non-executive director and the chairman of BYD Electronic (International) Company Limited, a director of Shenzhen BYD Daimler New Technology Co., Ltd., Vice Chairman of Shenzhen Pengcheng Electric Automobiles Renting Co. Ltd., a director of Tianjin BYD Auto Co., Ltd., the chairman of Sheng Shi Xin Oi Electric Automobile Service Co., Ltd (盛世新迪電動汽車服務有限公司), Independent Director of Renren Inc., director of South University of Science and Technology of China and a director of BYD Charity Foundation.

Mr. Wang, being a technology expert, enjoyed special allowances from the State Council. In June 2003, he was awarded Star of Asia by BusinessWeek. He was awarded with Mayor award of Shenzhen in 2004 (二零零四年深圳市市長獎), "The 2008 CCTV Man of the Year China Economy Innovation Award", Southern Guangdong Meritorious Service Award (南粵功勳獎) in 2011, and Zayed Future Energy Prize Lifetime Achievement Award (扎耶德未來能源獎個人終身成就獎) in 2014, etc.

Non-executive Directors

Lv Xiang-yang

Mr. Lv Xiang-yang, born in 1962, Chinese national with no right of abode overseas, bachelor degree holder, economist. Mr. Lv worked at Chaohu Centre Branch of the People's Bank of China (中國人民銀行巢湖中心分行). In February 1995, he founded 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 Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司), Luxiang Co., Ltd (路翔股份有限公司), and Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), chairman of Shenzhen Youngy Guarantee Company Limited (深圳融捷擔保有限公司), Executive Director and manager of Guangdong Youngy Financing Service Company Limited (廣東融捷融資服務有限公司), Executive Director of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司) and Vice Chairman of BYD Charity Foundation.

Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology of Beijing (北京科技大學)) from 1985 to 1987 and he graduated from 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) and Beijing Zhengxuan Investment Co., Ltd (北京正軒投資有限責任公司), a Director of Sinocompound Catalysts Co. Ltd. (formerly known as Zhangjiagang Applica Technology Co., Ltd.) (江蘇欣諾科催化劑有限公司，前稱張家港雅普利華生物科技有限公司), the director of Shenzhen UniFortune Supply Chain Service Co.,Ltd. (深圳市聯合利豐供應鏈管理有限公司), the Chairman of Shenzhen Zhengxuan Asset Management Co. Ltd. (深圳市正軒資產管理有限公司), the chairman of Annuo Youda Gene Technology (Beijing) Co. Ltd. (安諾優達基因科技(北京)有限公司), director of Guangdong Beizhi Human Resources Management Consultation Co., Ltd. (廣東倍智人才管理諮詢有限公司) and the Vice-chairman of BYD Charity Foundation.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Wang Zi-dong

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

Zou Fei

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

Zhang Ran

Ms. Zhang Ran, born in 1977, Chinese national with no right of abode overseas, doctor degree holder and associate professor. Ms. Zhang graduated from Beijing Jiaotong University in 2002 with a bachelor of accountancy and a master's degree in economics, and a doctorate degree in accountancy from Leeds School of Business, University of Colorado at Boulder. Ms. Zhang held positions as a part-time lecturer in Leeds School of Business, University of Colorado at Boulder, and as an accounting and auditing tax commissioner in Bill Brooks CPA, Boulder, CO, USA. Currently, she serves as an independent director of the Company and as an associate professor of accounting and doctoral tutor in Guanghua School of Management of Peking University.

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 in 1959, 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 also acted as the general manager of the Sino-foreign joint venture named 寶雞星寶機電公司, plant manager of state-owned Factory 843 since June 2002, director and general manager of 西安北方秦川機械工業有限公司, director and the general manager of 西安北方秦川集團有限公司. He is currently a Supervisor of the Company and acted as the deputy general manager of 中國兵器西北工業集團有限公司 and the chairman of 西安北方秦川集團有限公司.

Wang Zhen

Ms. Wang Zhen, born in 1976, Chinese national with no right of abode overseas, bachelor degree holder. Ms. Wang graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) (formerly known as Guangzhou Institute of Foreign Languages (廣州外國語學院)) in the PRC in 1998, majoring in Spanish language and obtained a bachelor degree. Ms. Wang joined Shenzhen BYD Battery Company Limited in 1998 and has been working in the President's office. She is a Supervisor of the Company and officer of the President's office, vice president of administrative human personnel of Shenzhen BYD Diamler New Technology Co., Ltd., a supervisor of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司) and a supervisor of BYD Charity Foundation.

Directors, Supervisors and Senior Management

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 the General Manager of the automobile business office and also a supervisor of Shenzhen Pengcheng Electric Automobiles Renting Co., Ltd., a supervisor of Hangzhou West Lake BYD New Energy Automobile Co., Ltd. (杭州西湖比亞迪新能源汽車有限公司) and a supervisor of BYD Charity Foundation.

Huang Jiang-feng

Mr. Huang Jiang-feng, born in 1980, Chinese national with no right of abode overseas, bachelor degree holder. Mr. Huang graduated from Zhongnan University of Economics and Law in 2003 with a bachelor degree in administration. Mr. Huang held positions in Sinopec Chenzhou Petroleum Branch in Hunan (中國石化湖南郴州石油分公司), Dongguan Hsu Fu Chi Foods Co., Ltd. (東莞徐記食品有限公司) and Guangzhou Office of Guosen Securities (國信證券廣州營業部). He has been working in Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) since August 2008, and is currently a shareholder supervisor of the Company, a director and an assistant to the president in Youngy Investment Holding Group Co., Ltd.

Senior Management

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 and chief financial officer 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., a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd., a Supervisor of Qianhai Insurance Trading Centre (Shenzhen) Co., Ltd. (前海保險交易中心(深圳)股份有限公司), the chairman of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), the chairman of Shenzhen BYD Electric Car Investment Co., Ltd. (深圳市比亞迪電動汽車投資有限公司), a vice chairman of Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. (廣州廣汽比亞迪新能源客車有限公司), the chairman of Shenzhen Dicheng New Energy Co., Ltd (深圳迪程新能源有限公司) and chairman of BYD Charity Foundation.

Wang Nian-qiang

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

Directors, Supervisors and Senior Management

Lian Yu-bo

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

He Long

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

Liu Huan-ming

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

Zhang Jin-tao

Mr. Zhang Jin-tao, born in 1958, Chinese national with no right of abode overseas, bachelor’s degree holder, and a senior engineer. Mr. Zhang graduated from Wuhan Institute of Technology (武漢工學院) (currently known as “Wuhan University of Technology”) in 1982, majoring in casting process and equipment, with a bachelor’s degree in engineering. From April 1997 to February 1998, he went to Fukushima Hightech Center in Japan for further study. Mr. Zhang worked for several companies, including state-owned Factory 612, Factory 446 and Monkey King Group Company (猴王集團公司), and was a member of National Welding Committee for Standardization and Welding Slice Technology Committee, and the vice-chairman of Hubei Province Machinery Manufacturing Technology Association. Mr. Zhang joined the Company in February 2000, holding posts such as manager of engineering department, manager of electric vehicle project department, general manager of Division 14 and Division 8. He currently is vice-president of the Company, general manager of Division 17, president of the Truck and Specialized Vehicle Research Institute and director of Hangzhou West Lake BYD New Energy Automobile Co., Ltd. (杭州西湖比亞迪新能源汽車有限公司).

Luo Hong-bin

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

Li Qian

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

Zhou Ya-lin

Ms. Zhou Ya-lin, born in 1977, Chinese national with no right of abode overseas, bachelor’s degree holder. Ms. Zhou graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1999, with a bachelor’s degree in economics. Ms. Zhou joined the Company in March 1999 and is the chief accountant of the Company. She is also a director of Shenzhen BYD Electric Car Investment Co., Ltd. (深圳市比亞迪電動汽車投資有限公司), a director of Shenzhen Dicheng New Energy Co., Ltd (深圳迪程新能源有限公司) and a director of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司).

Directors, Supervisors and Senior Management

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

Name	Position	Status of employment	Total remuneration received from the Company (Unit: RMB'000)
Wang Chuan-fu	Chairman, Executive Director and President	Incumbent	3,760
Lv Xiang-yang	Vice-chairman and non-executive director	Incumbent	150
Xia Zuo-quan	Non-executive director	Incumbent	150
Li Dong	Independent Director	Retired	100
Wu Chang-qi	Independent Director	Retired	100
Li Lian-he	Independent Director	Retired	100
Wang Zi-dong	Independent Director	Incumbent	50
Zou Fei	Independent Director	Incumbent	50
Zhang Ran	Independent Director	Incumbent	50
Dong Jun-qing	Independent supervisor and chairman of the supervisory committee	Incumbent	50
Li Yong Zhao	Independent Director	Incumbent	50
Huang Jiang-feng	Shareholder supervisor	Incumbent	15
Wang Zhen	Staff representative supervisor	Incumbent	1,260
Yan Chen	Staff representative supervisor	Incumbent	1,290
Wu Jing-sheng	Vice president and Chief Financial Officer	Incumbent	4,540
Wang Nian-qiang	Vice president	Incumbent	4,480
Mao De-he	Vice president	Retired	970
Lian Yu-bo	Vice president	Incumbent	4,780
He Long	Vice president	Incumbent	3,950
Liu Huan-ming	Vice president	Incumbent	2,870
Zhang Jin-tao	Vice president	Incumbent	3,230
Luo Hong-bin	Vice president	Incumbent	2,870
Li Qian	Secretary to the Board and Company Secretary	Incumbent	1,020
Zhou Ya-lin	Chief Accountant	Incumbent	800
Total	–	–	36,685

Corporate Governance Report

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

The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the "Code") except for the deviation from the code provision A.2.1 which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

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

Board of Directors

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

The Directors

As of the date of this report, the Board comprises six Directors. There 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 22 and page 23 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 nineteen times this year to discuss the Group's overall strategy, operation and financial performance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matter is specifically addressed to the Board for its decision. Topics discussed at these Board meetings include interim and annual results; recommendations on the remuneration of Directors, supervisors, recommendations of auditors, approval of major capital project; dividend policies; and other significant operational and financial matters.

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

In accordance with the Company's Articles of Association and related Board resolutions, each Board member and each member of the Supervisory Committee is appointed for a term of 3 years, being the period from 10 September 2014 to 10 September 2017.

Corporate Governance Report

Continuous Professional Development of Directors

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

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

The Board's Diversity Policy

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

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

Board Meetings

To ensure the highest attendance of Directors, written notices are sent to all Directors 14 days before a regular board meeting; written notices are sent to all Directors 2 days before a provisional board meeting. The meeting agenda is set in consultation with members of the Board. The Board held nineteen meetings in 2014. 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	19	100%
Non-executive Directors		
LV Xiang-yang	19	100%
XIA Zuo-quan	19	100%
Independent Non-executive Directors		
LI Dong	15	100%
WU Chang-qi	15	100%
LI Lian-he	15	100%
WANG Zi-dong	4	100%
ZOU Fei	4	100%
ZHANG Ran	4	100%

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

– the Audit Committee;

– the Remuneration Committee;

– the Nomination Committee; and

– the Strategy Committee.

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

Corporate Governance Report

Audit Committee

One of the primary duties of the Audit Committee is to review the financial reporting process of the Group. As at 31 December 2014, Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, and a non-executive Director, Mr. Lv Xiang-yang, with Ms. Zhang Ran as the Chairman. Meetings were convened by the Company's Audit Committee and the Company's auditors to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval.

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

The Audit Committee held five meetings in 2014 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 2013, the three months ended 31 March 2014, the six months ended 30 June 2014 and the nine months ended 30 September 2014, 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
LV Xiang-yang	5	100%
LI Dong	3	100%
WU Chang-qi	3	100%
LI Lian-he	3	100%
ZHANG Ran	2	100%
WANG Zi-dong	2	100%
ZOU Fei	2	100%

Remuneration Committee

Pursuant to code provision B.1.1 of the Code, the Board of Directors established a Remuneration Committee on 27 June 2005. The primary role of the Remuneration Committee is to regularly review human resource management policies, make recommendations on the compensation and benefit plans of Directors and senior management, as well as setting performance goals for senior management of the Group. As at 31 December 2014, the Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, with Mr. Zou Fei as the Chairman.

The Remuneration Committee has reviewed its terms of reference in 2014 to comply with the Code.

The Remuneration Committee held two meetings in 2014 to review the remuneration of directors, supervisors and senior management of the Group. The individual attendance of its members of the meetings is set out as follows:

Member of the Remuneration Committee	Number of Committee Meetings Attended	Attendance Rate
WANG Chuan-fu	2	100%
Xia Zuo-quan	2	100%
LI Dong	2	100%
WU Chang-qi	2	100%
LI Lian-he	2	100%

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 2014 are set out in note 9 to the financial statements.

Corporate Governance Report

Nomination Committee

Pursuant to the relevant provision of the Code, the Group established the Nomination Committee. As at 31 December 2014, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lv Xiang-yang, Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, with Mr. Wang Zi-dong as the Chairman. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of individuals nominated for directorships and senior management, appointment or reappointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors. The Nomination Committee has performed such duties as set out in the Code.

The Nomination Committee held three meetings in 2014 to review the qualification and election process of directors, supervisors and senior management of the Group. The individual attendance of its members of the meetings is set out as follows:

Member of the Nomination Committee	Number of Committee Meetings Attended	Attendance Rate
WANG Chuan-fu	3	100%
XIA Zuo-quan	3	100%
LI Dong	1	100%
WU Chang-qi	1	100%
LI Lian-he	1	100%
WANG Zi-dong	2	100%
ZOU Fei	2	100%
ZHANG Ran	2	100%

Strategy Committee

The Group established the Strategy Committee on 20 March 2008 in accordance with the relevant provisions of the Code of Corporate Governance for Listed Companies (上市公司治理準則). As at 31 December 2014, the Strategy Committee comprised Mr. Wang Chuan-fu, Mr. Lv Xiang-yang, Mr. Xia Zuo-quan, Mr. Wang Zi-dong and Mr. Zou Fei, with Mr. Wang Chuan-fu as the Chairman. The main duty of the Strategy Committee is to consider and make recommendations on the Company's long-term development strategy and major investment decisions.

Independent Auditors and their Remuneration

For the year ended 31 December 2014, the total remuneration paid to the international auditors, Ernst & Young and the domestic auditors, Ernst & Young Hua Ming (LLP), was RMB6,019,000 for audit services provided for the Company and its subsidiaries. The audit fee was approved by the Board. During the reporting period, the total remuneration in respect of the non-audit services provided by the external auditor of the Company was RMB1,050,000.

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Board has proposed to re-appoint Ernst & Young as the international auditor of the Company for 2015 and Ernst & Young Hua Ming (LLP) as the domestic auditors for 2015, which 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. The Board of directors has conducted an annual review of the Group's internal control system through the Audit Committee of the Group and considers that the relevant system is appropriate and effective.

Corporate Governance Report

Internal Audit

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

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

With the development of the Company, the Internal Audit Department has established various internal audit standard documents such as "Internal Audit System" and "Internal Control Standard" and "Internal Control Assessment and Management Requirements", to conduct inspection at company level and business level through project audit and internal control test, so as to identify risks and enhance its management.

The annual and quarterly work plan of internal audit of departments is reviewed by the Audit Committee and reported to the Audit Committee regularly. Major audit findings will be reported to the Audit Committee on timely basis. During the reporting year, the Internal Audit Department reviewed the key operations of the Group, identified areas of concern and held constructive communications with the Audit Committee.

Directors' Securities Transactions

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

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2014.

Shareholders' Rights

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

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

Investor Relations

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

On 29 July 2014, the Company adopted a new set of Articles of Association.

Report of the Directors

The directors of the Company ("Directors") submit their report together with the audited consolidated accounts of BYD Company Limited (the "Company") and its subsidiaries (together with the Company hereinafter collectively referred to as the "Group") for the year ended 31 December 2014.

Principal Activities and Geographical Analysis of Operations

The principal activities of the Group are rechargeable battery and photovoltaic business, handset components and assembly business as well as automobile business (including traditional fuel-powered vehicles and new energy vehicles). The activities of the Company's subsidiaries are set out in note 19 to the financial statements. There were no significant changes in the nature of the Group's principal activities for the year ended 31 December 2014.

An analysis of the Group's performance for the year ended 31 December 2014 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 2014 are set out in the consolidated financial statements and their notes on page 38 to page 129 of this annual report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2014.

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 35 to the financial statements respectively.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2014 amounted to approximately RMB9,521,000 (2013: RMB11,162,000).

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 34 to the financial statements.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2014, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB2,203,682,000 (2013: RMB2,324,058,000).

Bank Loans

As at 31 December 2014, details of bank loans of the Group are set out in note 31 to the financial statements.

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 130 of this annual report.

Directors

The Directors who held office during the year ended 31 December 2014 and up to the date of this report are:

– Executive director:
  Mr. Wang Chuan-fu

– Non-executive directors:
  Mr. Lv Xiang-yang
  Mr. Xia Zuo-quan

– Independent non-executive directors:
  Mr. Wang Zi-dong
  Mr. Zou Fei
  Ms. Zhang Ran

Report of the Directors

Directors' and Supervisors' Service Contracts

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

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

Directors' Interests in Contracts

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

Directors Remuneration

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

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

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

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of Directors, Supervisors and senior management of the Company are set out on pages 22 to 25.

Directors', Supervisors' and Chief Executives' Interests

As at 31 December 2014, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) were as follows:

A shares of RMB1.00 each

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Mr. Wang Chuan-fu (Director)	570,642,580 (L)	36.56%	23.05%
Mr. Lv Xiang-yang (Director)	401,810,480 (L) *(Note 1)*	25.74%	16.23%
Mr. Xia Zuo-quan (Director)	118,977,060 (L)	7.62%	4.81%

(L) – Long Position

Note:

1. Of the 401,810,480 A shares, 239,228,620 A shares were held by Mr. Lv in his personal capacity and 162,581,860 A shares were held by Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) ("Youngy Investment", formerly known as Guangzhou Youngy Management & Investment Group Company Limited). Youngy Investment was in turn held by Mr. Lv and his spouse as to 89.5% and 10.5% equity interests, respectively. Mr. Lv was therefore deemed to be interested in 162,581,860 A shares under the SFO.

Report of the Directors

H shares of RMB1.00 each

Name	Number of H shares	Approximate percentage of shareholding in total issued H shares (%)	Approximate percentage of shareholding in total issued share capital
Mr. Wang Chuan-fu (Director)	1,000,000 (L)	0.11%	0.04%
Mr. Xia Zuo-quan (Director)	500,000 (L) (Note 2)	0.05%	0.02%

(L) – Long Position

Note:

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

Saved as disclosed above, as at 31 December 2014, none of the Directors, supervisors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Shareholders with Notifiable Interests

As at 31 December 2014, to the best knowledge of the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (Cap. 571 of the Laws of Hong Kong), or were required to be entered in the register kept by the Company pursuant to Section 336 of the SFO:

1. A shares of RMB1.00 each

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Youngy Investment *(Note 1)*	162,581,860 (L)	10.42%	6.57%

(L) – Long position

Note:

1. Youngy Investment is owned by Mr. Lv Xiang-yang, a non-executive director of the Company, as to 89.5%. Mr. Lv is therefore deemed to be interested in 162,581,860 A shares held by Youngy Investment under the SFO.

2. H shares

Name	Number of H shares	Approximate percentage of shareholding in total issued H shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Berkshire Hathaway Inc. *(note 1)*	225,000,000 (L)	24.59%	9.09%
Berkshire Hathaway Energy *(note 1)*	225,000,000 (L)	24.59%	9.09%
Li Lu *(note 2)*	57,404,700 (L)	6.27%	2.24%
LL Group, LLC *(note 2)*	57,404,700 (L)	6.27%	2.24%
FIL Limited *(note 3)*	39,711,986 (L)	4.34%	1.60%
BlackRock Inc. *(note 4)*	62,577,738 (L)	6.84%	4.01%
	2,239,750 (S)	0.24%	0.14%

(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, Berkshire Hathaway Energy (formerly known as MidAmerican Energy Holdings Company) for the 225,000,000 H shares directly held by it.

2. LL Group, LLC was deemed to be interested in 57,404,700 H shares (L) through its controlled corporation, LL Investment Partners, L.P.. Li Lu, being the controlling shareholder of Capital Investors, L.P. (formerly known as LL Group, LLC) was also deemed to be interested in 57,404,700 H shares.

3. FIL Limited was interested in 39,711,986 H shares (L) in the capacity of investment manager.

Report of the Directors

4. BlackRock, Inc. was deemed to be interested in a total of 62,577,738 H shares (L) and had a short position in 2,239,750 H shares through its controlled corporations. Of these shares, 311,000 H shares (L) were held by BlackRock Investment Management LLC; 356,500 H shares (L) were held by BlackRock Financial Management, Inc.; 9,587,800 H shares (L) and 1,986,000 H shares (S) were held by BlackRock Institutional Trust Company, N.A.; 15,941,500 H shares (L) were held by BlackRock Fund Advisors; 132,000 H shares (L) were held by BlackRock Advisors, LLC; 603,500 H shares (L) were held by BlackRock Japan Co., Ltd.; 76,500 H shares (L) were held by BlackRock Asset Management Canada Limited; 225,000 H shares (L) were held by BlackRock Investment Management (Australia) Limited; 6,099,002 H shares (L) were held by BlackRock Asset Management North Asia Limited; 130,000 H shares (L) were held by BlackRock (Netherlands) B.V.; 20,956,634 H shares (L) were held by Blackrock Advisors (UK) Limited; 391,000 H shares (L) were held by BlackRock International Limited; 4,400,000 H shares (L) were held by BlackRock Asset Management Ireland Limited; 1,769,000 H shares (L) and 253,750 H shares (S) were held by BlackRock (Luxembourg) S.A.; 1,232,702 H Shares (L) were held by BlackRock Investment Management (UK) Ltd.; 339,600 H shares (L) were held by BlackRock Fund Managers Ltd.; and 26,000 H shares (L) were held by BlackRock Life Limited. All of these entities are either controlled or indirectly controlled by BlackRock, Inc.

   Among the 62,577,738 H shares (L) held by BlackRock, Inc., 374,500 H shares (L) were held through derivatives. Among the 2,239,750 H shares (S) held by BlackRock, Inc., 253,750 H shares (S)(L) were held through derivatives.

The total issued share capital of the Company as at 31 December 2014 was RMB2,476,000,000, divided into 1,561,000,000 A shares of RMB1.00 each and 915,000,000 H shares of RMB1.00 each, all fully paid up.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

Major Customers and Suppliers

The percentage of purchases and sales for the year ended 31 December 2014 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	4.33%
– the five largest suppliers combined	10.26%
Sales	
– the largest customer	9.5%
– the five largest customers combined	26.95%

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 2014 which is required to be disclosed under the Listing Rules.

Sufficiency of Public Float

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

Confirmation of Independence

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

Auditors

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

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, the PRC, 27 March 2015

Report of the Supervisory Committee

In 2014, 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 19 March 2014, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2013 was considered and approved accordingly.

On 24 April 2014, the Supervisory Committee convened its meeting at the office of the Company, where the first quarterly report of the Company for 2014 was considered and approved accordingly.

On 24 July 2014, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on the election of the new session of the Supervisory Committee was considered and approved accordingly.

On 22 August 2014, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2014 was considered and approved accordingly.

On 10 September 2014, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on the chairman of the Supervisory Committee was considered and approved accordingly.

On 29 October 2014, the Supervisory Committee convened its meeting at the office of the Company, where the third quarterly report of the Company for 2014 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 2014 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 2014, 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.

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

Dong Jun-qing
Chairman of the Supervisory Committee

27 March 2015

Independent Auditors' Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the shareholders of BYD Company Limited
(Registered in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of BYD Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 129, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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

Hong Kong

27 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	5	55,366,384	49,767,887
Cost of sales		(47,742,926)	(43,251,573)
Gross profit		7,623,458	6,516,314
Other income and gains	5	922,648	456,199
Government grants and subsidies	7	798,446	677,121
Selling and distribution expenses		(2,228,758)	(2,011,845)
Research and development costs	6	(1,864,695)	(1,278,910)
Administrative expenses		(2,600,600)	(2,073,516)
Other expenses		(257,330)	(387,556)
Finance costs	8	(1,396,828)	(1,017,318)
Share of profits and losses of:			
Joint ventures		(121,276)	(36,309)
Associates		(1,113)	(12,099)
PROFIT BEFORE TAX	6	873,952	832,081
Income tax expense	11	(134,082)	(56,215)
PROFIT FOR THE YEAR		739,870	775,866
PROFIT FOR THE YEAR			
Attributable to:			
Owners of the parent	14	433,525	553,059
Non-controlling interests		306,345	222,807
		739,870	775,866
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
– For profit for the year		RMB0.18	RMB0.23

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
PROFIT FOR THE YEAR		739,870	775,866
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(226)	1,502
Reclassification adjustments for gain included in the consolidated statement of profit or loss			
– gain on disposal		(4,261)	–
		(4,487)	1,502
Exchange differences on translation of foreign operations		6,594	(65,298)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		2,107	(63,796)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		741,977	712,070
Attributable to:			
Owners of the parent	13	437,595	512,780
Non-controlling interests		304,382	199,290
		741,977	712,070

Consolidated Statement of Financial Position

31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	36,379,422	34,147,121
Prepaid land lease payments	16	4,448,034	4,628,295
Goodwill	17	65,914	65,914
Other intangible assets	18	6,306,965	4,929,267
Non-current prepayments	26	2,411,053	1,463,810
Long-term receivable		315,311	34,679
Investments in joint ventures	20	1,074,435	809,388
Investment in an associate	21	339,118	274,117
Available-for-sale investments	22	35,000	9,487
Deferred tax assets	33	965,486	899,699
Property under development	23	833,875	787,404
Total non-current assets		53,174,613	48,049,181
CURRENT ASSETS			
Inventories	24	9,978,317	8,220,552
Trade and bills receivables	25	22,434,973	13,135,007
Prepayments, deposits and other receivables	26	2,923,167	2,425,717
Due from the joint ventures and associates	40(c)	976,892	250,009
Completed property held for sale	23	67,729	555,540
Pledged deposits	27	363,698	667,886
Short-term deposits	27	139,051	200,000
Cash and cash equivalents	27	3,950,415	4,510,942
Total current assets		40,834,242	29,965,653
CURRENT LIABILITIES			
Trade and bills payables	28	25,851,020	22,292,736
Other payables	29	3,632,713	2,942,148
Advances from customers		3,582,610	1,272,407
Deferred income	30	146,406	199,439
Interest-bearing bank and other borrowings	31	19,172,635	16,172,161
Due to joint ventures and associates	40(c)	23,948	–
Due to related parties	40(c)	61,533	–
Tax payable		142,878	165,734
Provision	32	408,381	299,352
Total current liabilities		53,022,124	43,343,977
NET CURRENT LIABILITIES		(12,187,882)	(13,378,324)
TOTAL ASSETS LESS CURRENT LIABILITIES		40,986,731	34,670,857

continued/…

Consolidated Statement of Financial Position

31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		40,986,731	34,670,857
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	10,979,299	8,652,259
Deferred income	30	1,110,021	1,158,565
Other liabilities		2,974	3,592
Total non-current liabilities		12,092,294	9,814,416
Net assets		28,894,437	24,856,441
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	2,476,000	2,354,100
Reserves	35	22,889,597	19,237,959
Proposed final dividend	12	–	117,705
		25,365,597	21,709,764
Non-controlling interests		3,528,840	3,146,677
Total equity		28,894,437	24,856,441

Director *Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 34)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 35)	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 2013	2,354,100	2,643,425*	4,372,397*	1,821,136*	(120,400)*	10,126,326*	–	21,196,984	2,947,387	24,144,371
Profit for the year	–	–	–	–	–	553,059	–	553,059	222,807	775,866
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	–	–	1,502	–	–	–	–	1,502	–	1,502
Exchange differences on translation of foreign operations	–	–	–	–	(41,781)	–	–	(41,781)	(23,517)	(65,298)
Total comprehensive income for the year	–	–	1,502	–	(41,781)	553,059	–	512,780	199,290	712,070
Proposed 2013 dividend *(note 12)*	–	–	–	–	–	(117,705)	117,705	–	–	–
Government subsidies designated to increase the capital reserve	–	–	24,931	–	–	(24,931)	–	–	–	–
Appropriation to statutory surplus reserve fund	–	–	–	144,609	–	(144,609)	–	–	–	–
At 31 December 2013 and 1 January 2014	2,354,100	2,643,425*	4,398,830*	1,965,745*	(162,181)*	10,392,140*	117,705	21,709,764	3,146,677	24,856,441
Profit for the year	–	–	–	–	–	433,525	–	433,525	306,345	739,870
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	–	–	(226)	–	–	–	–	(226)	–	(226)
Reclassification adjustments for gain included in the consolidated statement of profit or loss-gain on disposal of available-for-sale investments	–	–	(4,261)	–	–	–	–	(4,261)	–	(4,261)
Exchange differences on translation of foreign operations	–	–	–	–	8,557	–	–	8,557	(1,963)	6,594
Total comprehensive income for the year	–	–	(4,487)	–	8,557	433,525	–	437,595	304,382	741,977
Issue of shares (note 34)	121,900	3,273,331	–	–	–	–	–	3,395,231	100,000	3,495,231
Share issue expenses	–	(53,193)	–	–	–	–	–	(53,193)	–	(53,193)
Final 2013 dividend declared	–	–	–	–	–	(6,095)	(117,705)	(123,800)	(22,219)	(146,019)
Government subsidies designated to increase the capital reserve	–	–	38,295	–	–	(38,295)	–	–	–	–
Appropriation to statutory surplus reserve fund	–	–	–	143,661	–	(143,661)	–	–	–	–
At 31 December 2014	2,476,000	5,863,563*	4,432,638*	2,109,406*	(153,624)*	10,637,614*	–	25,365,597	3,528,840	28,894,437

* These reserve accounts comprise the consolidated reserves of RMB22,889,597,000 (2013: RMB19,237,959,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		873,952	832,081
Adjustments for:			
Finance costs	8	1,396,828	1,017,318
Share of profits and losses of joint ventures and associates		122,389	48,408
Bank interest income	5	(104,675)	(70,124)
Government grants and subsidies		(254,217)	(201,227)
Loss on disposal of items of non-current assets	6	(220,053)	(1,213)
Gain on disposal of a subsidiary		(186,494)	–
Fair value gains, net:			
Available-for-sale investments (transfer from equity on disposal)		(4,261)	–
Depreciation	15	3,703,736	3,209,045
Impairment of inventories	6	159,754	110,373
Impairment of trade receivables	25	89,340	52,382
Impairment of prepayments, deposits and other receivables	26	–	94,886
Impairment losses of trade receivables reversed	25	(70,525)	(711)
Impairment of items of property, plant and equipment	15	78,315	15,373
Impairment of other intangible assets	18	37,000	–
Recognition of prepaid land lease payments	16	102,611	94,479
Amortisation of other intangible assets	18	508,500	323,506
		6,232,200	5,524,576
Increase in inventories		(1,917,519)	(986,092)
Increase in trade and bills receivables		(9,318,836)	(3,214,130)
Increase in prepayments, deposits and other receivables		(623,024)	(342,789)
Increase in amounts due from joint ventures and associates		(726,883)	(118,249)
Increase in long-term receivable		(280,632)	(12,179)
(Increase)/decrease in property under development		(2,888)	1,038,759
Decrease/(increase) in completed property held for sale		534,298	(555,540)
Increase in trade and bills payables		3,057,247	2,221,556
Increase in other payables		731,263	176,253
Increase/(decrease) in advances from customers		2,246,075	(1,166,216)
Increase/(decrease) in amounts due to joint ventures		23,948	(25,521)
Increase in amounts due to related parties		61,533	–
Increase in provision for warranties		109,029	71,455
Cash generated from operations		125,811	2,611,883
Interest received		104,675	70,124
Taxes paid		(192,417)	(245,838)
Net cash flows from operating activities		38,069	2,436,169

continued/...

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Net cash flows from operating activities		38,069	2,436,169
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,136,767)	(1,042,598)
Increase in non-current prepayments		(4,336,655)	(2,718,968)
Increase in prepaid land lease payments		(189,610)	(433,225)
Investment in short-term deposits		(349,114)	(200,000)
Withdrawal of short-term deposits		410,063	–
Receipt of government grants		152,640	37,350
Disposal of a subsidiary	36	185,593	–
Additions to other intangible assets		(1,915,104)	(1,569,164)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		796,862	272,213
Increase in other payables		9,528	–
Proceeds from settlement of available-for-sale investments		4,261	–
Purchases of available-for-sale investments		(30,000)	(5,000)
Capital contributions to associates		(71,250)	–
Capital contributions to joint ventures		(431,200)	(192,000)
Net cash flows used in investing activities		(7,900,753)	(5,851,392)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	34	3,395,281	–
Shares issue expenses	34	(53,243)	–
Establishment of minority interest of subsidiaries		100,000	–
Proceeds from issue of corporate bonds		–	3,000,000
Corporate bond issue expenses		–	(11,768)
New bank loans		26,336,791	16,054,585
Repayment of bank loans		(21,022,402)	(12,822,558)
Interest paid		(1,643,647)	(1,242,020)
Dividends paid		(123,800)	–
Dividends paid to a non-controlling shareholder		(22,219)	–
Decrease/(increase) in pledged deposits		304,188	(470,481)
Net cash flows from financing activities		7,270,949	4,507,758
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(591,735)	1,092,535
Cash and cash equivalents at beginning of year		4,510,942	3,486,561
Effect of foreign exchange rate changes, net		31,208	(68,154)
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,950,415	4,510,942

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,029,480	1,336,236
Investments in subsidiaries	19	7,358,944	6,458,944
Investment in joint ventures	20	61,200	–
Investment in an associate	21	291,825	291,825
Prepaid land lease payments	16	24,889	25,564
Other intangible assets	18	98,149	56,307
Non-current prepayments	26	40,581	12,784
Deferred tax assets	33	77,310	79,142
Long term receivable		14,840	29,679
Available-for-sale investments	22	5,000	9,487
Total non-current assets		10,002,218	8,299,968
CURRENT ASSETS			
Inventories	24	375,424	419,226
Trade and bills receivables	25	769,497	1,074,440
Tax recoverable		3,039	3,039
Prepayments, deposits and other receivables	26	87,861	105,248
Due from subsidiaries	19	18,566,410	14,931,538
Restricted bank deposits	27	12,987	170,290
Cash and cash equivalents	27	317,227	152,428
Total current assets		20,132,445	16,856,209
CURRENT LIABILITIES			
Trade and bills payables	28	1,239,621	1,158,612
Other payables	29	340,192	358,314
Advances from customers		20,838	14,981
Interest-bearing bank and other borrowings	31	7,956,890	5,592,800
Due to subsidiaries	19	3,700,840	2,506,481
Total current liabilities		13,258,381	9,631,188
NET CURRENT ASSETS		6,874,064	7,225,021
TOTAL ASSETS LESS CURRENT LIABILITIES		16,876,282	15,524,989
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	6,056,491	7,921,682
Other non-current liabilities		2,489	3,296
Total non-current liabilities		6,058,980	7,924,978
Net assets		10,817,302	7,600,011
EQUITY			
Issued capital	34	2,476,000	2,354,100
Reserves	35(b)	8,341,302	5,245,911
Total equity		10,817,302	7,600,011

Director *Director*

Notes to Financial Statements

31 December 2014

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 automobiles and related products, handset components, rechargeable batteries, 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain available-for-sale investment, which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the Group's net current liabilities of approximately RMB12,187,882 as at 31 December 2014, the consolidated financial statements have been prepared on a going concern basis as it is the directors' opinion that the Group has sufficient cash flows 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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(e) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(g) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

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

The amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates and Joint Ventures introduce minor clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The Group expects to adopt the amendments from 1 January 2016.

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

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

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2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

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31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

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

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

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

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31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

Intangible assets (other than goodwill)

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

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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

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

Industrial proprietary rights

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

Know-how

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

Software

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Sale and leaseback

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position)when:

- the rights to receive cash flows from the asset have expired; or

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

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

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Financial assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Properties under development

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

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

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

Completed properties held for sale

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

Inventories

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

Cash and cash equivalents

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

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term deposits

Term deposits with an initial term of over three months but less than one year were classified as short-term deposits on the consolidated statement of financial position. The effective interest rate for the term deposits of the Group with an initial term of over three months for the year ended 31 December 2014 was 2.84% (2013: 3.05%). The carrying value of the short-term deposits with an initial term of over three months approximated to their fair value as at 31 December 2014. Term deposits with an initial term of over three months were denominated in RMB and were neither past due nor impaired.

Provisions

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

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

Revenue recognition

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

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

(b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

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

Contracts for services

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

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

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

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services (continued)

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

Employee benefits

Employees' leave entitlements

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

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

Medical benefits

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

Pension schemes – Mainland China

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

Pension schemes – non-Mainland China

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

Housing fund – Mainland China

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.35% and 6.6% has been applied to the expenditure on the individual assets.

Notes to Financial Statements

31 December 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

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

3. Significant accounting judgements and estimates

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

Judgements

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

Lease classification

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

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

Notes to Financial Statements

31 December 2014

3. Significant accounting judgements and estimates (continued)

Judgements (continued)

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considers that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 33 to the financial statements.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB65,914,000 (2013: RMB65,914,000). Further details are included in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

Depreciation and amortisation

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2014 was RMB66,857,000 (2013: RMB74,375,000). The amount of unrecognised tax losses at 31 December 2014 was RMB1,729,649,000 (2013: RMB1,545,742,000). Further details are contained in note 33 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 2014, the best estimate of the carrying amount of capitalised development costs was RMB6,146,356,000 (2013: RMB4,832,818,000). Further details are contained in note 18 to the financial statements.

Notes to Financial Statements

31 December 2014

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Warranty provisions

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

Allowance for doubtful receivables

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

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

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

4. Operating segment information

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

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

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

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

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

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

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

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.

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31 December 2014

4. Operating segment information (continued)

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

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31 December 2014

4. Operating segment information (continued)

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

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31 December 2014

4. Operating segment information (continued)

Year ended 31 December 2013	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	5,018,123	19,459,260	25,290,504	–	49,767,887
Intersegment sales	928,561	601,337	128,820	–	1,658,718
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	282,494	321,344	669,145	618,879	1,891,862
Taxes and surcharges	22,756	87,695	1,056,057	37,026	1,203,534
	6,251,934	20,469,636	27,144,526	655,905	54,522,001
Reconciliation:					
Elimination of intersegment sales					(1,658,718)
Elimination of other gross income					(1,891,862)
Elimination of taxes and surcharges					(1,203,534)
Revenue – sales to external customers					49,767,887
Segment results	101,571	1,111,762	825,287	11,546	2,050,166
Reconciliation:					
Elimination of intersegment results					(275,230)
Interest income					70,124
Dividend income and unallocated gains					727,280
Corporate and other unallocated expenses					(722,941)
Finance costs					(1,017,318)
Profit before tax					832,081
Segment assets	14,352,431	19,833,630	41,867,687	–	76,053,748
Reconciliation:					
Elimination of intersegment receivables					(1,883,887)
Elimination unrealised profit of intersegment sales					(52,555)
Corporate and other unallocated assets					3,897,528
Total assets					78,014,834

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31 December 2014

4. Operating segment information (continued)

Year ended 31 December 2013	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment liabilities	2,677,454	5,127,041	21,789,329	–	29,593,824
Reconciliation:					
Elimination of intersegment payables					(1,883,887)
Corporate and other unallocated liabilities					25,448,456
Total liabilities					53,158,393
Other segment information:					
Impairment losses recognised in the statement of profit or loss	150,542	89,435	32,326	–	272,303
Depreciation and amortisation	805,019	805,821	2,016,190	–	3,627,030
Capital expenditure	846,730	901,645	4,484,289	–	6,232,664

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4. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2014 RMB'000	2013 RMB'000
PRC	47,902,569	42,719,113
United States of America	2,148,425	1,918,000
Europe	1,541,286	1,098,949
India	284,654	1,146,391
Others	3,489,450	2,885,434
	55,366,384	49,767,887

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

(b) Non-current assets

	2014 RMB'000	2013 RMB'000
PRC	51,384,911	46,601,430
India	154,649	299,920
Hungary	38,688	53,911
Others	215,074	118,820
	51,793,322	47,074,081

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

Information about a major customer

Revenue of approximately RMB5,262,498,000 (2013: RMB3,749,714,000) was derived from sales made by the rechargeable batteries and photovoltaic products segment and mobile handset components and assembly service segment to a single customer and a group of entities which are under common control with that customer.

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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:

	Note	Group 2014 RMB'000	2013 RMB'000
Revenue			
Sale of goods		44,047,146	42,564,099
Assembly service income		11,308,674	7,203,788
Others		10,564	–
		55,366,384	49,767,887
Other income and gains			
Bank interest income		104,675	70,124
Gain on disposal of scrap and materials		201,355	224,528
Penalty from suppliers		53,081	41,723
Gain on sales of properties (i)		2,502	11,547
Gain on disposal of land use right		127,206	12,661
Gain on disposal of items of property, plant and equipment		92,847	–
Gain on disposal of a subsidiary	36	186,494	–
Fair value gains, net:			
Available-for-sale investment (transfer from equity on disposal)		4,261	–
Others		150,227	95,616
		922,648	456,199

Note:

(i) The Group develops properties for sale to its employees. The gain on sales of properties related to revenue from the sales of properties to the employees during the year after deduction of property cost of RMB510,565,000 (note 23) and business tax of RMB30,656,000. The sales amount has been fully paid by the employees as at the year end.

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6. Profit before tax

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

	Notes	Group 2014 RMB'000	2013 RMB'000
Cost of inventories sold		36,892,991	36,361,103
Cost of services provided		10,690,181	6,780,097
Depreciation	15	3,703,736	3,209,045
Impairment of items of property, plant and equipment**	15	78,315	15,373
Impairment of other intangible assets**	18	37,000	–
Amortisation of other intangible assets other than development costs****	18	43,886	33,533
Research and development costs:			
Deferred expenditure amortised*	18	464,614	289,973
Current year expenditure		1,864,695	1,278,910
		2,329,309	1,568,883
Minimum lease payments under operating leases:			
Land and buildings		7,432	19,203
Plant and machinery		106,687	58,733
Auditors' remuneration		7,069	7,430
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		8,838,397	7,927,315
Welfare		79,267	75,919
Pension scheme contributions		589,576	518,722
		9,507,240	8,521,956
Amortisation of land lease payments	16	102,611	94,479
Amortisation of assets related to the contractual operation contract		–	18,885
Gain on disposal of items of non-current assets		(220,053)	(1,213)
Foreign exchange differences, net**		61,948	175,366
Impairment of trade receivables	25	89,340	52,382
Impairment of other receivables	26	–	94,886
Impairment losses of trade receivables reversed	25	(70,525)	(711)
Impairment of inventories***		159,754	110,373
Product warranty provision	32	350,172	247,034

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

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

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

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

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7. Government grants and subsidies

	Group 2014 RMB'000	2013 RMB'000
Related to assets		
Subsidies on research and development activities for automobile and related products (note (a))	36,287	35,168
Subsidies on industry development fund for Changsha Automobile Zone (note (b))	81,190	73,836
Others	75,645	36,519
Related to income		
Subsidies on research and development activities for automobiles and related products (notes (c), (d), (e), (f) and (g))	498,948	409,068
Subsidies on research activities	–	2,400
Subsidies on interest	14,500	5,619
Subsidies on tax refund	31,805	57,483
Others	60,071	57,028
	798,446	677,121

Notes:

(a) In 2008, BYD Auto Industry Co., Ltd ("BYD Auto Industry"), a subsidiary of the Company, received government grants with an aggregate amount of RMB864,647,000 which were provided by the local government to support automotive research and development activities. The government grants did not specify any repayment terms or other conditions that are required to be met. The amount recognized in the statement of profit or loss for the year ended 31 December 2014 is RMB36,287,000 (2013: RMB35,168,000).

(b) In 2010 and 2012, Changsha BYD Automobile Co., Ltd. ("Changsha Auto"), a subsidiary of the Company, received government grants with an aggregate amount of RMB874,184,000 which were provided by Changsha Yuhua District Development Zone Committee (長沙雨花經濟開發區管理委員會) to support the industry development for Changsha Automobile Zone. The amount recognized in the statement of profit or loss for the year ended 31 December 2014 is RMB81,190,000 (2013: RMB73,836,000).

(c) Changsha Automobile, a subsidiary of the Company, received government grants from Changsha Yuhua District Development Zone Committee (長沙雨花經濟開發區管理委員會) to support automotive research and development activities. For the year ended 31 December 2014, RMB252,946,000 was recognised as government grant income (2013: RMB50,000,000).

(d) In 2013, BYD Automobile Co., Ltd. ("BYD Auto"), a subsidiary of the Company, received government grants with an aggregate amount of RMB10,912,000 which were provided by the Xi'an High-tech Zone for the energy-saving vehicles produced by BYD Auto in a specified period (2013: RMB309,068,000).

(e) In 2013, the BYD Group received government grants with an aggregate amount of RMB100,000,000 which were provided by local government to support research and development activities for dual mode electric automobile model "Qin" ("秦"). For the year ended 31 December 2014, RMB50,000,000 was recognised as government grant income (2013: RMB50,000,000). Pursuant to application request submitted, the BYD Group may receive from government up to RMB250,000,000 in relation to the subsidy of research and development of "Qin"("秦")

(f) In 2014, BYD Auto Industry, a subsidiary of the Company, received government grants with an aggregate amount of RMB105,090,000 which were provided by Dalian Garden Development Zone Committee (大連花園口經濟區管理委員會) and Lishui District Development Zone Committee (溧水經濟技術開發區) to support the automotive research and development activities.

(g) In 2014, Shaoguan BYD Industrial Co.,Ltd., a subsidiary of the Company, received government grants with an aggregate amount of RMB80,000,000 which were provided by Shaoguan Industrial Park Finance Bureau (韶關工業園區財政局) to support automotive research and development activities.

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8. Finance costs

An analysis of finance costs is as follows:

	Group 2014 RMB'000	2013 RMB'000
Interest on bank and other borrowings		
Related to borrowings repayable within 5 years	1,537,830	1,177,585
Related to borrowings repayable over 5 years	139	5,996
Bank charges for discounted notes	123,249	122,421
	1,661,218	1,306,002
Less: Interest capitalised	(264,390)	(288,684)
	1,396,828	1,017,318

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 6.11% (2013: 5.70%).

9. Directors' and supervisors' remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group 2014 RMB'000	2013 RMB'000
Fees	450	450
Other emoluments:		
Salaries, allowances and benefits in kind	6,641	6,125
Pension scheme contributions	75	70
	6,716	6,195
	7,166	6,645

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9. Directors' and supervisors' remuneration (continued)

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. Zhang Ran	46	–
Mr. Wang Zi-dong	46	–
Mr. Zou Fei	46	–
Ms. Li Dong	104	150
Mr. Wu Chang-qi	104	150
Mr. Li Lian-he	104	150
	450	450

There was no other emolument payable to the independent non-executive directors during the year (2013: Nil).

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

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:				
Mr. Wang Chuan-fu	–	3,734	24	3,758
Non-executive directors:				
Mr. Lu Xiang-yang	–	150	–	150
Mr. Xia Zuo-quan	–	150	–	150
Supervisors:				
Ms. Yan Chen	–	1,262	26	1,288
Ms. Wang Zhen	–	1,230	26	1,256
Mr. Dong Jun-qing	–	50	–	50
Mr. Li Yong-zhao	–	50	–	50
Mr. Huang Jiang-feng	–	15	–	15
	–	6,641	76	6,717

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

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9. Directors' and supervisors' remuneration (continued)

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

2013	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	–	3,618	22	3,640
Non-executive directors:				
Mr. Lu Xiang-yang	–	150	–	150
Mr. Xia Zuo-quan	–	150	–	150
Supervisors:				
Ms. Yan Chen	–	1,093	24	1,117
Ms. Wang Zhen	–	972	24	996
Mr. Dong Jun-qing	–	50	–	50
Mr. Li Yong-zhao	–	50	–	50
Mr. Zhang Hui-bin	–	42	–	42
	–	6,125	70	6,195

10. Five highest paid employees

The five highest paid employees during the year included one director (2013: one). Details of the remuneration for the year of the remaining four (2013: four) non-director, highest paid employees are as follows:

	Group 2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	17,641	18,195
Pension scheme contributions	107	62
	17,748	18,257

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

	Number of employees 2014	2013
RMB3,500,001 to RMB4,500,000	2	1
RMB4,500,001 to RMB5,000,000	2	3
	4	4

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11. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

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

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

	2014 RMB'000	2013 RMB'000
Group:		
Current – Hong Kong		
Charge for the year	1,224	2,337
Current – Mainland China		
Charge for the year	198,645	167,454
Deferred (note 33)	(65,787)	(113,576)
Total tax charge for the year	134,082	56,215

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

Group	2014 RMB'000	2014 %	2013 RMB'000	2013 %
Profit before tax	873,952		832,081	
Tax at the statutory tax rate	218,488	25.0	208,021	25.0
Lower tax rate for specific provinces or enacted by local authority	(118,124)	(13.5)	(94,125)	(11.3)
Losses attributable to joint ventures and an associate	26,095	3.0	8,909	1.1
Expenses not deductible for tax	18,905	2.2	34,839	4.2
Tax losses and deductible temporary differences not recognised	207,163	23.7	41,395	5.0
Tax losses utilised from previous periods	(41,466)	(4.7)	(22,715)	(2.7)
Super-deduction of research and development costs	(176,979)	(20.3)	(120,109)	(14.4)
Tax charge at the Group's effective rate	134,082	15.3	56,215	6.8

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12. Dividend

The directors do not recommend payment of a dividend in respect of the year. In 2013, the final dividend is as follows:

	2013 RMB'000
Final dividend – RMB0.05 per ordinary share	123,800

On 25 June 2014 the shareholders approved the distribution of a dividend of RMB0.05 per share for the year ended 31 December 2013 which has been subsequently paid on 13 August 2014.

13. Profit attributable to owners of the parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a profit of RMB3,540,000 (2013: profit of RMB87,530,000) which has been dealt with in the financial statements of the Company (note 35(b)).

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 2,425,208,000 (2013: 2,354,100,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 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:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	433,525	553,059

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation.	2,425,208,000	2,354,100,000

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

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB6,725,000 (2013: equivalent to RMB7,944,000) is freehold and not depreciated; the land situated in Japan with a cost of JPY300,000,000 being equivalent to RMB12,925,000 (2013: equivalent to RMB14,845,000) is freehold and not depreciated; the land situated in the United States with a cost of USD1,033,000 being equivalent to RMB6,320,000 (2013: equivalent to RMB6,297,000) is freehold and not depreciated.

As at 31 December 2014, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB3,637,592,000 (2013: RMB2,736,505,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

At 31 December 2014, certain items of the Group's machinery with a net carrying amount of approximately RMB299,373,000 (2013: RMB380,325,000) were pledged to secure general banking facilities granted to the Group; and certain items of the Group's construction in progress with a net carrying amount of approximately RMB258,833,000 (2013: RMB258,833,000) were pledged to secure general banking facilities granted to the Group (note 31(a)).

An impairment provision of RMB35,962,000 and RMB42,353,000 were respectively made to certain equipment and buildings located in India related to the reporting segment of mobile handset components and assembly service in the year ended 31 December 2014 due to decreasing of production order. The recoverable amount of the equipment based on replacement cost is determined to be nil because all the equipment is specially designed and not able to be converted to alternative use without significant additional cost. The buildings were revalued individually at the end of the reporting period by Dr. C. Sivaprakasam & Associates, independent professional qualified valuers, at an aggregate open market value of RMB131,498,000 based on their existing use. The difference between the fair value and book value of the buildings amounted to RMB42,353,000 has been charged to the statement of profit or loss. The fair value of the buildings is categorised within Level 3 of the fair value hierarchy and has been calculated by Dr. C. Sivaprakasam & Associates.

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15. Property, plant and equipment (continued)

The fair value of the buildings is categorised within Level 3 of the fair value hierarchy and has been calculated by Dr. C. Sivaprakasam & Associates.

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 2013							
At 31 December 2012 and at 1 January 2013:							
Cost	10,130,644	22,054	23,616,875	156,007	3,549,552	7,882,866	45,357,998
Accumulated depreciation and impairment	(941,269)	(12,429)	(9,010,570)	(79,322)	(1,654,990)	–	(11,698,580)
Net carrying amount	9,189,375	9,625	14,606,305	76,685	1,894,562	7,882,866	33,659,418
At 1 January 2013, net of accumulated depreciation and impairment	9,189,375	9,625	14,606,305	76,685	1,894,562	7,882,866	33,659,418
Additions	80,553	–	1,583,670	30,159	360,024	1,976,333	4,030,739
Disposals	(483)	–	(244,939)	(2,784)	(4,599)	(4,450)	(257,255)
Impairment	–	–	(15,373)	–	–	–	(15,373)
Depreciation provided during the year	(276,871)	(450)	(2,309,808)	(25,049)	(596,867)	–	(3,209,045)
Transfers	829,830	–	2,811,889	69	199,178	(3,840,966)	–
Exchange realignment	(35,098)	–	(20,227)	(148)	(540)	(5,350)	(61,363)
At 31 December 2013, net of accumulated depreciation and impairment	9,787,306	9,175	16,411,517	78,932	1,851,758	6,008,433	34,147,121
At 31 December 2013:							
Cost	10,992,541	22,054	27,440,857	177,020	4,066,627	6,008,433	48,707,532
Accumulated depreciation and impairment	(1,205,235)	(12,879)	(11,029,340)	(98,088)	(2,214,869)	–	(14,560,411)
Net carrying amount	9,787,306	9,175	16,411,517	78,932	1,851,758	6,008,433	34,147,121

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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 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	1,241,543	1,136,680	12,527	178,459	24,839	2,594,048
Accumulated depreciation and impairment	(229,912)	(883,324)	(9,643)	(134,933)	–	(1,257,812)
Net carrying amount	1,011,631	253,356	2,884	43,526	24,839	1,336,236
At 1 January 2014, net of accumulated depreciation and impairment	1,011,631	253,356	2,884	43,526	24,839	1,336,236
Additions	14,062	886,258	393	7,746	10,105	918,564
Disposals	(20,675)	(26,877)	(1,738)	(124)	(867)	(50,281)
Depreciation provided during the year	(40,716)	(115,913)	(587)	(17,823)	–	(175,039)
Transfers	6,487	14,632	–	80	(21,199)	–
At 31 December 2014, net of accumulated depreciation	970,789	1,011,456	952	33,405	12,878	2,029,480
At 31 December 2014:						
Cost	1,213,264	1,809,440	8,616	182,669	12,878	3,226,867
Accumulated depreciation and impairment	(242,475)	(797,984)	(7,664)	(149,264)	–	(1,197,387)
Net carrying amount	970,789	1,011,456	952	33,405	12,878	2,029,480

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31 December 2014

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 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	1,183,101	1,148,402	11,052	176,347	57,454	2,576,356
Accumulated depreciation and impairment	(199,457)	(815,715)	(10,020)	(118,678)	–	(1,143,870)
Net carrying amount	983,644	332,687	1,032	57,669	57,454	1,432,486
At 1 January 2013, net of accumulated depreciation and impairment	983,644	332,687	1,032	57,669	57,454	1,432,486
Additions	34,171	11,477	1,835	3,808	10,520	61,811
Disposals	–	(1,941)	(22)	(208)	(12,014)	(14,185)
Depreciation provided during the year	(30,455)	(92,638)	9	(20,792)	–	(143,876)
Transfers	24,271	3,771	30	3,049	(31,121)	–
At 31 December 2013, net of accumulated depreciation	1,011,631	253,356	2,884	43,526	24,839	1,336,236
At 31 December 2013:						
Cost	1,241,543	1,136,680	12,527	178,459	24,839	2,594,048
Accumulated depreciation and impairment	(229,912)	(883,324)	(9,643)	(134,933)	–	(1,257,812)
Net carrying amount	1,011,631	253,356	2,884	43,526	24,839	1,336,236

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16. Prepaid land lease payments

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	4,729,199	4,408,043	26,253	26,935
Additions	189,610	433,225	–	–
Disposal	(267,138)	(13,745)	–	–
Recognised during the year	(102,611)	(94,479)	(682)	(682)
Exchange realignment	120	(3,845)	–	–
Carrying amount at 31 December	4,549,180	4,729,199	25,571	26,253
Current portion included in prepayments, deposits and other receivables	(101,146)	(100,904)	(682)	(689)
Non-current portion	4,448,034	4,628,295	24,889	25,564

The parcels of leasehold land held under medium term leases and a long term lease with amounts of RMB4,424,902,000 and RMB23,132,000 are situated in Mainland China and India, respectively.

As at 31 December 2014, the Group was still in the process of obtaining the land use right certificates for certain parcels of leasehold land with a carrying amount of RMB67,752,000 (2013: RMB61,959,000). In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.

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17. Goodwill

Group

	RMB'000
At 1 January 2013:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2013, net of accumulated impairment	65,914
Impairment during the year	–
Cost and net carrying amount at 31 December 2013	65,914
At 31 December 2013:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2014, net of accumulated impairment	65,914
Impairment during the year	–
Cost and net carrying amount at 31 December 2014	65,914
At 31 December 2014:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914

Impairment testing of goodwill

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

The recoverable amount of the automobiles and related products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% (2013:13%). The growth rate used to extrapolate the cash flows of the automobiles and related products unit beyond the five-year period is 3% (2013: 3%), which is less than the long term average growth rate of the automobile industry.

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17. Goodwill (continued)

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

	Automobiles and related products	
	2014 RMB'000	2013 RMB'000
Carrying amount of goodwill	65,914	65,914

Assumptions were used in the value in use calculation of the automobiles and related products cash-generating unit for 31 December 2014 and 31 December 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

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

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

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

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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 2014					
Cost at 1 January 2014, net of accumulated amortisation and impairment	4,832,818	11,993	1,006	83,450	4,929,267
Additions – internal development	1,815,152	–	–	–	1,815,152
Additions – acquired	–	211	2,910	109,904	113,025
Disposal	–	(4,915)	–	–	(4,915)
Amortisation provided during the year	(464,614)	(669)	(471)	(42,746)	(508,500)
Impairment	(37,000)	–	–	–	(37,000)
Exchange realignment	–	–	–	(64)	(64)
At 31 December 2014	6,146,356	6,620	3,445	150,544	6,306,965
At 31 December 2014:					
Cost	7,730,061	63,195	8,963	373,102	8,175,321
Accumulated amortisation and impairment	(1,583,705)	(56,575)	(5,518)	(222,558)	(1,868,356)
Net carrying amount at 31 December 2014	6,146,356	6,620	3,445	150,544	6,306,965
31 December 2013					
Cost at 1 January 2013, net of accumulated amortisation and impairment	3,529,221	15,921	1,193	57,119	3,603,454
Additions – internal development	1,593,570	–	–	–	1,593,570
Additions – acquired	–	170	–	55,823	55,993
Amortisation provided during the year	(289,973)	(4,098)	(187)	(29,248)	(323,506)
Exchange realignment	–	–	–	(244)	(244)
At 31 December 2013	4,832,818	11,993	1,006	83,450	4,929,267
At 31 December 2013:					
Cost	5,812,756	67,900	6,053	263,525	6,150,234
Accumulated amortisation and impairment	(979,938)	(55,907)	(5,047)	(180,075)	(1,220,967)
Net carrying amount at 31 December 2013	4,832,818	11,993	1,006	83,450	4,929,267

* An impairment provision of RMB37,000,000 was made to development costs related to the reporting segment of automobiles and related products in the year ended 31 December 2014. The economic performance of the item of development cost is worse than expected. The recoverable amount of the development costs in relation to particular projects is value in use determined by the present value of the cash generating unit's estimated future cash flows. The discount rate used in the current estimate of value in use is 13%.

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18. Other intangible assets (continued)

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

Company	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	2,593	1,006	52,708	56,307
Additions – acquired	–	1,814	65,668	67,482
Disposal	(165)	–	–	(165)
Amortisation provided during the year	(1,082)	(323)	(24,070)	(25,475)
At 31 December 2014	1,346	2,497	94,306	98,149
At 31 December 2014:				
Cost	17,414	7,867	207,207	232,488
Accumulated amortisation	(16,068)	(5,370)	(112,901)	(134,339)
Net carrying amount at 31 December 2014	1,346	2,497	94,306	98,149
31 December 2013				
Cost at 1 January 2013, net of accumulated amortisation	3,174	1,193	29,568	33,935
Additions – acquired	–	–	40,199	40,199
Amortisation provided during the year	(581)	(187)	(17,059)	(17,827)
At 31 December 2013	2,593	1,006	52,708	56,307
At 31 December 2013:				
Cost	17,579	6,053	141,539	165,171
Accumulated amortisation	(14,986)	(5,047)	(88,831)	(108,864)
Net carrying amount at 31 December 2013	2,593	1,006	52,708	56,307

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19. Investments in subsidiaries

	Company 2014 RMB'000	2013 RMB'000
Unlisted investments, at cost	7,358,944	6,458,944

At the end of the reporting period, except for the amounts of approximately RMB340,000,000 of loans to subsidiaries which are unsecured, bear interest at a rate of 5.90% to 6.00% 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 business	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	RMB160,000,000	100%	–	Research, development, sale and manufacture of Li-ion batteries
Shanghai BYD Company Limited ("BYD SH")***	PRC/Mainland China	US$63,500,000	74.99%	25.01%	Research, development, sale and manufacture of Li-ion batteries
BYD Automobile Company Limited (BYD Auto)***	PRC/Mainland China	RMB1,351,010,101	99%	–	Research, development, sale and manufacture of automobiles
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
BYD Microelectronics Co., Limited ("BYD Microelectronics")***	PRC/Mainland China	US$40,000,000	17.5%	82.5%	Design, production and sale of integrated circuits
BYD Industry and Commerce Co., Limited, Huizhou ("BYD HZ")***	PRC/Mainland China	US$150,000,000	34%	66%	Research, development, manufacture and sale of components of mobile handsets and other consumer electronics; Development, sale and leasing of residential properties and property management (provided only to employees of the Company);
Huizhou BYD Battery Company Limited ("BYD HZ Battery")***	PRC/Mainland China	US$150,000,000	10%	90%	Research,development,sale and manufacture of Li-ion batteries and accessories

continued/…

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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	Percentage of equity attributable to the Company Indirect	Principal Activities
BYD Auto Industry Co., Ltd (BYD Auto Industry)***	PRC/Mainland China	US$448,000,000	73.05%	26.95%	Research and development of automobiles
BYD Electronic (International) Company Limited ("BYD Int'l")*	Hong Kong	HK$440,000,000	–	65.76%	Investment holding
BYD (Huizhou) Electronic Company Limited ("BYD Huizhou Electronic")***^	PRC/Mainland China	US$110,000,000	–	65.76%	High-level assembly
BYD Auto Sales Company Limited ("BYD Auto Sales")**	PRC/Mainland China	RMB1,050,000,000	4.28%	94.77%	Sale and distribution of automobiles; provision of related after-sales services
Changsha BYD Auto Company Limited (Changsha Auto)**	PRC/Mainland China	RMB1,000,000,000	–	100%	Research and development of automobiles and components
Shangluo BYD Industry Company Limited ("Shangluo BYD")***	PRC/Mainland China	RMB1,100,000,000	91%	9%	Research, development, manufacture and sale of solar batteries and solar arrays

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

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

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

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

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.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
BYD Int'l	34.24%	34.24%

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19. Investments in subsidiaries (continued)

	2014 RMB'000	2013 RMB'000
Profit for the year allocated to non-controlling interests:		
BYD Int'l	308,741	222,014
Dividend paid to non-controlling interests:		
BYD Int'l	22,219	–
Accumulated balances of non-controlling interests at the reporting dates:		
BYD Int'l	3,348,072	3,063,513

The following tables illustrate the summarised consolidated financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2014 RMB'000	2013 RMB'000
BYD Int'l		
Revenue	19,832,127	16,062,179
Total expenses	(18,930,430)	(15,413,774)
Profit for the year	901,697	648,405
Total comprehensive income for the year	895,963	579,722
Current assets	10,847,947	8,789,982
Non-current assets	5,986,510	5,086,623
Current liabilities	7,169,245	5,042,464
Non-current liabilities	–	–
Net cash flows from operating activities	1,296,092	1,647,101
Net cash flows used in investing activities	(1,864,222)	(1,365,506)
Net cash flows used in financing activities	(70,422)	(7,248)
Net decrease/(increase) in cash and cash equivalents	(638,552)	274,347

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20. Investments in joint ventures

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Unlisted shares, at cost	–	–	61,200	–
Share of net assets	1,074,435	809,388	–	–
	1,074,435	809,388	61,200	–

The Group's trade receivable balances due from and due to the joint ventures are disclosed in note 40(c) to the financial statements.

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

Name	Particulars of registered capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenzhen Pengcheng Electric Car Rental Company Limited ("Pengcheng Chuzu")	RMB20,000,000	PRC/Mainland China	45%	40%	45%	Taxi business, advertising and rental of electric vehicles
Shenzhen BYD Daimler New Technology Co., Ltd. ("BDNT")	RMB2,360,000,000	PRC/Mainland China	50%	50%	50%	Research and development of automobiles
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	RMB300,000,000	PRC/Mainland China	50%	50%	50%	Assembly and sale of automobiles and coaches
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	RMB20,000,000	PRC/Mainland China	60%	60%	60%	Taxi business and rental of electric vehicles
Shenzhen BYD Electric Car Investment Co. Ltd. (BYD Electric Car)	RMB10,000,000	PRC/Mainland China	50%	60%	50%	New energy investment and the establishment of industrial electric vehicle industry
Sheng Shi Xin Di Electric Automobile Service Co., Ltd. (Sheng Shi Xin Di)	RMB100,000,000	PRC/Mainland China	49%	40%	49%	Electric car rental and sales, transport management
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. (Guang Qi BYD)	RMB300,000,000	PRC/Mainland China	51%	50%	51%	Auto parts and accessories manufacturing and designing

All of the above investments are held by BYD Automobile Industry and the Company.

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

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20. Investments in joint ventures (continued)

The following table illustrates the summarised financial information in respect of BDNT and reconciled to the carrying amount in the consolidated financial statements.

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	755,121	634,045
Other current assets	286,059	419,102
Current assets	1,041,180	1,053,147
Non-current assets, excluding goodwill	2,490,973	1,324,015
Financial liabilities, excluding trade and other payables	–	–
Other current liabilities	1,419,252	769,708
Current liabilities	1,419,252	769,708
Non-current financial liabilities, excluding trade and other payables	204,739	–
Non-current liabilities	–	–
Net assets	1,908,162	1,607,454
Net assets, excluding goodwill	1,908,162	1,607,454
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture, excluding goodwill	954,081	803,727
Unrealised gain arising from transactions with the Group	(87,912)	(47,684)
Goodwill on acquisition (less cumulative impairment)	–	–
Carrying amount of the investment	866,169	756,043
Revenue	21,997	–
Interest income	7,749	7,253
Depreciation and amortisation	3,030	1,352
Interest expenses	2,829	–
Tax	53,386	(25,786)
Loss and total comprehensive income for the year	(259,292)	(77,732)
Other comprehensive income	–	–
Dividend received	–	–

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

	2014 RMB'000	2013 RMB'000
Share of joint ventures' profit for the year	6,660	7,008
Share of the joint ventures' other comprehensive income	–	–
Share of joint venture's total comprehensive income	6,660	7,008
Elimination of unrealised profit	1,710	(4,451)
Aggregate carrying amount of the Group's investments in the joint ventures	208,266	53,345

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21. Investment in an associate

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Unlisted shares, at cost	–	–	291,825	291,825
Shares of net assets	207,880	142,879	–	–
Goodwill on acquisition	131,238	131,238	–	–
	339,118	274,117	291,825	291,825

Particulars of the associate are as follows:

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

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

According to Zabuye Lithium's Articles of Association, 2 out of 11 directors are appointed by the Company Zabuye has 18% of the voting rights in the arrangement while Tibet Mineral Development Co., Ltd., (西藏礦業發展股份有限公司) and Sichuan Tianqi Lithium Industries Inc. (四川天齊鋰業股份有限公司) has 50.72% and 20% of the voting rights respectively. The contractual arrangement specifies that at least 66.7% of the voting rights are required to make decisions about the relevant activities of the arrangement, so the Company has significant influence over Zabuye Lithium. The investment in Zabuye Lithium is classified as an investment in an associate.

The Group's shareholdings in the associates all comprise equity shares directly held by the Company.

Zabuye Lithium, which is considered a material associate of the Group, is a strategic investment of the Group and is accounted for using the equity method in the consolidated financial statements.

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21. Investment in an associate (continued)

The following table illustrates the summarised financial information in respect of Zabuye Lithium reconciled to the carrying amount in the consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Current assets	413,565	412,301
Non-current assets, excluding goodwill	394,001	413,801
Goodwill on acquisition of the associate	131,238	131,238
Current liabilities	17,377	25,513
Non-current financial liabilities, excluding trade and other payables and provisions	–	–
Non-current liabilities	6,796	6,819
Net assets	914,631	925,008
Net assets, excluding goodwill	783,393	793,770
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	18%	18%
Group's share of net assets of the associate, excluding goodwill	141,011	142,879
Goodwill on acquisition	131,238	131,238
Carrying amount of the investment	272,249	274,117
Revenues	31,664	103,427
Loss for the year	(10,377)	(67,218)
Other comprehensive income for the year	–	–
Total comprehensive income for the year	(10,377)	(67,218)
Dividend received	–	–

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

	2014 RMB'000	2013 RMB'000
Share of the associates' loss for the year	**(272)**	–
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**(272)**	–
Elimination of unrealised profit	**1,027**	–
Aggregate carrying amount of the Group's investments in the associates	**66,869**	–

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22. Available-for-sale investments

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Listed equity investments, at fair value:				
Mainland China	–	4,487	–	4,487
Unlisted equity investments, at cost:	35,000	5,000	5,000	5,000
	35,000	9,487	5,000	9,487

As at 31 December 2014, certain unlisted equity investments with a carrying amount of RMB35,000,000 (2013: RMB5,000,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB4,487,000 (2013: RMB1,502,000), of which RMB4,261,000 (2013: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

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

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23. Property under development and completed property held for sale

	Group 2014 RMB'000	2013 RMB'000
Land in Mainland China held under medium term leases, at cost:		
At the beginning of year	683,024	798,990
Transfer to completed property held for sale	–	(115,966)
At 31 December	683,024	683,024
Development expenditure, at cost:		
At the beginning of year	104,380	973,548
Additions	46,471	46,426
Transfer to completed property held for sale	–	(915,594)
At 31 December	150,851	104,380
	833,875	787,404
Property under development expected to be recovered:		
After more than one year	833,875	787,404
Completed property held for sale, at cost:		
At the beginning of year	555,540	–
Additions	22,754	1,162,873
Recognised in the statement of profit or loss (note 5)	(510,565)	(607,333)
At 31 December	67,729	555,540

24. Inventories

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Raw materials	2,490,569	2,172,721	82,851	120,883
Work in progress	4,147,742	3,345,397	172,767	193,260
Finished goods	2,789,720	2,280,419	107,742	92,867
Moulds held for production	550,286	422,015	12,064	12,216
	9,978,317	8,220,552	375,424	419,226

At 31 December 2014, the Group's inventories with a carrying amount of RMB238,212,000 (2013: RMB242,330,000) were pledged as security for the Group's bank loans, as further detailed in note 31(a) to the financial statements.

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25. Trade and bills receivables

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	13,374,278	7,936,288	850,569	1,049,412
Bills receivable	9,352,355	5,587,754	10,214	112,385
Impairment	(291,660)	(389,035)	(91,286)	(87,357)
	22,434,973	13,135,007	769,497	1,074,440

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

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

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 9% (2013: 8%) and 29% (2013: 33%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within three months	17,220,962	10,361,380	705,581	1,022,378
Four to six months	2,388,325	1,851,722	59,729	44,926
Seven months to one year	1,843,477	364,240	1,052	3,391
Over one year	982,209	557,665	3,135	3,745
	22,434,973	13,135,007	769,497	1,074,440

Notes to Financial Statements

31 December 2014

25. Trade and bills receivables (continued)

At 31 December 2014, there were no bills receivable pledged to secure the Group's bank loans (2013: Nil).

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At 1 January	389,035	342,885	87,357	89,800
Impairment losses recognised (note 6)	89,340	52,382	4,559	1,661
Impairment losses reversed (note 6)	(70,525)	(711)	(487)	–
Amount written off as uncollectible	(116,244)	(5,809)	(143)	(4,104)
Exchange realignments	54	288	–	–
At 31 December	291,660	389,035	91,286	87,357

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB291,660,000 (2013: RMB389,035,000) with a carrying amount before provision of RMB346,767,000 (2013: RMB639,949,000).

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

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	19,945,155	11,440,830	550,811	973,052
Less than one year past due	2,310,207	1,402,823	197,933	89,859
One to two year past due	124,504	40,440	572	–
	22,379,866	12,884,093	749,316	1,062,911

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.

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26. Prepayments, deposits and other receivables

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Non-current portion				
Prepayment for items of property, plant and equipment	2,407,290	1,463,810	440,581	12,784
Prepayments for land use rights	3,763	–	–	–
	2,411,053	1,463,810	440,581	12,784
Current portion				
Deposits and other receivables	2,523,630	2,027,656	75,049	47,952
Impairment*	(94,886)	(94,886)	–	–
	2,428,744	1,932,770	75,049	47,952
Prepayments	439,757	427,331	10,677	54,046
Loans to staff	54,666	65,616	2,135	3,250
	2,923,167	2,425,717	87,861	105,248

* At 31st December 2014, impairment loss of RMB94,886,000 (2013: RMB94,886,000) has been provided against deposits of RMB170,927,000 paid to two suppliers (2013: RMB174,112,000).

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

27. Cash and cash equivalents, restricted bank deposits and short term deposits

	Notes	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Cash and bank balances		4,112,293	4,777,375	330,214	322,718
Time deposits		340,871	601,453	–	–
		4,453,164	5,378,828	330,214	322,718
Less: Restricted bank deposits:					
Short-term deposits	(iii)	(139,051)	(200,000)	–	–
Pledged deposits	(i)	(363,698)	(667,886)	(12,987)	(170,290)
Cash and cash equivalents	(ii)	3,950,415	4,510,942	317,227	152,428

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27. Cash and cash equivalents, restricted bank deposits and short term deposits (continued)

Notes:

(i) At 31 December 2014, the pledged bank deposit of RMB363,698,000 (2013: RMB667,886,000) was pledged for bank acceptance bills of RMB330,469,000 (2013: RMB407,204,000), letter of credit of RMB10,772,000 (2013: RMB5,716,000) and various projects as required of RMB22,457,000 (2013: RMB254,966,000).

(ii) At the end of the reporting period, the cash and cash equivalents of the Group is RMB3,234,402,000 (2013: RMB3,730,259,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(iii) The effective interest rate for the short-term deposits of the Group with initial term of six months for the year ended 31 December 2014 was 2.84% (2013: 3.05%). The carrying value of the short-term deposits with an initial term of six months approximated to their fair value as at 31 December 2014. Short-term deposits with an initial term of six months were denominated in RMB and were neither past due nor impaired.

(iv) Cash at banks earns interest at floating rates based on daily bank deposit rates. 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.

28. 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within three months	18,673,577	15,993,449	922,804	884,683
Three to six months	6,903,766	5,915,036	302,870	267,900
Six months to one year	88,615	96,230	9,614	857
One to two years	70,532	80,970	560	2,973
Two to three years	52,162	164,485	1,933	192
Over three years	62,368	42,566	1,840	2,007
	25,851,020	22,292,736	1,239,621	1,158,612

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

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29. Other payables

	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Other payables	2,161,518	1,656,811	246,492	240,233
Accrued payroll	1,471,195	1,285,337	93,700	118,081
	3,632,713	2,942,148	340,192	358,314

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

30. Deferred income

	Group 2014 RMB'000	Group 2013 RMB'000
At 1 January	1,358,004	1,410,968
Received during the year	152,640	148,263
Released to the statement of profit or loss	(254,217)	(201,227)
At 31 December	1,256,427	1,358,004
Less: Portion classified as current liabilities	(146,406)	(199,439)
Non-current portion	1,110,021	1,158,565

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

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31. Interest-bearing bank and other borrowings

Group	2014			2013		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	4.25-6.48	2015	9,199,545	3.90-6.60	2014	8,143,010
Bank loans – unsecured	3.12-6.30	2015	2,982,680	5.32-6.46	2014	4,258,493
	LIBOR+280bps	2015	494,214			–
Current portion of long term bank loans – secured	3.25-6.55	2015	834,059	3.25-6.55	2014	1,398,603
Current portion of long term bank loans – unsecured	3.34-6.46	2015	1,645,349	3.67-6.65	2014	1,374,112
Current portion of other borrowings – secured	5.44-5.84	(g)	1,032,601	–	–	–
			16,188,448			15,174,218
Corporate bonds – unsecured	5.25	(e)	2,984,187	4.50	(d)	997,943
			19,172,635			16,172,161
Non-current						
Bank loans – secured	3.25-6.55	2028	2,146,428	3.25-6.55	2028	566,577
	LIBOR+400bps	2019	73,305	–	–	–
Bank loans – unsecured	3.34-6.46	2018	2,255,147	4.20-6.65	2018	1,814,000
	LIBOR+310 -350bps	2017	549,435	LIBOR+310bps	2016	304,845
Other borrowings – secured	5.44-5.84	(g)	2,964,016	–	–	–
			7,988,331			2,685,422
Corporate bonds – unsecured	6.35	(f)	2,990,968	5.25-6.35	(e)&(f)	5,966,837
			10,979,299			8,652,259
			30,151,934			24,824,420

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31. Interest-bearing bank and other borrowings (continued)

Company	Effective interest rate (%) 2014	Maturity 2014	RMB'000 2014	Effective interest rate (%) 2013	Maturity 2013	RMB'000 2013
Current						
Bank loans – secured	4.40	2015	15,145	3.84	2014	12,194
Bank loans – unsecured	3.12-6.30	2015	2,656,280	5.75-6.46	2014	4,208,493
	LIBOR+280bps	2015	494,214	–	–	–
Current portion of long term bank loans – unsecured	3.34-6.46	2015	1,645,348	3.67-6.65	2014	1,372,113
Current portion of other borrowings – secured	5.84	(g)	161,716	–	–	–
			4,972,703	–	–	5,592,800
Corporate bonds – unsecured	5.25	(e)	2,984,187	–	–	–
			7,956,890			5,592,800
Non-current						
Bank loans – unsecured	3.34-6.46	2018	2,255,147	3.34-6.65	2018	1,954,845
	LIBOR+310 -350bps	2017	549,435	–	–	–
Other borrowings – secured	5.84	(g)	260,941	–	–	–
Corporate bonds – unsecured	6.35	(f)	2,990,968	5.25-6.35	(e)&(f)	5,966,837
			6,056,491			7,921,682
			14,013,381			13,514,482

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31. Interest-bearing bank and other borrowings (continued)

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	16,188,448	15,174,218	4,972,703	5,592,800
In the second year	3,993,243	1,359,260	1,805,294	1,037,500
In the third to fifth years, inclusive	3,978,267	1,288,925	1,260,229	917,345
After five years	16,821	37,237	–	–
	24,176,779	17,859,640	8,038,226	7,547,645
Corporate bonds				
Within one year (d) & (e)	2,984,187	997,943	2,984,187	–
In the third to fifth years (e) & (f)	2,990,968	5,966,837	2,990,968	5,966,837
	5,975,155	6,964,780	5,975,155	5,966,837
	30,151,934	24,824,420	14,013,381	13,514,482

Notes:

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

(i) mortgages over certain of the Group's plant and machineries, which had an aggregate carrying value at the end of the reporting period of approximately RMB299,373,000 (2013: RMB380,325,000) (note 15);

(ii) mortgages over certain of the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB258,833,000 (2013: RMB258,833,000) (note 15);

(iii) floating charges over certain of the Group's inventory bills totalling RMB238,212,000 (2013: RMB242,330,000) (note 24);

(iv) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of approximately RMB5,501,000 (2013: RMB Nil) (note 16),

In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB11,789,796,000 (2013: RMB9,755,100,000) 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 RMB3,585,062,000 (2013: RMB4,591,119,000) which are denominated in United States dollars, all borrowings are in RMB.

(d) On 19 April 2011, BYD HK issued RMB denominated 1,000,000,000 corporate bonds. The bonds are denominated in RMB, have a maturity of three years due and settled in 2014, and bear a fixed interest rate of 4.5% per annum from and including 28 April 2011 payable semi-annually in arrears on or nearest to 28 April and 28 October in each year.

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31. Interest-bearing bank and other borrowings (continued)

Notes: (continued)

(e) On 19 June 2012, the company issued RMB denominated 3,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2017, and bear a fixed interest rate of 5.25% per annum from and including 19 June 2012 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date, or release the investor sell-back option The bonds were listed on the Shenzhen Stock Exchange on 16 July 2012. In addition, the issuer has the right to increase the coupon rate of the current period bonds for the following two years at the end of the third year of the current period bond duration, the adjustment will be in the range of 0-100 basis points (both numbers inclusive), and one basis point is equal to 0.01%.

(f) On 23 September 2013, the company issued RMB denominated 3,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2018, and bear a fixed interest rate of 6.35% per annum from and including 23 September 2013 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date, or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 15 November 2013. In addition, the issuer has the right to increase the coupon rate of the current period bonds for the following two years at the end of the third year of the current period bond duration, the adjustment will be in the range of 0-100 basis points (both numbers inclusive), and one basis point is equal to 0.01%.

(g) As at 31 December 2014, the Group entered into sale and leaseback arrangement contracts with third-party leasing companies totalling RMB4,790,000,000, with contract term ranging from three to five years. The substance of the arrangement is that the lessors provide finance to the Group with the asset as security. The Group continues to account for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. As at 31 December 2014, the aggregate book value of the assets is RMB4,928,903,000 and the balance of other borrowings amounts to RMB3,996,617,000 of which RMB1,032,601,000 is recorded as current liability and RMB2,964,016,000 is recorded as non-current liability on the Group's consolidated statement of financial position. In the Company's statement of financial position, the balance of other borrowings related to the sale and leaseback arrangement contracts amounts to RMB422,657,000 of which RMB161,716,000 is recorded as current liability and RMB260,941,000 is recorded as non-current liability.

32. Provision

Group	Product warranties	
	2014	2013
	RMB'000	RMB'000
At 1 January	299,352	227,897
Additional provision	350,172	247,034
Amounts utilised during the year	(241,143)	(175,579)
At 31 December	408,381	299,352

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.

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33. Deferred tax

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

Deferred tax assets

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accruals and provision for warranties RMB'000	Tax losses RMB'000	Unpaid payable not reversed RMB'000	Total RMB'000
At 1 January 2014	335,990	38,385	179,375	15,697	244,317	74,375	11,560	899,699
Deferred tax credited/(debited) to the statement of profit or loss during the year (note 11)	29,485	4,346	(7,734)	26,609	17,527	(7,518)	3,072	65,787
At 31 December 2014	365,475	42,731	171,641	42,306	261,844	66,857	14,632	965,486
At 1 January 2013	253,074	35,436	180,815	13,584	242,217	45,411	15,586	786,123
Deferred tax credited/(debited) to the statement of profit or loss during the year (note 11)	82,916	2,949	(1,440)	2,113	2,100	28,964	(4,026)	113,576
At 31 December 2013	335,990	38,385	179,375	15,697	244,317	74,375	11,560	899,699

The Group has recognised the deferred tax assets related to tax losses arising in Mainland China of RMB368,333,000 (2013: RMB462,589,000) that will expire in one to five years for offsetting against future taxable profits.

The Group has accumulated tax losses arising in Mainland China of RMB1,678,098,000 (2013: RMB1,513,097,000) that will expire in one to five years for offsetting against future taxable profits. The Group has a tax loss of RMB51,552,000 arising from other jurisdictions that will expire in one to eight years for offsetting against future taxable profits (2013: RMB32,645,000). 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.

Company	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Accruals and provision for warranties RMB'000	Undeducted payable RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2014	48,220	2,001	15,197	1,258	12,466	79,142
Deferred tax credited/(debit) to the statement of profit or loss during the year	(2,331)	1,210	(4,726)	–	4,015	(1,832)
At 31 December 2014	45,889	3,211	10,471	1,258	16,481	77,310

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33. Deferred tax (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Tax losses	1,729,649	1,545,742	–	–
Deductible temporary differences	1,613,725	1,425,227	91,286	87,357
	3,343,374	2,970,969	91,286	87,357

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

At 31 December 2014, no provision has been made to recognise deferred tax liabilities arising on the future distribution of retained profits from these subsidiaries as the Company controls the dividend policy of these subsidiaries and in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB6,743,734,000 at 31 December 2014 (2013: RMB5,512,494,000).

34. Share capital

Shares	2014 RMB'000	2013 RMB'000
Authorised, issued and fully paid:		
2,476,000,000 (2013: 2,354,100,000) ordinary shares of RMB1 each	2,476,000	2,354,100

Pursuant to an ordinary resolution passed on 7 June 2013 and a director's resolution passed on 23 January 2014, an aggregate of 121,900,000 new H shares, representing 13.32% of the total number of H shares in issue as enlarged by the allotment and issue of the new shares, have been allotted and issued by the Company on 30 May 2014 at the price of HK$35.00. The number of total issued Shares of the Company has increased from 2,354,100,000 Shares to 2,476,000,000 Shares as a result of the issue of the new H shares. The number of total issued H Shares has increased from 793,100,000 H Shares to 915,000,000, and the number of A Shares remains unchanged as 1,561,000,000 A Shares.

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35. 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 42 of the financial statements.

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

(b) Company

	Note	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013		2,643,425	(222,422)	491,805	2,244,071	5,156,879
Total comprehensive income for the year		–	1,502	–	87,530	89,032
Appropriate to statutory surplus reserve fund		–	–	7,543	(7,543)	–
At 31 December 2013		2,643,425	(220,920)	499,348	2,324,058	5,245,911
Profit for the year	13	–	–	–	3,540	3,540
Other comprehensive income for the year:		–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax		–	(226)	–	–	(226)
Reclassification adjustments for gain included in the consolidated statement of profit or loss – gain on disposal		–	(4,261)	–	–	(4,261)
Issue of shares		3,273,331	–	–	–	3,273,331
Share issue expenses		(53,193)	–	–	–	(53,193)
Final 2013 dividend declared		–	–	–	(123,800)	(123,800)
Total comprehensive income for the year		3,220,138	(4,487)	–	(120,260)	3,095,391
Appropriate to statutory surplus reserve fund		–	–	116	(116)	–
At 31 December 2014		5,863,563	(225,407)	499,464	2,203,682	8,341,302

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36. Disposal of a subsidiary

On 7 July 2014, BYD Auto Industry, a wholly-owned subsidiary of the Company, entered into an agreement with KONG SUN Holdings Limited and its affiliate company KONG SUN New Energy Investment (Yangzhou) Limited ("Purchaser") pursuant to which the Purchaser has agreed to acquire the entire equity interest of a wholly-owned subsidiary Yulin City BYD New Energy Co., Ltd. ("Yulin BYD") at the consideration of RMB204,000,000. Yulin BYD was disposed on November 27, 2014, and was no longer a subsidiary of the Group at that day. On 31 December 2014, the Group still holds 1.91% equity interest in Yulin BYD. According to the agreement, only under certain conditions will the 1.91% equity interest transferred to Purchaser at the consideration of RMB18,000,000. As the group can't control or determine the possibility to meet the certain conditions, the Group will recognised the remaining gain when the certain conditions are met. The 1.91% equity interest is not significant to the Group. As at the disposal date, the other payables and net liabilities of Yulin BYD is approximately RMB901,000, while the gain on disposal of Yulin BYD is RMB186,494,000, with the cash consideration received at the amount of RMB185,593,000.

37. Contingent liabilities

(a) Action against Foxconn

On 11 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 grounds in 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 Plaintiffs is to be borne by the Company and BYD Hong Kong. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff.

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37. Contingent liabilities (continued)

(a) Action against Foxconn (continued)

On 2 October 2009 the Defendants instituted a counter-action against Hon Hai Precision Industry Co., Ltd., Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. for their intervention, by means of illegal measures, in the operations involving the Company and certain of its subsidiaries, collusions, written and verbal defamation, and the economic loss as a result of the said activities, and made requests in respect of the action as follows: The Company requested the Court to issue an injunction banning Hon Hai Precision Industry Co., Ltd. and Foxconn International Holdings Limited from spreading, releasing and procuring the release of statements against the Company or any similar wording to discredit the Company. Requests were also made to order Hon Hai Precision Industry Co., Ltd. to compensate for the damage (including aggravated damages and punitive damages) arising from its written and oral defamation, to order Foxconn International Holdings Limited to compensate for the damage (including aggravated damages and punitive damages) arising from its written defamation, and to order Hon Hai Precision Industry Co., Ltd., Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industry (Shenzhen) Co., Ltd. to compensate for the losses due to unlawful interference with the operations of the Company and its subsidiaries, and the loss, interest, costs and other relief caused by their collusion.

On 21 January 2010, the Plaintiffs applied to the court rejecting the contents of some paragraphs in the defendant's counterclaim. On 24 August 2010, the court made a judgement dismissing the application for elimination. On 28 September 2010, the Plaintiffs appealed against the aforesaid judgement. On 31 December 2010, the Court granted leave for the appeal application. In response to the appeal application, the court held hearings on 16 September 2011 and 24 May 2012. On 20 June 2012, the court handed down the judgement to dismiss the appeal relating to the elimination request from the plaintiffs.

On 30 January 2012, the Plaintiffs filed an application to the Hong Kong High Court requesting it to send a letter of request to the Shenzhen Intermediate People's Court for copying information in the mobile hard drive maintained in the Shenzhen Intermediate People's Court. On 13 April 2012, the Defendants made a reply to the application, requesting that apart from the Shenzhen Intermediate People's Court, the letter of request should also be sent to the Supreme People's Court of the PRC, the Shenzhen Bao'an District People's Court and the Shenzhen Longgang District People's Court through which the letter of request should be passed to the Bao'an Branch of the Shenzhen Public Security Bureau and the Beijing Jiuzhoushichu Intellectual Property Rights Forensic Center, requesting the aforesaid authorities or units to assist in the transfer or disclosure of evidence materials such as computers, copies of mobile hard disks and case files of parties closely related to this case. On 11 October 2012, the Hong Kong High Court decided to postpone the hearing for the above application originally scheduled to be held on 18 October 2012 to a time to be further decided.

On 6 June 2013, Hong Hai Precision Industry Co., Ltd., Foxconn International Holdings Limited, Shenzhen Futaihong Precision Industry Co., Ltd. and Hongfujin Precision Industrial (Shenzhen) Co., Ltd. (defendants of the counterclaim) replied to the counterclaim from the Defendants and argued that the alleged intervention in the operations of the Defendants and the collusions were not actionable pursuant to the PRC laws, and the alleged charges of written and verbal defamation were legal disclosures under Taiwanese laws, therefore, the counterclaim made by the Defendants against them was groundless. On 27 June 2013, the Defendants made an application to the High Court for raising a defence against the reply from the defendants of the counterclaim. On 6 December 2013, the Defendants submitted a response against the above-mentioned defence of Foxconn. On 4 July 2014 the two parties exchanged the list of evidence.

Based on the legal opinion issued by the Group's legal counsel in 2015, the ultimate outcome of the litigation is not yet determinable. Accordingly, it is uncertain whether the litigation may lead to compensation obligations on the part of the Group.

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37. Contingent liabilities (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	–	–	43,942,046	30,863,214

As at 31 December 2014, the banking facilities guaranteed to subsidiaries and BDNT subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB11,789,796,000 (2013: RMB9,755,100,000) and RMB102,370,000 (2013: Nil) respectively.

(c) Financial guarantee issued

The Group entered into tri-lateral finance lease arrangement contracts with certain end-user customers and a third-party leasing company in 2013. Under the joint leasing arrangement, the Group provides a guarantee to the third-party leasing company that in the event of customer default, the Group is required to make payment to the leasing company for its share of the outstanding lease payments due from the customer. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the amount of guarantee payments. At the same time, the Group is entitled to repossess and sell the leased new energy vehicle, and retain any net proceeds in excess of the guarantee payments made to the leasing company. As at 31 December 2014, the Group's maximum exposure to this guarantee was RMB844,643,000 (2013: RMB403,543,000). The term of these guarantees coincides with the tenure of the lease contracts. For the year ended 31 December 2014, there was no default of payments from end-user customers which required the Group to make guarantee payments to the third-party leasing company.

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38. Operating lease arrangements

As lessor

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

At 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	25,122	2,224
In the second to fifth years, inclusive	83,106	3,434
After five years	43,486	–
	151,714	5,658

As lessee

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

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

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Within one year	53,250	48,763
In the second to fifth years, inclusive	61,297	101,363
After five years	4,034	4,604
	118,581	154,730

In December 2013, the Group entered into a sale and leaseback agreement with a leasing company pursuant to the agreement certain machinery and equipment (the "Asset") with a net book value of RMB128,194,000 was sold to the leasing company for the transaction price equivalent to the net book value and subsequently leased back for lease term of three years during which the Group is requested to pay a rental fee of RMB41,000,000 per annum. The Group has been granted the option to buy back the Asset at 30% of original transaction price, return the equipment to leasing company or renew the rent based on renegotiation between the Group and leasing company by the end of lease term. Management has assessed the classification of the lease in accordance with HKAS 17 and concluded the leaseback arrangement as operating lease. Furthermore, management believes at the inception of the lease it is not reasonably certain for the Group to exercise the option to purchase the equipment or renew the lease by the end of the lease term.

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39. Commitments

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	Group 2014 RMB'000	2013 RMB'000
Contracted, but not provided for:		
Land and buildings (i)	696,758	856,404
Plant and machinery (ii)	3,108,465	1,177,611
	3,805,223	2,034,015
Authorised but not contracted for	1,816,656	2,512,825
	5,621,879	4,546,840

Notes:

(i) Included in the above capital commitment is a commitment with regard to the under-mentioned BYD Automobile Plant II Project with the amount of RMB78,287,000 (2013: RMB199,049,000) and the Changsha Sedan Project with the amount of RMB35,292,000 (2013: Nil);

(ii) Included in the above capital commitments is a commitment with regard to the under-mentioned BYD Automobile Plant II project with the amount of RMB1,198,000 (2013: RMB5,232,000) and the Changsha Sedan Project with the amount of RMB261,449,000 (2013: Nil);

(a) BYD Automobile Plant II Project

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

(b) Long term purchase commitments for polysilicon materials

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

In December 2012, Shangluo BYD entered into a supplemental agreement I to the Supply Contract with LDKPV and LDK Solar. The supplemental agreement I provides that LDK Solar acts as the second vendor together with LDKPV (collectively the "Vendors") and the three parties agreed to extend the performance period under the Supply Contract for a period of one year to 31 December 2013.

In February 2015, Shangluo BYD, BYD Lithium Batteries and BYD Supply Chain Management entered into a supplemental agreement II to the Supply Contract with the Vendors. The supplemental agreement II provides that the contracting parties agree to extend the performance period under the original Supply Contract for a period of five years to 31 December 2018. According to both the supplemental agreement I and the supplemental agreement II, the Purchaser, BYD Lithium Batteries and BYD Supply Chain Management shall not pursue a claim against the Vendors for unfulfilled and unfinished delivery obligations and the Vendors shall not pursue a claim against the Purchaser for unfinished purchases or payment obligations during the term of the agreement.

As at 31 December 2014, the prepayment balance related to the Supply Contract amounted to RMB76,072,000.

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39. Commitments (continued)

Notes: (continued)

(ii) *(continued)*

(c) Long-term purchase commitments for polysilicon wafers

On 30 December 2010, Shangluo BYD (the "Purchaser") signed a polysilicon wafer supply contract with Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司) (the "Vendor")and Changzhou GCL-LDK Photovoltaic Technology Co., Ltd. (常州協鑫LDK光伏科技有限公司) (the "Guarantor"). The contract provides that during the term of the contract from January 2011 to December 2015, the Purchaser shall purchase from the Vendor 31 million polysilicon wafers at a price of not more than RMB25 per wafer in 2011 and 350 million polysilicon wafers at prices to be renegotiated from 2012 to 2015. The agreed prepayment amounts to RMB100,000,000. In addition, both parties agreed that the annual purchase amounts and prices from 2012 to 2015 will be negotiated separately prior to 10 December of the preceding year. The purchase amounts will be the same as the aggregate purchase amounts of the preceding year if both parties fail to agree on the annual purchase amounts from 2012 to 2015.

As at 31 December 2014, the prepayment balance related to the polysilicon wafer supply contract amounted to RMB20,124,000.

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

	Group	
	2014	2013
	RMB'000	RMB'000
Contracted, but not provided for	66,035	109,965
Capital contribution payable to joint ventures	175,800	300,000
	241,835	409,965

40. Related party transactions

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

		Group	
	Notes	2014	2013
		RMB'000	RMB'000
Joint ventures and associates:			
Sales of products	(i)	744,308	71,513
Sales of raw materials	(ii)	11,636	122,634
Service income	(iii)	255,396	255,773
Purchase of products	(iv)	21,802	–
Purchase of products and service from Northern Qinchuan	(iv)	4,869	14,517
Purchase of products and service from Cangzhou Mingzhu	(vi)	31,741	–

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40. Related party transactions (continued)

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

Notes:

(i) The sales of products to the joint ventures and associates were made according to the published prices offered to other customers of the Group.

(ii) The sales of raw materials to BDNT, a joint venture, were made according to the published prices offered to other customers of the Group;

(iii) The service income was charged at prices mutually agreed between the Group and the joint ventures and associates;

(iv) The purchases of products from the joint ventures and associates were made according to the published prices offered by the joint ventures to their other customers;

(v) The purchase of products from Xi'an Northern Qinchuan Company Ltd. ("Northern Qinchuan"), a company of which a supervisor of the Company is the chairman of the board, were made according to the published prices offered by Northern Qinchuan to its other customers;

(vi) The purchase of products from Cangzhou Mingzhu Company Ltd. ("Cangzhou Mingzhu"), a company of which an independent non-executive director of the Company is the independent director of the board, were made according to the published prices offered by Cangzhou Mingzhu to its other customers.

(b) Commitments with related parties:

In 2011, the Group entered into a series of agreements (the "Agreements") with BDNT, including a Service Agreement on Development of New Electronic Vehicles In China and a Framework Agreement on the Production and Distribution of New Electronic Vehicles. According to the Agreements, the Group will provide services to BDNT on design and development of new electric vehicles (the "Vehicles"), manufacture and sell the Vehicles to BDNT. The transactions occurred under the Agreements in the year ended 31 December 2014 were detailed in note 40(a) to the financial statements.

(c) Outstanding balances with related parties:

	2014 RMB'000	2013 RMB'000
The amount due from joint ventures and associates:		
BDNT	663,956	210,444
Tianjin BYD	182,919	–
Jiangnan Chuzu	65,426	28,768
Hangzhou Xihu New Energy Auto Operation Co.,Ltd. (Hangzhou Xihu Operation)	44,866	–
Pengcheng Chuzu	6,968	10,797
Shan Mei Ling Qiu Bi Xing Industry Development Co.,Ltd. (Shan Mei Ling Qiu Bi Xing)	10,000	–
Shenzhen Qianhai Green transportation Co.,Ltd. (Qianhai Green transport)	1,828	–
BYD Electric Car	914	–
Tibet Changdu Region Tianhui New Energy Technology Development Co.,Ltd. (Tibet Changdu Tianhui)	15	–
	976,892	250,009

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40. Related party transactions (continued)

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

	2014 RMB'000	2013 RMB'000
The amount due to joint ventures and associates:		
BDNT	14,705	–
Tianjin BYD	8,713	–
Shenzhen BYD International Financial Lease Co.,Ltd. (International Financial Lease)	530	–
	23,948	–

	2014 RMB'000	2013 RMB'000
The amount due to other related parties:		
Northern Qinchuan	–	–
Cangzhou Mingzhu	61,533	–
	61,533	–

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

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

	2014 RMB'000	2013 RMB'000
Short term employee benefits	35,078	37,349
Pension scheme contributions	309	242
	35,387	37,591

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

The related party transactions in respect of the items set out in note 40(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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41. 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:

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

2014	Group	
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25,851,020	25,851,020
Due to joint ventures and associates	23,948	23,948
Due to related parties	61,533	61,533
Financial liabilities included in other payables	1,809,172	1,809,172
Interest-bearing bank and other borrowings	30,151,934	30,151,934
	57,897,607	57,897,607

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") with a carrying amount of RMB36,742,000 (31 December 2013: RMB110,876,000) to certain of its suppliers in order to settle the trade payables due to those suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB36,742,000 (31 December 2013: RMB110,876,000) as at 31 December 2014.

Notes to Financial Statements

31 December 2014

41. 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)

2013	Group		
Financial assets	Loans and receivables RMB'000	Available-for-sale investments	Total RMB'000
Long-term receivable	34,679	–	34,679
Available-for-sale investments	–	9,487	9,487
Trade and bills receivables	13,135,007	–	13,135,007
Due from joint ventures	250,009	–	250,009
Financial assets included in prepayments, deposits and other receivables	287,180	–	287,180
Pledged deposits	667,886	–	667,886
Short-term deposits	200,000	–	200,000
Cash and cash equivalents	4,510,942	–	4,510,942
	19,085,703	9,487	19,095,190

2013	Group	
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	22,292,736	22,292,736
Financial liabilities included in other payables	1,419,020	1,419,020
Interest-bearing bank and other borrowings	24,824,420	24,824,420
	48,536,176	48,536,176

	Company					
	2014			2013		
Financial assets	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Long-term receivable	14,840	–	14,840	29,679	–	29,679
Available-for-sale investments	–	5,000	5,000	–	9,487	9,487
Trade and bills receivables	769,497	–	769,497	1,074,440	–	1,074,440
Financial assets included in prepayments, deposits and other receivables	58,660	–	58,660	38,238	–	38,238
Due from subsidiaries	18,566,410	–	18,566,410	14,931,538	–	14,931,538
Cash and cash equivalents	317,227	–	317,227	322,718	–	322,718
	19,726,634	5,000	19,731,634	16,396,613	9,487	16,406,100

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41. Financial instruments by category (continued)

	Company			
	2014		2013	
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	1,239,621	1,239,621	1,158,612	1,158,612
Financial liabilities included in other payables	238,079	238,079	233,539	233,539
Interest-bearing bank and other borrowings	14,013,381	14,013,381	13,514,482	13,514,482
Due to subsidiaries	3,700,840	3,700,840	2,506,481	2,506,481
	19,191,921	19,191,921	17,413,114	17,413,114

42. Fair value and fair value hierarchy of financial instruments

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

Group

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial assets				
Long-term receivable	315,311	34,679	315,311	34,679
Available-for-sale investments – listed equity investments	–	4,487	–	4,487
	315,311	39,166	315,311	39,166

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	30,151,934	24,824,420	30,151,934	24,824,420

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

Company

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial assets				
Long-term receivable	14,840	29,679	14,840	29,679
Available-for-sale investments-listed equity investments	–	4,487	–	4,487
	14,840	34,166	14,840	34,166

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	14,013,381	13,514,482	14,013,381	13,514,482

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2014 was assessed to be insignificant.

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

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

Fair value hierarchy

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

Assets measured at fair value:

Group

As at 31 December 2014

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

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments – listed equity investments	4,487	–	–	4,487
	4,487	–	–	4,487

Company

As at 31 December 2014

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

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments – listed equity investments	4,487	–	–	4,487
	4,487	–	–	4,487

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

Notes to Financial Statements

31 December 2014

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

Group

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivable	–	–	315,311	315,311
	–	–	315,311	315,311

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivable	–	–	34,679	34,679
	–	–	34,679	34,679

Company

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Long-term receivable	–	–	14,840	14,840
	–	–	14,840	14,840

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Long-term receivable	–	–	29,679	29,679
	–	–	29,679	29,679

Notes to Financial Statements

31 December 2014

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

Group

As at 31 December 2014

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

As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	24,824,420	–	24,824,420

Company

As at 31 December 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	14,013,381	–	14,013,381

As at 31 December 2013

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	13,514,482	–	13,514,482

Notes to Financial Statements

31 December 2014

43. Financial risk management objectives and policies

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

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2014, approximately 58% (2013: 50%) 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	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
2014					
RMB	**25**	**(17,545)**	**–**	**(14,376)**	**–**
RMB	**(25)**	**17,545**	**–**	**14,376**	**–**
2013					
RMB	25	(8,659)	–	(2,509)	–
RMB	(25)	8,659	–	2,509	–

* Excluding retained profits and exchange fluctuation reserve

Notes to Financial Statements

31 December 2014

43. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group has transactional currency exposures. Those exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue is predominately in US$ and RMB and a certain portion of the bank loans is denominated in US$. The Group takes rolling forecast on foreign currency revenue and expenses and matches the currency and amount incurred, so as to alleviate the impact on business due to exchange rate fluctuation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange 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
2014			
If RMB weakens against US$	**5**	**(54,010)**	**–**
If RMB strengthens against US$	**(5)**	**54,010**	**–**
2013			
If RMB weakens against US$	5	(42,498)	–
If RMB strengthens against US$	(5)	42,498	–

* 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 9% (2013: 8%) and 29% (2013: 33%) the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Notes to Financial Statements

31 December 2014

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

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	2014					
	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 and other borrowings	–	2,831,154	13,054,747	5,354,278	17,368	21,257,547
Trade and bills payables	185,062	18,761,473	6,904,485	–	–	25,851,020
Due to joint ventures	–	23,948	–	–	–	23,948
Due to related parties	–	61,533	–	–	–	61,533
Other payables	595,439	995,868	217,865	–	–	1,809,172
Corporate bonds	–	–	348,000	6,886,500	–	7,234,500
	780,501	22,673,976	20,525,097	12,240,778	17,368	56,237,720
Financial guarantee issued (note 37(c))						
Maximum amount guaranteed	844,643	–	–	–	–	844,643

Group	2013					
	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 and other borrowings	–	5,314,950	10,387,136	2,838,611	41,035	18,581,732
Trade and bills payables	288,021	15,992,958	6,011,757	–	–	22,292,736
Other payables	321,289	908,809	188,922	–	–	1,419,020
Corporate bonds	–	–	1,370,500	7,234,500	–	8,605,000
	609,310	22,216,717	17,958,315	10,073,111	41,035	50,898,488
Financial guarantee issued (note 37(c))						
Maximum amount guaranteed	403,543	–	–	–	–	403,543

Notes to Financial Statements

31 December 2014

43. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company	2014					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	513,680	4,617,349	3,001,383	–	8,132,412
Trade and bills payables	4,333	922,804	312,484	–	–	1,239,621
Other payables	52,361	200,960	8,322	–	–	261,643
Corporate bonds	–	–	348,000	6,886,500	–	7,234,500
Due to subsidiaries	3,700,840	–	–	–	–	3,700,840
	3,757,534	1,637,444	5,286,155	9,887,883	–	20,569,016
Financial guarantee issued (note 37(b))						
Guarantees given to financial institutions in connection with facilities granted to subsidiaries, joint venture and customers	11,892,166	–	–	–	–	11,892,166

Company	2013					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	1,185,078	4,673,695	2,087,878	–	7,946,651
Trade and bills payables	5,172	873,137	268,757	–	–	1,147,066
Other payables	55,374	185,572	4,150	–	–	245,096
Corporate bonds	–	–	348,000	7,234,500	–	7,582,500
Due to subsidiaries	2,506,481	–	–	–	–	2,506,481
	2,567,027	2,243,787	5,294,602	9,322,378	–	19,427,794
Financial guarantee issued (note 37(b))						
Guarantees given to financial institutions in connection with facilities granted to subsidiaries and customers	9,755,100	–	–	–	–	9,755,100

Notes to Financial Statements

31 December 2014

43. 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 2014 and 31 December 2013.

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

Group	2014 RMB'000	2013 RMB'000
Interest-bearing bank and other borrowings	30,151,934	24,824,420
Less: Cash and cash equivalents	(3,950,415)	(4,510,942)
Net debt	26,201,519	20,313,478
Equity attributable to owners of the parent	25,365,597	21,709,764
Gearing ratio	103%	94%

44. Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by certain banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB1,320,973,000. The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

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31 December 2014

45. Events after the reporting period

On 2 February 2015, the Group received the approval from the Shaanxi office of the China Banking Regulatory Commission for the commencement of operations of BYD Auto Finance Company Limited ("BYD Auto Finance"), a subsidiary of the Group. The registered capital of BYD Auto Finance is RMB500,000,000, of which BYD has contributed RMB400,000,000, representing 80% equity interest, and Bank of Xi'an has contributed RMB100,000,000, representing 20% equity interest.

On 12 February 2015, the board of directors resolved to dispose of the entire equity interest of Shenzhen BYD Electronic Components Co., Ltd. The Company has entered into "The strategic cooperation, asset transfer in consideration of non-public offering shares and cash framework agreement" with Holitech Technology Co., Ltd. ("Holitech"), an unrelated third party, to dispose of the entire equity interest of Shenzhen BYD Electronic Components Co., Ltd. (" Electronic Components" or "Target Company") to Holitech. The aggregate consideration for the disposal in any event shall be not more than RMB2,300,000,000, and (i) 75% of the consideration shall be satisfied by the allotment and issue, credited as fully paid, of 178,941,908 consideration shares at an issue price of RMB9.64 per share to the Company by Holitech and (ii) the remaining 25% of the consideration shall be satisfied in cash. The final consideration will be determined by further negotiations between the Company and Holitech based on the appraised value of the entire equity interest of the Target Company in an asset appraisal report to be issued by an appraisal institution with qualifications in the securities business.

On 12 February 2015, the directors resolved that domestic corporate bonds will be issued by the Company in Mainland China, subject to the approval of the shareholders and the relevant regulatory authorities. The aggregate principal amount of the domestic corporate bonds to be issued shall not be more than RMB3 billion in single or multiple tranches. The specific size and number of tranches of the bond issuance will be determined according to the market conditions prevailing at the time of the issuance.

46. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2015.

Five Year Financial Summary

As 31 December 2014

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.

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
REVENUE	55,366,384	49,767,887	44,380,858	46,312,282	46,685,349
Cost of sales	(47,742,926)	(43,251,573)	(39,254,530)	(39,445,257)	(38,420,975)
Gross profit	7,623,458	6,516,314	5,126,328	6,867,025	8,264,374
Other income and gains	922,648	456,199	423,332	988,114	531,891
Government grants and subsidies	798,446	677,121	550,387	301,221	353,679
Selling and distribution costs	(2,228,758)	(2,011,845)	(1,511,797)	(1,799,757)	(2,175,881)
Research and development costs	(1,864,695)	(1,278,910)	(1,150,419)	(1,373,861)	(1,403,459)
Administrative expenses	(2,600,600)	(2,073,516)	(2,055,016)	(2,125,636)	(1,917,889)
Other expenses	(257,336)	(387,556)	(205,148)	(388,567)	(254,619)
Finance costs	(1,396,828)	(1,017,318)	(862,439)	(742,262)	(281,383)
Share of profits and losses of jointly-controlled entities	(121,276)	(36,309)	(24,709)	7,022	25,554
Associates	(1,113)	(12,099)	206	(5,815)	–
PROFIT BEFORE TAX	873,952	832,081	290,725	1,727,484	3,142,267
Income tax expense	(134,082)	(56,215)	(77,835)	(132,408)	(223,677)
PROFIT FOR THE YEAR	739,870	775,866	212,890	1,595,076	2,918,590
Attributable to:					
Equity holders of the parent	433,525	553,059	81,377	1,384,625	2,523,414
Minority interests	306,345	222,807	131,513	210,451	395,176
	739,870	775,866	212,890	1,595,076	2,918,590
TOTAL ASSETS	94,008,855	78,014,834	70,007,807	66,881,036	53,874,663
TOTAL LIABILITIES	(65,114,418)	(53,158,393)	(45,863,436)	(42,900,900)	(32,723,587)
NON-CONTROLLING INTERESTS	(3,528,840)	(3,146,677)	(2,947,387)	(2,855,619)	(2,690,757)
NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)	25,365,597	21,709,764	21,196,984	21,124,517	18,460,319


比亞迪股份有限公司
BYD COMPANY LIMITED