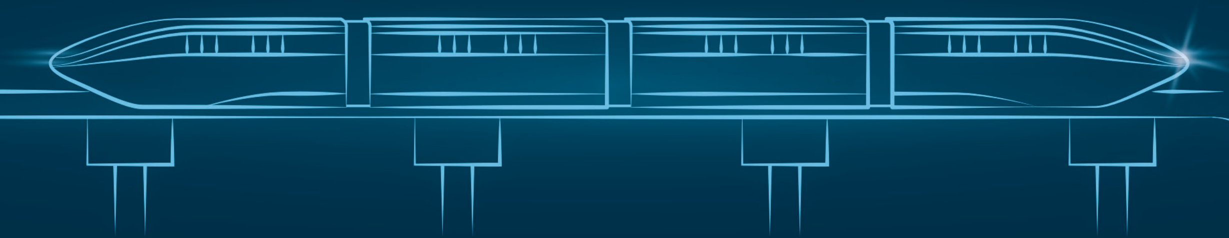
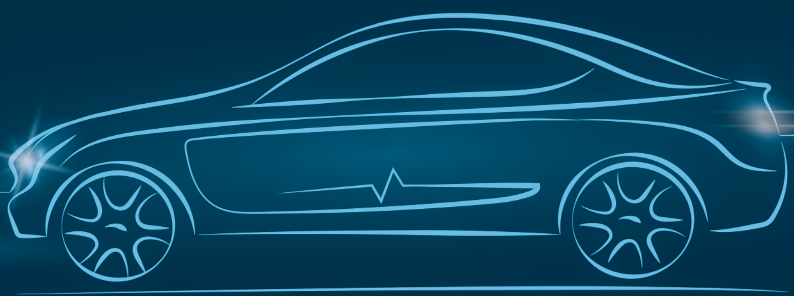
比亞迪股份有限公司
BYD COMPANY LIMITED
Stock Code 股份代號：1211

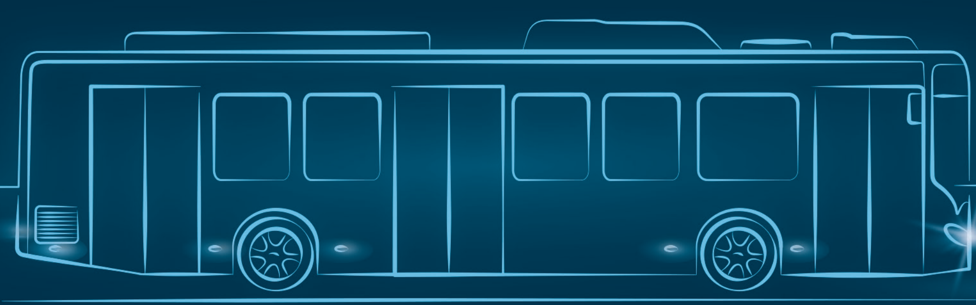
CREATING



FUTURE



INNOVATION



2019 Annual Report 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 automobile business which includes traditional fuel-engined vehicles and new energy vehicles, handset components and assembly services, as well as rechargeable battery and photovoltaic business while taking advantage of its technological superiority to actively develop urban rail transportation business segment.

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 automobile manufacturer 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 has accumulated extensive skills and gained leading market share in the new energy vehicles area, which has established the leading position of BYD in the global new energy vehicles sector.

As one of the world's leading suppliers for handset components and assembly services, 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 Huawei, Samsung, Apple, Lenovo, vivo, Xiaomi and other intelligent mobile terminal leaders.

BYD is one of the leading rechargeable battery manufacturers in the global arena. Major clients include leading consumer electronics manufacturers such as Samsung and Dell, as well as global leading professional robot brands such as Ecovacs and iRobot. Lithium-ion and nickel batteries produced by the Group are widely applied in consumer electronics and new intelligent products.

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 approximately 8.25% of the Company's total capital at present, to become the Group's long term investment 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 vehicles and urban rail transportation businesses are important areas for BYD's future development. By leveraging its technology and quality advantages in related business areas, the Group will actively develop the application of new energy vehicles and urban rail transportation products at home and abroad to facilitate the Group's 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」或「集團」；股份代號：(H股：01211；A股：002594))主要從事包含傳統燃油汽車及新能源汽車在內的汽車業務、手機部件及組裝業務，以及二次充電電池及光伏業務，同時利用自身的技術優勢積極拓展城市軌道交通業務領域。

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，迅速成長為領先的中國自主品牌汽車廠商。作為全球新能源汽車研發和推廣的引領者，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。

作為全球領先的手機部件及組裝服務的供應商之一，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華為、三星、蘋果、聯想、vivo、小米等智能移動終端領導廠商。

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、Dell等消費類電子產品領導廠商，以及科沃斯、iRobot等全球領先的機器人專業智造品牌廠商。本集團生產的鋰離子電池及鎳電池廣泛應用於各種消費類電子產品及新型智能產品領域。

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約8.25%)，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。

新能源汽車和城市軌道交通業務是比亞迪未來發展的重要範疇，憑藉自身在相關業務領域的技術和品質優勢，集團將積極拓展新能源汽車及城市軌道交通產品於國內外的應用，推動集團的長遠及可持續發展。

Contents

Financial Highlights

Five-Year Comparison of Key Financial Figures

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**121,778,117**	121,790,925	102,650,614	100,207,703	77,611,985
Gross profit	**18,075,993**	18,066,764	17,935,074	19,018,263	11,859,244
Gross profit margin (%)	**15**	15	17	19	15
Profit attributable to equity holders of the parent	**1,614,450**	2,780,194	4,066,478	5,052,154	2,823,441
Net profit margin (%)	**1.3**	2.3	4.0	5.0	3.6

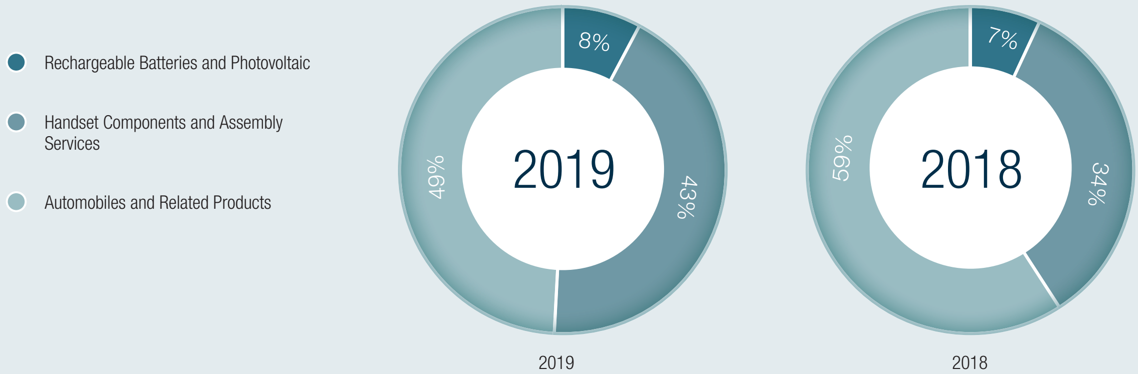
	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	**56,762,289**	55,198,289	55,004,194	51,255,929	32,294,404
Total assets	**195,641,593**	194,571,077	178,099,430	145,070,778	115,485,755
Gearing ratio (%) (Note)	**124**	104	93	74	109
Current ratio (times)	**0.99**	0.99	0.98	1.00	0.82
Receivables turnover (days) (Note)	**190**	189	192	132	116
Inventory turnover (days)	**92**	82	81	76	73

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

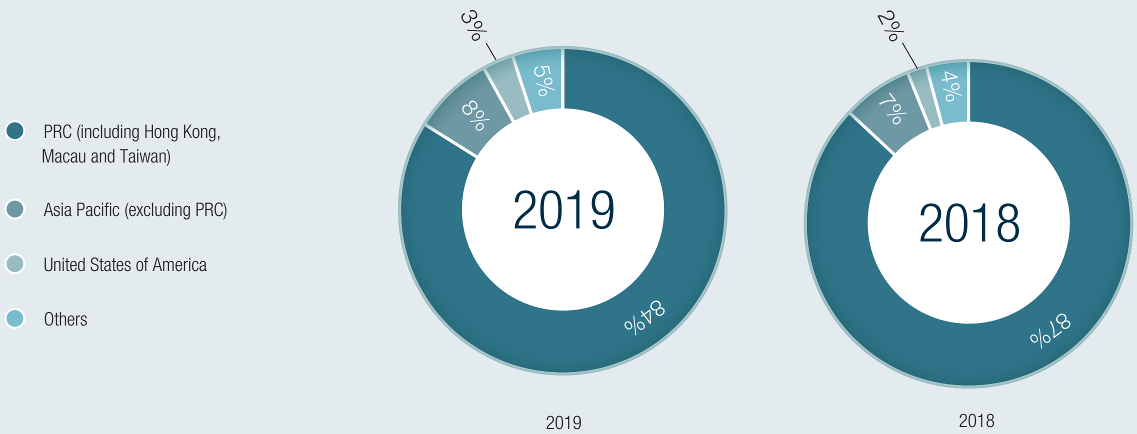
Receivables include trade receivables, trade receivable financing, contract assets, accounts due from associates and joint ventures, accounts due from related parties.

Financial Highlights

Revenue Breakdown by Product Categories



Revenue Breakdown by Locations of Customers




宋Pro


宋Pro DM
DREAM TOGETHER TO
BUILD A NEW FUTURE

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
Yang Dong-sheng
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

Authorised Representatives
Wang Chuan-fu
Li Qian

Legal Address
No. 1 Yan'an Road
Kuichong Sub-district
Dapeng New 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

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 2019 (the "Year").

In 2019, as the global economic growth slowed down, and the downward pressure on Chinese economy continued to mount, China only registered a gross domestic product (GDP) growth rate of 6.1%. During the Year, affected by the trade and economic friction between China and US, the switching of environmental standards and the decrease in subsidies for new energy automobiles, the automobile sector was under great pressure.

During the Year, the sales volume of automobiles in China was approximately 25.769 million units, down 8.2% year-on-year. Affected by the subsidy decline and the early switching of the China VI Vehicle Emission Standards in some regions, the sales volume of new energy vehicles showed a sharp decline in the second half of the year. In 2019, the production and sales volume of new energy vehicles amounted to 1.242 million and 1.206 million units, respectively, representing a year-on-year decrease of 2.3% and 4.0%. Although the subsidy decline will put great profitability pressure on new energy automobile enterprises in the short term, the auto industry, in the long term, will tend to be more market-oriented and move in a healthier development direction. To this end, enterprises with advanced technology and good reputation are expected to further expand their market shares.

For the year ended 31 December 2019, the Group recorded revenue of RMB121,778 million. Profit attributable to owners of the Parent Company amounted to RMB1,614 million, a decrease of 41.93%, and earnings per share was RMB0.50.The Board recommended a final dividend of RMB0.06 per Share (tax inclusive).

In 2019, the Group further perfected its new energy automobile products portfolio, and recorded a sales volume that is among the highest in the word with brand influence increased. In the field of new energy vehicles, the Group launched the brand new generation of "Tang EV", the brand new "Song Max" plug-in hybrid version, the brand new "Yuan EV", the brand new "Qin EV" and the brand new "Song Pro", which have won unanimous praise in the market for their excellent performance and appearance. During this year, the Group launched e-series products for the first time, which have generated new growth points for the Group's development.

In the field of traditional vehicles, the Group makes ongoing efforts to promote fuel-engined vehicle business. In 2019, the Group launched "Song Pro", a new generation version for Song, which is equipped with a consistent "Dragon Face" design and "DiLink 2.0" smart networking system. Its fuel-engined version has been well received by the market since its launch, becoming a new growth engine for fuel vehicle business. With its great appearance and performance, the "Song Max" model has become a hot seller in China's MPV market and continues to generate stable sales contributions to the Group.

Under the "7 + 4" strategy, the Group continued to further penetrate into the field of special-purpose vehicles, with the commitment to promoting the full market coverage of new energy vehicles. During the Year, the Group's sales volume of dump trucks has reached thousands of units, creating incremental growth to the commercial vehicle business.

In 2019, the Group made a new breakthrough in the opening of the supply and distribution system, achieving good results. The Group and Toyota Motor Corporation signed an equity joint venture agreement for the establishment of a research and development company for pure electric vehicles. The cooperation with Toyota will help the Group open up overseas components supply, and as a result, achieve long-term development for the Group. In addition, the Group and Huawei signed a comprehensive strategic cooperation agreement, where the two parties plan to conduct in-depth exchanges and cooperation in areas such as automotive intelligent networking and intelligent driving.

In terms of handset components and assembly business, despite being temporarily under pressure due to the impact of the trade friction between China and US, the Group maintained its dominant market share in mobile terminal market by virtue of its advantage of scale and outstanding capability in cost control and in technology research and development. During the Year, the Group made steady progress in its business. Specifically, the 3D glass, ceramics and assembly business performed with distinction, contributing stable income for the Group. Moreover, the Group's novel smart products witnessed a rapid increase in shipments and were expected to generate more revenues for the Group in the future.

Chairman's Statement

In the field of rechargeable batteries and photovoltaic business, the Group's traditional battery business achieved steady growth and its market share continued to increase during the Year. The photovoltaic industry gradually recovered during the Year, which boosted the growth of the Group's photovoltaic business to some extent.

Looking ahead into 2020, BYD is expected to achieve innovation and transformation during the Year. The Group is confident in the stable development of all business segments. In terms of automobiles business, the Group will increase investments in technology research and development and product design to make products more competitive, so as to promote the steady growth of business. With the iteration of the Group's new energy vehicle products, the application of innovative technologies, it is expected to bring new growth to the new energy vehicle business.

In terms of handset components and assembly business, the Group will continue to deepen the good relationship with customers, further develop business with customers and expand customer network. In the meantime, the Group will actively grasp the opportunities brought by 5G to win more orders, thereby increase its market shares. In terms of novel smart products and in-vehicle smart systems, the Group will increase investment into the cultivation of new business growth points to provide momentum for medium and long-term development.

For rechargeable batteries and photovoltaic business, as government's policies become clearer, photovoltaic industry will embrace a new growth opportunity. The Group will actively promote the application of new technologies, expand its customer base and expand overseas markets to lay a solid foundation for the business development.

In the future, new energy automobiles and urban rail transit business will continue to be an important strategic development direction of the Group. The Group will continue to actively promote electrification in various fields. This move will not only help BYD realize long-term and healthy development, but also deliver the Group's sense of social responsibility.

In the constantly changing market, BYD will continue to center on technical innovation, and flexibly adjust its operational strategy to improve operating efficiency. It will also focus on the improvement of core business, and seek to optimize cost control. In addition, the Group will look to expand strategic cooperation opportunities and further develop manufacturing to gain development advantage, in a bid to enhance the core competitiveness of the brand. This is how the Group can achieve long-lasting prosperity and sustainable development.

Lastly, on behalf of BYD, I would like to express sincere gratitude to our loyal customers, business partners, investors and shareholders for their persistent support for the Group. I also give my heartfelt thanks to all the staff members for their hard work and contributions in the past year. BYD will continue to seize market opportunities, further enhance competitiveness by leveraging its own advantages, endeavour to promote the long-term healthy development of the Group and focus on maximizing returns for shareholders.

Wang Chuan-fu
Chairman
Shenzhen, the PRC, 21 April 2020

Management Discussion and Analysis

Industry Analysis and Review

Automobiles Business

In 2019, the trade tension between China and the US as well as geopolitical risks, among other factors, continued to weigh on global economic development, and the downward pressure on the domestic economy continued to increase. According to the National Bureau of Statistics, the annual GDP growth rate was only 6.1% year-on-year, a record low since 1991. The external environment became more complicated and severe in the second half of the year, which led to a further fall of GDP growth in the third and fourth quarters to 6.0%, the slowest quarterly growth rate in nearly three decades.

According to the statistics from China Association of Automobile Manufacturers, the production and sales volume of automobiles in China were 25.721 million and 25.769 million units in 2019, respectively, down 7.5% and 8.2% year-on-year. Specifically, affected by the subsidy decline and the early switching of the China VI Vehicle Emission Standards in some regions, the sales volume of new energy vehicles showed a sharp decline in the second half of the year. In 2019, the production and sales volume of new energy vehicles amounted to 1.242 million and 1.206 million units, respectively, representing a year-on-year decrease of 2.3% and 4.0%.

In March 2019, the Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology and the National Development and Reform Commission jointly issued the "Notice on Further Improving the Financial Subsidies for the Promotion and Application of New Energy Automobiles". According to the Notice, the new energy automobile subsidy will be reduced in stages starting from 26 March 2019, and the transition period of the subsidy will last till 25 June 2019. During the transition period, the product reaches the technical requirements of 2019 which will be implemented as 0.6 times the rate corresponding to the previous subsidy. After the transition period, the subsidy rate will be further reduced with the local government subsidies for new energy automobiles to be cancelled. In short term, the decline in new energy automobile subsidy will certainly contribute to the profit pressure on related companies; nevertheless, in long term, it will help to optimize the competitive landscape by industry reshuffle, improve product structure, stimulate the industry to be market-oriented, and further promote the stable and healthy development of the industry. In the future, advanced technology, excellent quality and good reputation will be crucial for the incremental market share of auto manufacturers.

Handset Components and Assembly Business

According to the statistics by the market research institute IDC, global smartphone shipments in 2019 were 1.37 billion units, a year-on-year decrease of 2.3%. According to the latest data released by the China Academy of Information and Communications Technology, the total shipments from the domestic mobile phone market were 389 million units in 2019, a year-on-year decrease of 6.2%.

After years of development, the smartphone industry has entered the mature stage. In order to encourage consumers to trade in their phones, major smartphone brands have continuously accelerated technological innovation and upgraded product designs, with multi-camera, folded-screen and other new models launched one after another during the year. The trend of commercialization of 5G has also brought new development momentum to the industry. Major well-known brands are rushing to launch multiple 5G mobile phones. Compared to 4G mobile phones, the 5G ones are in general more complex, placing higher requirements on the accuracy of product processing and overall performance, and have brought new development opportunities for manufacturers with comprehensive product lines and mastery of leading technologies. During the year, the design of the 3D glass casing with metal middle frame was still the mainstream solution and

Management Discussion and Analysis

widely used in the middle-and-high-end and flagship model markets. The ceramic back cover also continued to be applied in some flagship models. The middle-and-low-end mobile phones mainly used the full-plastic solution and the glass back cover supporting the plastic middle frame.

Rechargeable Batteries and Photovoltaic Business

During the year, the sales volume of consumer electronics worldwide recorded a decline, meanwhile, the demands of lithium battery upstream remained weak. In the field of photovoltaics, in 2019, China's photovoltaic industry embarked on the transformation from being subsidy-driven to parity-driven. Due to the policy adjustments, the newly installed capacity has declined domestically. However, benefiting from the growth of overseas markets, China's photovoltaic industry has scaled up steadily, giving impetus to technological innovation and export growth increments.

Business Review

BYD Company Limited ("BYD" or "the Company" together with its subsidiaries, "the Group") is principally engaged in automobile business which includes new energy vehicles and traditional fuel-engined vehicles, handset components and assembly services, rechargeable battery and photovoltaic business, as well as the urban rail transit business segment which the Group has actively developed. During the Year, the Group recorded a total revenue of approximately RMB121,778 million, representing a year-on-year decrease of 0.01%, among which, the revenue from the automobile business and related products amounted to approximately RMB59,537 million, representing a year-on-year decrease of 17.04%; the revenue from the handset components and assembly business amounted to approximately RMB52,522 million, representing a year-on-year increase of 27.05%; the revenue from the rechargeable batteries and photovoltaic business amounted to approximately RMB9,719 million, representing a year-on year increase of 11.95%. These three business segments accounted for 48.89%, 43.13% and 7.98% of the Group's total revenue, respectively. During the Year, the revenue from the new energy automobile business amounted to approximately RMB39,581 million, representing a year on-year decrease of 23.07%, with its share in the Group's total revenue decreasing to 32.50%.

Automobiles Business

In 2019, the new energy automobile market in China ushered in the year with the largest decline in subsidies. Such decline in subsidies and the early switching to the China VI Vehicle Emission Standards in some regions weighed on the industry, resulting in a year-on-year drop in both production and sales for the first time. In addition, the Group's sales volume of new energy automobiles also witnessed a year-on-year fall. Relying on the development of core technologies, diversification of design language and the perfected product portfolio, the Group continued to enhance its product competitiveness. During the year, the Group's sales volume of new energy automobiles maintained its leadership worldwide with brand influence increased.

In the field of new energy vehicles, the Group continued to upgrade product matrix of the Dynasty Series by launching new models during the year, including the brand new generation of "Tang EV", the brand new "Song Max" plug-in hybrid version, the brand new "Yuan EV", the brand new "Qin EV" and the modified edition of "Song Pro", which have won unanimous praise in the market for their excellent performance

Management Discussion and Analysis

and appearance. In 2019, the "Yuan EV" and the "Tang DM" ranked among top five in new energy vehicle sales in China. Among them, the sales volume of the "Tang DM" excelled in the domestic new energy vehicle market in the RMB200,000+ price range, further consolidating the Group's leading position in the industry. It is the first year since the Group's e-series product release. During this year, the Group launched e-series products for the first time, which are targeting at different consumer groups. The Group constantly improves its product matrix, aiming to build up a complete coverage for different consumer segments of new energy automobile market. The "e1", "e2" and "e3" models were consecutively launched in the year, contributing new growth points to the Group's development.

In the field of electric buses, the Group's pure electric buses continued to be put into operation in many cities across China, including Beijing, Sanya, Macau, Hong Kong, and Lhasa, running in an overall good condition with a solid brand reputation established. In terms of overseas markets, the Group continued to play a pioneering role in the "Electrification in Buses", leading the global trend of bus electrification, completing the delivery of electric buses to Britain, Chile, the Netherlands, Norway, Singapore, France, Denmark, Canada and India.

Under the "7 + 4" strategy, the Group continued to further penetrate into the field of special-purpose vehicles, with the commitment to promoting the full market coverage of new energy vehicles, and helping China to successfully implement its major strategic deployment of winning the battle of against air pollution. The Shenzhen Municipal Transportation Bureau issued the "Implementation Plan for the Promotion and Use of Electric dump Trucks in Shenzhen", which provided strong support for the development of pure electric dump trucks, and took the lead in effectively demonstrating the use of electric heavy duty trucks in China. During the year, the Group's sales volume of dump trucks has reached thousands of units, creating incremental growth to the commercial vehicle business.

While delving deep into the new energy automobile market, the Group also continued to promote the development of the traditional fuel-engined vehicle business. In July 2019, the Group launched "Song Pro", a brand new iterative product for Song, which equipped with a consistent "Dragon Face" design and "DiLink 2.0" smart networking system. Its fuel-engined version has been well received by the market since its launch, with sales volume exceeding 10,000 for several consecutive months while continuing to rise, becoming a new growth engine for fuel vehicle business. With its great appearance and performance, the "Song Max" model ranked top five best sellers of the China's MPV market and continued to generate stable sales contributions to the Group. However, due to the decline in the overall demand in the fuel-engined vehicle industry plus the phase-out of the Group's older models, the sales volume of the Group's fuel-engined vehicle end up with fell during the year.

During the year, the opening of the Group's supply and distribution system started a new chapter and achieved positive results. The Group and Toyota Motor Corporation signed an equity joint venture agreement for the establishment of a research and development company for pure electric vehicles. By cooperating with Toyota, the Group will strengthen its product research and development capability and quality control ability, further consolidate its core technologies for electric vehicles, and open up supply of the Group's components overseas, to achieve long-term development for the Group. In addition, the Group and Huawei signed a comprehensive strategic cooperation agreement, where the two parties plan to conduct in-depth exchanges and cooperation in areas such as automotive intelligent networking and intelligent driving. During the year, the Group and Huawei jointly released a mobile NFC car key, which brought a more convenient and intelligent interactive experience for the Group's users.

In the field of urban rail transit, "Cloud Rail" and "Cloud Bus" of the Group, as low-cost urban rail transit solutions, have huge market demand. During the year, the Group actively developed customers at home and abroad and has made some headway. In the future, along with the commencement of domestic and oversea projects in the domestic and foreign markets, it is expected that the related businesses will generate new growth space for the Group.

Handset Components and Assembly Business

As one of the world's providers of smart product solutions with the strongest comprehensive competitiveness, BYD provides complete vehicle design, component production and complete vehicle assembly services for domestic and foreign mobile phone manufacturers and other smart mobile terminal suppliers.

Management Discussion and Analysis

In 2019, relying on its long-term experience, cutting-edge technology and excellent quality in the field of metal components, the Group continued to lead the market in smart mobile terminal. During the year, the 3D glass, ceramics, plastics, and assembly businesses all achieved varied degrees of growth. Among them, the 3D glass, ceramics, and assembly business performed with distinction, achieving a substantial year-on-year growth. However, due to the fluctuation of demand in the wider industry, the revenue and profit from the metal parts business declined during the period.

In terms of the novel smart product business, the Group continued to enhance the relationship with existing customers, the shipment of the products surged and the business grew fast. In terms of smart in-vehicle systems, except for the supplement of the BYD brand models, the Group also actively developed overseas markets, and has established extensive cooperation with domestic and overseas vehicle brands, which are expected to generate new contribution for the Group's revenue.

In line with continued breakthroughs in market development and business expansion, the front-end demand has increased. In order to provide better services and satisfy the diversified needs of different strategic customers, the Group launched a global strategy to expand the production capacity, building advanced manufacturing bases at home and abroad. On top of the manufacturing bases in Shenzhen, Huizhou, Shantou, Shanwei, Shaoguan and Xi'an, the newly-built base within this year in Changsha has come on stream successfully, meanwhile, new bases in Zhongshan and Xi'an are under construction. Overseas, two new manufacturing bases in Europe have been put into production, and manufacturing bases in Southeast Asia have also commenced its production.

Rechargeable Batteries and Photovoltaic Business

The Group's rechargeable batteries mainly include lithium-ion batteries and iron batteries products, which are widely used in mobile phones, electronic tools and other portable electronic devices. During the year, the Group's traditional battery business achieved steady growth with its market share continued to increase. In addition, the photovoltaic market has seen a remarkable recovery during the year, which boosted the growth of the Group's photovoltaic business to some extent.

Prospect and Strategy

Looking ahead into 2020, due to the impact of the COVID-19 pandemic, the downside risks to the global economy will increase, with a more uncertain outlook. However, as Europe and the United States have successively introduced relevant policies to further encourage the development of new energy vehicles, they have provided a security for new energy vehicles to become the development trend of the global automotive market. In China, as the industrial structure continues to upgrade and subsidies continue to decline, new energy vehicles will usher in a reshuffle of the industry, accelerating the optimization of the industrial structure, and promoting the healthy and stable growth of the industry.

Automobiles Business

As a global leader in the new energy automotive industry, BYD will actively seek changes and innovation, seize the development opportunities brought about by industry changes, strengthen technological research and innovation, promote the open integration of the industrial chain, improve product layout, consolidate competitive advantages, and enhance brand power, as a result, gain the steady growth of new energy vehicle business.

In 2020, in the face of increasingly fierce market competition in the new energy vehicle field, the Group will continue to launch more market-competitive models. Among them, the upcoming new high-end model "Han" with 0.233 ultra-low wind resistance and 3.9 seconds of 0-100 kilometer acceleration capability, more than 600 kilometer driving range and excellent appearance design, has attracted much market attention. At the same time, "Han" applied the "High Performance Silicon Carbide MOSFET Motor Control Module" and the Group's "Blade Battery" for the first time, which provided a reliable security for the outstanding performance of "Han". With the iteration of the Group's new energy vehicle products, the application of innovative technologies and the release of new models, the Group is expected to gain new growth in the new energy vehicle business.

In the field of public transportation, BYD has always considered the market and customer needs first, pursued technologies that are reliable, high efficient and stable, facilitated the completion of green upgrade of urban public transport systems at home and abroad, and contributed to the promotion and popularization of new energy vehicles. In the future, the Group will continue to promote the transformation of "Urban Bus Electrification" on a global scale, complete the acquired orders with excellent quality, achieve further business growth, hence to fulfill its commitment to sustainable development. In addition, the Group has also made great efforts to penetrate into the field of special-purpose vehicles, while actively promote electrification in various fields, consequently, brought new growth points for the Group. As a leader in this transformation, BYD will work hard to explore a demonstrative model and promote it to minimize carbon emission while maximizing economic benefits.

In the field of traditional fuel-engined vehicles, the Group will focus on improving quality and efficiency, enhancing innovation, improving product performance and strengthening the overall competitiveness of its products. In addition, with the participation of more international design teams and the completion of the global design center, the software and hardware design for the Group's models will be further improved, pushing the Group's vehicle model design into a new stage.

Management Discussion and Analysis

In terms of business strategy, the Group will continue to enhance the openness of its supply and distribution system, actively seek strategic cooperation, and further the marketization of its business supply chain. In addition, the Group will also actively explore and promote the independent operation and marketization of its subsidiaries, vitalize its various business units, fully demonstrate its value, and promote these business units to grow faster and stronger.

In the field of rail transit, the Group will actively facilitate the promotion of low-carbon and environment-friendly urban rail transit products, while implement the orders that have been obtained. In March 2020, the Standing Committee session of the Political Bureau of the CPC Central Committee also stressed the need to accelerate the construction of new infrastructure, which is expected to accelerate the development of rail transit.

Handset Components and Assembly Business

As the world's leading provider of smart product solutions, the Group will actively expand its customer base, by focusing on technological diversification, enhancing the cooperative relationships with customers and improving productive capacity and technology, therefore, to win more orders. With the vertically integrated one-stop service platform and the layout of domestic and foreign factories in place, the Group is about to enter a new growth cycle in the 5G era. In terms of novel smart products and in-vehicle smart systems, the Group will increase investment into the cultivation of new business growth points to provide momentum for medium and long-term development.

Rechargeable Batteries and Photovoltaic Business

In terms of rechargeable batteries, the Group will actively promote the application of new technologies, expand its customer base, and continually gain the market shares in related fields. On the part of the photovoltaic business, with the implementation of subsidized projects and parity projects, demand from overseas markets has increased. The Group will take this as an opportunity to expand overseas markets and lay a foundation for a new round of growth with high-quality products.

Management Discussion and Analysis

Financial Review

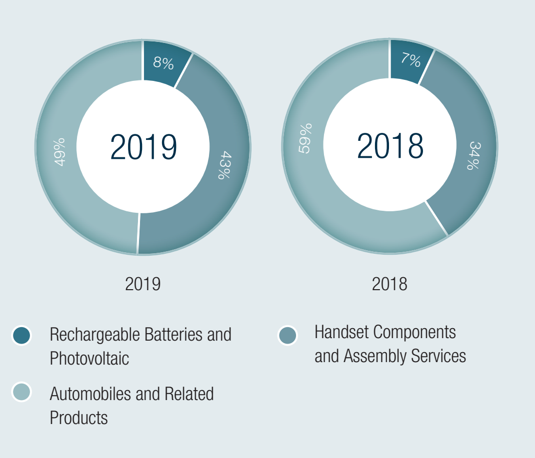
Revenue and Profit attributable to Owners of the Parent Company

During the Year, revenue decreased by 0.01% as compared to that of 2018, which was similar to that of 2018. Profit attributable to equity holders of the parent decreased by 41.93% as compared to the same period of the previous year, mainly attributable to impact from change of industry and policy and the increase in R&D expenses.

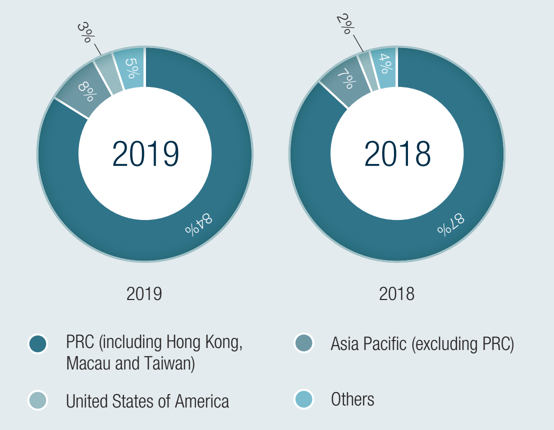
Segmental Information

The following are comparisons of the Group's revenue by product categories for the years ended 31 December 2019 and 2018:

Revenue Breakdown by Product Categories



Revenue Breakdown by Locations of Customers



Management Discussion and Analysis

Gross Profit and Margin

During the Year, the Group's gross profit increased by 0.05% to approximately RMB18,076 million. Gross profit margin increased from approximately 14.83% in 2018 to approximately 14.84% during the Year, which was similar to that of 2018.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB14,741 million, compared with operating cash inflow of approximately RMB12,523 million in 2018. The Group's cash inflow during the period is mainly due to the increase in cash generated from the sales of goods and provision of services in operating activities. Total borrowings as at 31 December 2019, including all bank loans and bonds, were approximately RMB75,978 million, compared with approximately RMB64,693 million as at 31 December 2018. The maturity profile of the bank loans and bonds thereof spread over a period of eleven years, with approximately RMB54,062 million repayable within one year approximately RMB21,749 million within the second to the fifth years and approximately RMB167 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 2019, turnover period of receivables (including trade receivables and trade receivable financing, amounts due from joint ventures and associates, amounts due from related parties) was approximately 190 days, as compared to approximately 189 days for the same period in 2018, which showed no significant changes. The inventory turnover period was approximately 92 days for the year ended 31 December 2019 as compared to about 82 days for the same period in 2018, the change was mainly due to the increase in average inventory for the same period is higher than that in cost of sales.

Please refer to notes 35 and 41 to the financial statements for details of Financial Resources.

Management Discussion and Analysis

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 2019, 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 equity and debt to ensure an efficient capital structure during the period. As at 31 December 2019, the Group's outstanding loans included RMB loans and foreign currency loans and approximately 72% (2018: 73%) of such outstanding loans were at fixed interest rates, with the remaining at floating interest rates.

The Group monitors its capital by using 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. Therefore, the gearing ratios of the Group was 124% and 104% as at 31 December 2019 and 31 December 2018, respectively.

As at 31 December 2019, certain items of the Group's land and buildings with a net carrying amount of RMB209,019 thousand (31 December 2018: RMB220,370 thousand) and transit equipment with a net carrying amount of RMB2,088 thousand (31 December 2018: nil) has been pledged as securities for the long term loans of RMB132,102 thousand (31 December 2018: RMB143,018 thousand) granted to the Group, of which RMB7,091 thousand (31 December 2018: RMB8,179 thousand) was long term loans due within a year. During the year, the Group had no construction in progress (31 December 2018: RMB4,754 thousand). In addition, as at 31 December 2019, a pledged bank deposit of RMB837,921 thousand (2018: 1,583,861 thousand) and a restricted bank deposit of RMB137,865 thousand were pledged for bank bills, guarantee deposits and others.

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 or impacts on 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 practical measures to prevent exposure to exchange rate risk.

Employment, Training and Development

As at 31 December 2019, the Group had approximately 229,000 employees. During the period, total staff cost accounted for approximately 18.33% of the Group's turnover. Employees' remuneration was determined based on performance, qualifications and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal motivation.

Share Capital

As at 31 December 2019, the share capital of the Company was as follows:

	Number of shares issued	Approximate Percentage (%)
Domestic shares	1,813,142,855	66.46
H shares	915,000,000	33.54
Total	2,728,142,855	100.00

Purchase, Sale or Redemption of Shares

The Company did not redeem any of its shares during the period from 1 January 2019 to 31 December 2019. During the period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Significant Investment Held and Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the reporting period, there was no significant investment held, material acquisition and disposal of subsidiaries, associates and joint ventures.

Capital Commitment

Please refer to note 44 to the financial statements for details of capital commitments.

Contingent Liabilities

Please refer to note 42 to the financial statements for details of contingent liabilities.

Environmental Protection and Social Security

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

Dream Together To Build a New Future


ESIGN

Directors, Supervisors and Senior Management

Executive Director

Wang Chuan-fu

Mr. Wang Chuan-fu, aged 54, Chinese national with no right of abode overseas, master's degree holder, senior engineer, younger brother of Mr. Wang Chuan-fang and younger cousin of Mr. Lv Xiang-yang. Mr. Wang graduated from Central South University of Technology (中南工業大學) (currently Central South University) in 1987 with a bachelor's degree majoring in metallurgy physical chemistry, and then graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) in the PRC in 1990 with a master's degree majoring in material science. Mr. Wang held positions as vice supervisor in Beijing Non-Ferrous Research Institute, general manager in Shenzhen Bi Ge Battery Co. Limited (深圳市比格電池有限公司). In February 1995, he founded Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) (became BYD Company Limited on 11 June 2002) with Mr. Lv Xiang-yang and took the position of general manager. He is the Chairman, an executive Director and the President of the Company and is responsible for the general operations of the Group and the development of business strategies for the Group. He is a non-executive director and the chairman of BYD Electronic (International) Company Limited (Stock Code: 0285), a director of Shenzhen DENZA New Energy Automotive Co., Ltd. (深圳騰勢新能源汽車有限公司) (formerly known as Shenzhen BYD Daimler New Technology Co., Ltd. (深圳比亞迪戴姆勒新技術有限公司)), a director of Tianjin BYD Auto Co., Ltd. (天津比亞迪汽車有限公司), a director of China Railway Engineering Consulting Group Co., Ltd., (中鐵工程設計諮詢集團有限公司) an independent director of Renren Inc., a director of Southern University of Science and Technology 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 the 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" (二零零八年CCTV中國經濟年度人物年度創新獎), Southern Guangdong Meritorious Service Award (南粵功勛獎) in 2011, and Zayed Future Energy Prize Lifetime Achievement Award (扎耶德未來能源獎個人終身成就獎) in 2014 and Best Business Leader in China (中國最佳商業領袖) in 2015 etc.

Non-executive Directors

Lv Xiang-yang

Mr. Lv Xiang-yang, aged 58, Chinese national with no right of abode overseas, bachelor's degree holder, economist and elder cousin of Mr. Wang Chuan-fu. Mr. Lv worked at Chaohu Centre Branch of the People's Bank of China (中國人民銀行巢湖中心分行). In February 1995, he founded BYD Industries with Mr. Wang Chuan-fu. He is the Vice Chairman and a non-executive Director of the Company and also the chairman of Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司), chairman of Youngy Co., Ltd (融捷股份有限公司), chairman of Youngy Health Technology Co., Ltd. (融捷健康科技股份有限公司), chairman of Chengdu Jieyi Electronic Technology Limited (成都捷翼電子科技有限公司), chairman of Onyx International Inc. (廣州文石信息科技有限公司), chairman of Wuhu Youngy Optoelectronic Material Technology Company Limited (蕪湖融捷光電材料科技有限公司), a director of Anhua Agricultural Insurance Company Limited (安華農業保險股份有限公司), chairman of Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), chairman of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司), chairman of Anhui Youngy Investment Co., Ltd. (安徽融捷投資有限公司), chairman of Shenzhen Youngy Asset Management Co., Ltd (深圳融捷資產管理有限公司), chairman of Manqian Network Technology Limited (慢錢網絡科技有限公司), chairman of Nanjing Regenecore Biotechnology Co., Ltd. (南京融捷康生物科技有限公司), executive director of Shenzhen Youngy Guarantee Company Limited (深圳市融捷融資擔保有限公司), executive director of Guangdong Youngy Supply Chain Management Co., Ltd (廣東融捷供應鏈管理有限公司), honorary chairman of Anhui Chamber of Commerce in Guangdong province (廣東省安徽商會), honorary chairman of Guangdong Manufacturers Association (廣東省製造業協會), honorary chairman of Guangdong Association for the Promotion of Industrial Development (廣東省產業發展促進會) and vice chairman of BYD Charity Foundation.

Directors, Supervisors and Senior Management

Xia Zuo-quan

Mr. Xia Zuo-quan, aged 57, Chinese national with no right of abode overseas, master's degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology Beijing (北京科技大學)) from 1985 to 1987 and he graduated from Guanghua School of Management of Peking University (北京大學光華管理學院)with an MBA in 2007. Mr. Xia worked in the Hubei branch of The People's Insurance Company (中國人民保險公司) and joined BYD Industries in 1997 and held positions as an executive Director and Vice President of the Company. He is a non-executive Director of the Company and chairman of Shenzhen Zhengxuan Investment (Holdings) Co., Ltd (深圳市正軒投資有限公司), Shenzhen Zhengxuan Qianhai Equity Investment Fund Management Co., Ltd (深圳正軒前海股權投資基金管理有限公司) and Beijing Zhengxuan Investment Co., Ltd (北京正軒投資有限責任公司), a director of Shenzhen UBTECH Robotics Co., Ltd. (深圳市優必選科技有限公司), a director of Shenzhen UniFortune Supply Chain Service Co., Ltd. (深圳市聯合利豐供應鏈管理有限公司), a director of Beijing Lingyi Space Technology Limited (北京零壹空間科技有限公司), chairman of Annuo Youda Gene Technology (Beijing) Co. Ltd. (安諾優達基因科技(北京)有限公司), an independent director of China Baofeng (International) Limited (formerly known as "Mastercraft International Holdings Limited"), an independent director of China Yuhua Education Corporation Limited (中國宇華教育集團有限公司), chairman of Shenzhen Dichuanghui Technology Limited (深圳市迪創會科技有限公司), vice chairman of BYD Charity Foundation and vice chairman of Shenzhen Lianxia Charity Foundation (深圳市蓮夏慈善基金會).

Independent Non-executive Directors

Wang Zi-dong

Mr. Wang Zi-dong, aged 62, Chinese national with no right of abode overseas, bachelor's degree holder and a senior engineer. Mr. Wang graduated from Beijing Industrial Institute (北京工業學院) (currently known as Beijing Institute of Technology) in 1982 with a bachelor's degree in engineering. Mr. Wang served as a director of China North Vehicle Research Institute (Battery Test Center of National 863 Electric Vehicle) (中國北方車輛研究所(國家863電動車動力電池測試中心)). He has been an independent non-executive Director of the Company since September 2014 and now serves as an independent director of Beijing Easpring Material Technology Co., Ltd. (北京當升材料科技股份有限公司).

Zou Fei

Mr. Zou Fei, aged 47, American national, doctoral degree holder, chartered financial analyst, and a member of Chinese Finance Association of America. 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 a 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 an independent director of China Modern Dairy Holdings Ltd. (中國現代牧業控股有限公司). He has been as an independent non-executive Director of the Company since September 2014 and now serves as the president of Synergy Capital and an independent director of Delta Dunia Makmur TBK PT in Indonesia.

Directors, Supervisors and Senior Management

Zhang Ran

Ms. Zhang Ran, aged 43, Chinese national with no right of abode overseas, doctoral degree holder and associate professor. Ms. Zhang graduated from Beijing Jiaotong University (北京交通大學) in 2002 with a bachelor's degree of accountancy and a master degree in economics. She obtained a doctoral degree in accountancy from Leeds School of Business, University of Colorado at Boulder in 2006. Ms. Zhang held positions as a part-time lecturer in Leeds School of Business, University of Colorado at Boulder, and as an accounting and auditing tax commissioner in Bill Brooks CPA, Boulder, CO, USA. She taught at Guanghua School of Management of Peking University (北京大學光華管理學院) from June 2006 to October 2019 and serves as the professor and doctoral tutor of the Business School of Renmin University of China from October 2019 to now. She has been an independent non-executive director of the Company since September 2014 and now serves as an independent director of Beijing Novogene Technology Co., Ltd. (北京諾禾致源科技股份有限公司), an independent director of Beijing Sanfo Outdoor Products Co., Ltd (北京三夫戶外用品股份有限公司), and an independent director of Sinogeo Geophysical Co., Ltd. (潛能恒信能源技術股份有公司).

Supervisors

Dong Jun-qing

Mr. Dong Jun-qing, aged 86, Chinese national with no right of abode overseas, bachelor's degree holder, and a senior engineer at professor level. Mr. Dong graduated from Non-Ferrous Metal and Gold Faculty in Moscow, USSR in 1959, with a bachelor's degree majoring in aluminium and magnesium metallurgy, and obtained the title of USSR engineer. Mr. Dong lectured at Non-Ferrous Metallurgy Faculty of the Northeast University (東北大學有色冶金系) in the PRC and researched at Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) and was engaged in the research and development in the Company. He has been a Supervisor and the chairman of the Supervisory Committee since July 2002.

Li Yong-zhao

Mr. Li Yong-zhao, aged 59, Chinese national with no right of abode overseas, bachelor's degree holder, and a researcher level senior engineer. Mr. Li graduated from Xi'an Institute of Technology (西安工業學院) in August 1982 with a bachelor's degree in mechanical manufacturing technology and equipment. Mr. Li worked as technician, office head, deputy director, director, deputy plant manager and held other posts in state-owned, 615 Factory, China Industries Group Corporation (中國兵器工業集團公司). He also acted as the general manager of the Sino-foreign joint venture named Baoji Xingbao Machinery & Electric Co., Ltd. (寶雞星寶機電公司), plant manager of state-owned Factory 843 China Industries Group Corporation (中國兵器工業集團公司) since May 2002, director and general manager of Xi'an Northern Qinchuan Machinery Corporation Co., Ltd. (西安北方秦川機械工業有限公司), director and the general manager of Xi'an Northern Qinchuan Company Ltd. (西安北方秦川集團有限公司). He has been a Supervisor of the Company since June 2008 and now serves as the member of science and technology committee of China North Industries Group Corporation (西北工業集團有限公司), and an executive director, deputy Party secretary and general manager of Xi'an Northern Qinchuan Company Ltd. (西安北方秦川集團有限公司).

Wang Zhen

Ms. Wang Zhen, aged 44, Chinese national with no right of abode overseas, bachelor's degree holder. Ms. Wang graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in 1998, majoring in Spanish and obtained a bachelor degree. Ms. Wang joined Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) (became BYD Company Limited on 11 June 2002) in 1998 and served as a manager in overseas Ministry of Commerce, officer of the President's office, director of the rail transit industry office, Secretary-General of BYD Charity Foundation and general manager of BYD Company (Pingshan District). She is a Supervisor and the general manager of Human Resources Office of the Company, and a supervisor of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司), supervisor of East Shenzhen Sky Rail Investment Construction Co., Ltd (深圳東部雲軌投資建設有限公司), supervisor of China Metallurgical New Energy Technology Co., Ltd (中冶瑞木新能源科技有限公司), supervisor of Chengdu Shudu BYD New Energy Vehicles Co., Ltd (成都蜀都比亞迪新能源汽車有限公司), supervisor of Yinchuan Sky Rail Operation Co., Ltd. (銀川雲軌運營有限公司), supervisor of Shantou City Sky Rail Transportation Co., Ltd. (汕頭市雲軌交通有限公司) and supervisor of Jining City Sky Rail Transportation Co., Ltd. (濟寧市雲軌交通有限公司).

Directors, Supervisors and Senior Management

Yang Dong-sheng

Mr. Yang Dong-sheng, aged 41, Chinese national with no right of abode overseas, master's degree holder, and a senior engineer. Mr. Yang graduated from Northeastern University (東北大學) in March 2005 with master's degree. Mr. Yang joined the Company in 2005 and has held positions including senior engineer in Automotive Engineering Research Institute, vice manager in the Chassis Division of the Automotive Engineering Research Institute, senior business secretary of the President, general manager of the Product and Technical Planning Division, and is presently a supervisor of the Company and the dean of the Company's Product Planning and New Automotive Technology Research Institute.

Huang Jiang-feng

Mr. Huang Jiang-feng, aged 40, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Huang graduated from Zhongnan University of Economics and Law (中南財經政法大學) in 2003 with a bachelor's degree in administration. Mr. Huang held positions in Sinopec Chenzhou Petroleum Branch in Hunan (中國石化湖南郴州石油分公司), Dongguan Hsu Fu Chi Foods Co., Ltd. (東莞徐福記食品有限公司) and Guangzhou Office (廣州營業部) of Guosen Securities. He has been working in Youngy Investment Holding Group Co., Ltd (融捷投資控股集團有限公司). since August 2008, and has been a supervisor of the Company since September 2014 and now serves as a director and vice president of Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司), general manager of Shenzhen Qianhai Youngy Financial Services Company Limited (深圳前海融捷金融服務有限公司), a supervisor of Shenzhen Qianhai Youngy High Technology Investment Company Limited (深圳前海融捷高新技術投資有限公司), a supervisor of Shenzhen Youngy Internet Financial Services Company Limited (深圳融捷互聯網金融服務有限公司), general manager of Shenzhen Qianhai Youngy Supply Chain Factoring Services Co., Ltd (深圳前海融捷供應鏈保理服務有限公司), director and manager of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司), manager of Guangdong Youngy Financing Service Company Limited (廣東融捷融資服務有限公司), chairman of Guangdong Youngy Financing Renting Service Company Limited (廣東融捷融資租賃服務有限公司), manager of Guangdong Youngy Supply Chain Management Co., Ltd., director of Shenzhen Youngy Asset Management Co., Ltd (深圳融捷資產管理有限公司) and chairman of the supervisory committee of Youngy Co., Ltd (融捷股份有限公司).

Senior Management

Li Ke

Ms. Li Ke, aged 50, Chinese national with the right of abode in the US, bachelor's degree holder. Ms. Li graduated from Fudan University in 1992 with a bachelor's degree in statistics. Ms. Li worked at Asia Resources (亞洲資源) and joined the Group in September 1996. She served various positions including Marketing Manager and General Sales Manager, executive director and chief executive officer of BYD Electronic (International) Company Limited (Stock Code: 0285) and is a Vice President of the Company and a director of BYD Charity Foundation.

Lian Yu-bo

Mr. Lian Yu-bo, aged 56, Chinese national with no right of abode overseas, master's degree holder, and a professorate senior engineer. Mr. Lian graduated from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in July 1986, with a bachelor's degree majoring in aircraft manufacturing engineering. In September 2000, he obtained a professional MBA degree from Nanjing University. Mr. Lian joined the Company in February 2004 and is a Senior Vice President of the Company president of the Automotive Engineering Research Institute and chairman of Fudi Mould Co.,Ltd. (弗迪模具有限公司). He is also a director of Shenzhen DENZA New Energy Automotive Co., Ltd. (深圳騰勢新能源汽車有限公司) (formerly known as "Shenzhen BYD Daimler New Technology Co., Ltd." (深圳比亞迪戴姆勒新技術有限公司)) and a director of BYD Charity Foundation.

Directors, Supervisors and Senior Management

He Long

Mr. He Long, aged 48, Chinese national with no right of abode overseas, master's degree holder. Mr. He graduated from Peking University in 1999 and obtained a bachelor's degree of science in applied chemistry, an LLB and a master's degree in inorganic chemistry. Mr. He joined the Group in July 1999 and held positions as quality control manager of Division 1 and Division 2, deputy general manager of Division 2 and vice-chairman of Foshan Jinhui Hi-Tech Optoelectronic Material Co., Ltd. (佛山市金輝高科光電材料有限公司). He is a Vice President of the Company, CEO of Battery Division, general manager of Division 2, a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd. (西藏日喀則扎布耶鋰業高科技有限公司), a director of Qinghai Salt Lake BYD Resources Development Co., Ltd. (青海鹽湖比亞迪資源開發有限公司), a director of China Metallurgical New Energy Technology Co., Ltd (中冶瑞木新能源科技有限公司) and a director of BYD Charity Foundation.

Liu Huan-ming

Mr. Liu Huan-ming, aged 57, Chinese national with no right of abode overseas, master's degree holder, and a senior engineer. Mr. Liu graduated from Northeastern Institute of Technology (東北工學院) (currently known as Northeastern University) in 1988 with a bachelor's degree and later a master's degree in Metallurgical physics. Mr. Liu worked for the Iron and Steel Institute of Panzhihua Iron and Steel Company in Sichuan (四川攀枝花鋼鐵公司鋼鐵研究院) and Benxi Iron and Steel Company in Liaoning (遼寧本溪鋼鐵公司). He joined the Group in March 1997 and served as a general manager of Human Resources Office and Department of New Energy Vehicle Direct Sale Management. He is currently a Vice-President and a general manager of Division 3 of the Rail Department of the Company, and a director of BYD Charity Foundation.

Luo Hong-bin

Mr. Luo Hong-bin, aged 54, Chinese national with no right of abode overseas, master's degree holder and a professorate senior engineer. Mr. Luo graduated from Air Force Engineering University in 1990, with a master's degree in computer application. Mr. Luo joined the Company in October 2003. He served various posts including manager of the third Electronics Sub-division of Division 15, director of the Institute of Electric vehicles, president of the Electric Power Research Institute, general manager of Division 14, and general manager of Division 17. He currently is a Senior Vice President of the Company, the chairman of Fudi Power Co., Ltd. (弗迪動力有限公司), a director of Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司) and a director of BYD Charity Foundation.

Wang Chuan-fang

Mr. Wang Chuan-fang, aged 59, Chinese national with no right of abode overseas, is the elder brother of Mr. Wang Chuan-fu. Mr. Wang joined BYD Industries in August 1996 and held positions including Personnel Manager and Logistics Manager. He currently is a Vice President of the Company, general manager of Logistics Division, general manager of Division 22 and a director of Yinchuan Sky Rail Operation Co., Ltd. (銀川雲軌運營有限公司) and a director of BYD Charity Foundation.

Directors, Supervisors and Senior Management

Ren Lin

Mr. Ren Lin, aged 53, Chinese national with no right of abode overseas, bachelor's degree holder, and a senior engineer. Mr. Ren graduated from Beijing Institute of Technology in 1989, with a bachelor's degree majoring in mechanical design, manufacturing and automation. He went to Japan, Tsinghua University (清華大學) and Beijing Institute of Technology (北京理工大學) for multiple times for further study during his terms of office. Mr. Ren once worked in Shaanxi Qinchuan Motor Co., Ltd. (陝西秦川汽車有限責任公司). He joined the Company in January 2003 and held positions as executive Vice President of Automotive Engineering Institute (汽車工程院). He currently is a Vice President of the Company, general manager of Division 21 and a director of BYD Charity Foundation.

Wang Jie

Mr. Wang Jie, aged 56, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Wang graduated from Xi'an Institute of Gold Mining and Construction (西安冶金建築學院) (now known as Xi'an University of Architecture and Technology (西安建築科技大學)) in 1988 with a Bachelor's degree in Engineering, majoring in Industry Enterprises Automatisation. Mr. Wang once worked in Jiaxing Metallurgy Manufacture Factory of Metallurgy Department (冶金部嘉興冶金機械廠). Mr. Wang joined the Group in September 1996, he served various positions including sales manager, sales director and deputy general manager of the Company's Sales & Marketing Division. He currently is a Vice President of the Company, CEO of Commercial Vehicles Division.

He Zhi-qi

Mr. He Zhi-qi, aged 48, Chinese national with no right of abode overseas, master's degree holder. Mr. He graduated from Changchun Institute of Applied Chemistry Chinese Academy of Sciences (中科院長春應用化學研究所) in 1998, with a master's degree majoring in inorganic chemistry, and then graduated from China Europe International Business School (中歐工商管理學院) with an MBA in 2010. Mr. He joined Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) (became BYD Company Limited on 11 June 2002) in July 1998 and served various posts including central research manager, quality control manager, general manager of Division 4 and general manager of Purchasing Office of the Company. He currently is a Vice President of the Company and COO of Passenger Car Division of the Company.

Chen Gang

Mr. Chen Gang, aged 43, Chinese national with no right of abode overseas, graduate's degree holder. Mr. Chen graduated from Peking University in 1998, with a bachelor's degree majoring in chemistry. He entered Peking University for a graduate degree in 2005 and obtained an MBA in 2007. Mr. Chen joined Shenzhen BYD Battery Company Limited (深圳市比亞迪實業有限公司) (became BYD Company Limited on 11 June 2002) in 1998 and served various posts including quality engineer, director of QA and Sample Section, manager of Customer Service Department II, senior project manager of Overseas Business Department ODM, general manager of LED Lighting Project Department and general manager of Division 7 of the Company. He currently is a Vice President of the Company and the general manager of Division 6 and Solar Power Division.

Directors, Supervisors and Senior Management

Li Qian

Mr. Li Qian, aged 47, Chinese national with no right of abode overseas, master'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 graduated from Guanghua School of Management of the Peking University (北京大學光華管理學院) with an MBA in July 2016. Mr. Li was the auditor and business adviser of PwC China and Arthur Andersen, respectively, and the securities business representative of ZTE Corporation (中興通訊股份有限公司). Mr. Li joined the Company in August 2005 and is the secretary to the Board, Company Secretary and general manager of Investment Department. He is also a joint company secretary of BYD Electronic (International) Company Limited (stock code: 0285), a director of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd (西藏日喀則紮布耶鋰業高科技有限公司), 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) and chairman of Energy Storage Power Station (Hubei) Co., Ltd. (儲能電站（湖北）有限公司).

Zhou Ya-lin

Ms. Zhou Ya-lin, aged 43, 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 Group in March 1999 and is the Chief Financial Officer of the Company. She is also the chief financial officer of BYD Electronic (International) Company Limited (Stock Code: 0285), a director of Shenzhen BYD Electric Car Investment Co., Ltd. (深圳比亞迪電動汽車投資有限公司), a supervisor of Shenzhen BYD International Financial Leasing Co., Ltd (深圳比亞迪國際融資租賃有限公司), chairman of BYD Auto Finance Company Limited (比亞迪汽車金融有限公司), a supervisor of Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司), 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), a supervisor of Xi'an Infrastructure Yadi Automobile Service Co., Ltd (西安城投亞迪汽車服務有限責任公司), a director of Chengdu Shudu BYD New Energy Vehicles Co., Ltd (成都蜀都比亞迪新能源汽車有限公司), a director of Qinghai Salt Lake BYD Resources Development Co., Ltd. (青海鹽湖比亞迪資源開發有限公司), a supervisor of Yinchuan Sky Rail Operation Co., Ltd. (銀川雲軌運營有限公司), a director 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), a supervisor of Shenzhen DENZA New Energy Automotive Co., Ltd. (深圳騰勢新能源汽車有限公司), a director of Shenzhen Faurecia Automotive Parts Co., Ltd. (深圳佛吉亞汽車部件有限公司) and a director of BYD Charity Foundation, etc.

Directors, Supervisors and Senior Management

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

Name	Position held within the Company	Status of employment	Total remuneration received from the Company (Unit: RMB' 000)
Wang Chuan-fu	Chairman, Executive Director and President	Incumbent	5,430
Lv Xiang-yang	Vice-chairman and non-executive director	Incumbent	200
Xia Zuo-quan	Non-executive director	Incumbent	200
Wang Zi-dong	Independent non-executive Director	Incumbent	200
Zou Fei	Independent non-executive Director	Incumbent	200
Zhang Ran	Independent non-executive Director	Incumbent	200
Dong Jun-qing	Supervisor and chairman of the supervisory committee	Incumbent	100
Li Yong-zhao	Supervisor	Incumbent	100
Huang Jiang-feng	Supervisor	Incumbent	100
Wang Zhen	Supervisor	Incumbent	3,521
Yang Dong-sheng	Supervisor	Incumbent	2,670
Wu Jing-sheng	Vice president and Chief Financial Officer	Resigned (effective from 31 May 2019)	2,967
Li Ke	Vice president	Incumbent	6,727
Lian Yu-bo	Vice president	Incumbent	10,562
He Long	Vice president	Incumbent	6,015
Liu Huan-ming	Vice president	Incumbent	6,485
Luo Hong-bin	Vice president	Incumbent	7,214
Wang Chuan-fang	Vice president	Incumbent	4,974
Ren Lin	Vice president	Incumbent	7,037
He Zhi-qi	Vice president	Incumbent (effective from 1 March 2019)	4,153
Chen Gang	Vice president	Incumbent (effective from 1 March 2019)	3,529
Wang Jie	Vice president	Incumbent	6,240
Li Qian	Secretary to the Board, Company Secretary	Incumbent	2,667
Zhou Ya-lin	Chief Financial Officer	Incumbent (effective from 31 May 2019)	4,154
Total	–	–	85,555

Corporate Governance Report

The Board 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 Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviation from the code provisions A.2.1 and A.6.7.

Code provision A.2.1 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.

Code provision A.6.7 stipulates that independent non-executive Directors and non-executive Directors should attend general meetings. Due to other business engagements, not all non-executive Directors attended the annual general meeting of the Company held on 6 June 2019.

During the reporting period, except for the deviation from code provisions A.2.1 and A.6.7 as explained above, the Directors are of the opinion that the Company had complied with all applicable provisions of the Code.

Since the publication of the latest interim report of the Company, Ms. Zhang Ran has resigned as the independent non-executive director of Beijing New Universal Science and Technology Co., Ltd. (北京萬向新元科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 300472) since 31 August 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 Board is also responsible for, and has during the Year performed the corporate governance duties set out in code provision D.3.1 of the Code (including the determining of the corporate governance policy of the Company).

The Directors

As of the date of this report, the Board comprises six Directors. There is one executive Director who is the President, two non-executive Directors and three independent non-executive Directors. Detailed biographies outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on pages 20 to 22 of this annual report.

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

Corporate Governance Report

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. As at the date of this annual report, the years of service of all independent non-executive Directors are less than 9. Should the Board wish to seek for the further appointments of any independent non-executive Directors serving more than 9 years from the Shareholders, separate resolutions will be proposed to the Shareholders and the reasons to justify their independency despite of the length of their services will be contained in relevant papers to the Shareholders in accordance with code provision A.4.3 in Appendix 14 of the Listing Rules.

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 twenty-one times this year to discuss the Group's overall strategy, operation, financial performance and review the status of regulatory compliance. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matter is specifically addressed to the Board for its decision. Topics discussed at these Board meetings include, among others, quarterly, interim and annual results; recommendations on the remuneration of Directors and 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 8 September 2017 to 7 September 2020.

Continuous Professional Development of Directors

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

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

Corporate Governance Report

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 twenty-one meetings in 2019. The attendance of individual Director at the Board meetings as well as general meetings in 2019 is set out below:

Members of the Board	Board Meetings	Annual General Meeting	Extraordinary General Meetings
			(N/A)
Executive Director			
WANG Chuan-fu	21/21	1/1	
Non-executive Director			
LV Xiang-yang	21/21	0/1	
XIA Zuo-quan	21/21	0/1	
Independent Non-executive Director			
WANG Zi-dong	21/21	1/1	
ZOU Fei	21/21	1/1	
ZHANG Ran	21/21	1/1	

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

Audit Committee

One of the primary duties of the Audit Committee is to review the financial reporting process and the risk management and internal control systems of the Group. As at 31 December 2019, 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 chairwoman. 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 follows the guidelines set out by the Hong Kong Institute of Certified Public Accountants, the Listing Rules and the provisions of the Code.

The Audit Committee held four meetings in 2019 to review the internal and external audit findings, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, deliberate its relationship, remuneration and appointment terms and independence with the external auditor with reference to its work performance and to make recommendations to the Board of Directors regarding the reappointment of the external auditor, as well as to discuss auditing, internal controls, risk management and financial reporting matters including financial statements for the year ended 31 December 2018, the three months ended 31 March 2019, the six months ended 30 June 2019 and the nine months ended 30 September 2019, before recommending them to the Board for approval, and performed its other duties under the Code. The individual attendance of its members of the meetings is set out as follows:

Member of the Audit Committee	Number of Committee Meetings Attended	Attendance Rate
LV Xiang-yan	4/4	100%
ZHANG Ran (Chairwoman)	4/4	100%
WANG Zi-dong	4/4	100%
ZOU Fei	4/4	100%

Corporate Governance Report

Remuneration Committee

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 remuneration packages, 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 2019, 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, which is available on the websites of the Stock Exchange and the Company, in 2019 to comply with the Code.

In terms of the summary of the work of the Remuneration Committee, the Remuneration Committee held one meeting in 2019 to, among others, assess the performance of executive Directors and review the remuneration of Directors, supervisors and senior management of the Group. The individual attendance of its members of the meeting is set out as follows:

Member of the Remuneration Committee	Number of Committee Meeting Attended	Attendance Rate
WANG Chuan-fu	1/1	100%
XIA Zuo-quan	1/1	100%
ZOU Fei (Chairman)	1/1	100%
WANG Zi-dong	1/1	100%
ZHANG Ran	1/1	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 account of comparable market conditions. For the remuneration of the executive Directors and senior management, the Remuneration Committee make recommendations to the Board on the remuneration packages of individual executive directors and senior management (adopting the model described in code provision B.1.2(c)(ii) of the CG Code) which would then be reviewed and subject to approval by the Board. The remuneration package of the executive Directors would also be subject to approval by shareholders at general meetings. The principal elements of the remuneration package of executive Directors include basic salary and discretionary bonus. The remuneration of non-executive Directors includes mainly the Director's fee. The Company reimburses reasonable expenses incurred by Directors in the course of their carrying out of duties as Directors.

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director for the year ended 31 December 2019 are set out in note 9 to the financial statements.

Remuneration of Senior Management During the Year

Remuneration by bands	Number of senior management
RMB0 to RMB5 million	6
RMB5 million to RMB11 million	8

Nomination Committee

The Group has established the Nomination Committee. As at 31 December 2019, 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 recommendations to the Board on the selection of individuals nominated for directorships and senior management, appointment and reappointment of Directors and succession planning for Directors and assess the independence of independent non-executive Directors and determine the policy for the nomination of Directors.

Corporate Governance Report

In light of the latest amendments made to the Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Board has further adopted the revised terms of reference of the Nomination Committee. For more details on such terms of reference, please refer to the websites of the Company and the Stock Exchange.

During the Year, no actual meeting was held by the Nomination Committee, but members meet and communicate as and when required, through which the Committee has, among other things, considered the structure, size, composition and diversity of the Board and reviewed the standards and procedures for the selection of directors and senior management.

The Nomination Committee has also adopted a nomination policy (the "Nomination Policy") which includes the selection criteria and nomination procedures of new appointments and re-appointments of directors. The selection criteria for assessing candidates include, in particular, his/her educational background and professional qualifications, experiences in the industry, personality and integrity, as well as his/her contributions to the diversity of the Board according to the Board Diversity Policy. In the case of re-appointment of Directors, the Nomination Committee would take into account factors such as contribution from the retiring Directors. Where the candidate is appointed for the position of independent non-executive Director, the Nomination Committee will also assess his/her independence with reference to the requirements set out in the Listing Rules. In appointing a new Director, the Nomination Committee and/or the Board will first identify potential candidates. After the Nomination Committee evaluated the candidates based on the selection criteria, the Nomination Committee will nominate one or more qualified candidates for the Board's consideration and the Board will determine and agree on a preferred candidate. The Company and/or the Chairman of the Board will then negotiate the terms of appointment with the preferred candidate. Finally, the Chairman of the Board, in consultation with the chairman of the Remuneration Committee and the chairman of the Nomination Committee, will then finalise a letter of appointment for the Board's approval. The Nomination Committee shall ensure the transparency and fairness of the selection procedure and continue to adopt diverse selection criteria during the appointment procedure, taking into consideration a range of elements such as age, educational background, professional experience, industrial skills and professional knowledge. Since its establishment, the Nomination Committee has assumed the role of reviewing such diverse selection policy at the nomination level, maintaining a diversified spectrum of varying perspectives, educational background and professional knowledge in the Board.

The Board's Diversity Policy

The Board has adopted the Board Diversity Policy, which sets out the approach to the diversity of Board members. The Company recognises the importance of diversity to corporate governance and an effective Board. The Board Diversity Policy aims to set out the approach to achieve Board diversity, so as to ensure that the Board members possess appropriate skills, experience and diverse views necessary for the business of the Company. In determining the Board composition, the Board and Nomination Committee consider a range of diversity elements, including but not limited to gender, age, cultural and educational 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 the interest of the Board's diversity.

The selection of candidates will be based on a range of diversity elements and measurable objectives which will be reviewed regularly. Such measurable objectives shall include, but be not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service. The final decision will be made according to the strengths of the candidate and his/her contribution that would bring to the Board. Having considered the business needs of the Company, the Nomination Committee considers that the current Board is sufficiently diversified in terms of its skills, experience, knowledge and independence.

The Nomination Committee has performed the above duties during the Year.

Strategy Committee

The Group established the Strategy Committee on 20 March 2008. As at 31 December 2019, 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.

Corporate Governance Report

Company Secretary

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

Independent Auditors and their Remuneration

For the year ended 31 December 2019, the total remuneration paid to the international auditor, Ernst & Young and the domestic auditor, Ernst & Young Hua Ming (LLP), was RMB7,308,000 for audit services and non-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 was RMB1,858,000.

Item	**2019**	2018
Review of interim results	RMB1,050,000	RMB1,050,000
Other non-audit services	RMB808,000	RMB198,000

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2019.

The statement of the external auditor of the Company about its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019 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 2020 and Ernst & Young Hua Ming (LLP) as the domestic auditor for 2020, which is subject to approval by shareholders at the forthcoming annual general meeting. There was no disagreement between the Board and the Audit Committee on the selection and reappointment of the internal and external auditors during the year under review.

Risk Management and Internal Control

The Board confirms its responsibility for risk management and internal control systems, and for reviewing their effectiveness through the Audit Committee at least annually. The Audit Committee assists the Board in performing its responsibilities for supervision and corporate governance, covering financial, operational, compliance, risk management and internal control, as well as internal audit functions of the Company.

Various measures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The Company's systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material errors, losses or fraud. The Board considers that the Company is fully compliant with the provisions of risk management and internal control as set forth in the Corporate Governance Code.

Risk Management and Internal Control Framework

The Company's risk management system is composed of a well-established organizational structure as well as all-rounded policies and procedures. The responsibilities of each business and functional department are clearly defined to ensure effective balance. The Company's risk management and internal control structure comprises of:

Board of Directors

- Evaluating and determining the nature and magnitude of the risks to be assumed by the Company, to achieve its business and strategic goals;

- Ensuring that the Company has established and maintained appropriate and effective risk management and internal control systems;

- Supervising the designing, implementation and inspection of the risk management and internal control systems by the management team.

Corporate Governance Report

Audit Committee

- Assisting the Board in performing its duties of risk management and internal control systems;
- Supervising the Company's risk management and internal control systems on an ongoing basis, to provide opinions and suggestions with regard to the improvement of the risk management and internal control systems;
- Reviewing the effectiveness of the Company's risk management and internal control systems at least once a year;
- Ensuring that the Company has sufficient resources, staff qualifications and experiences in accounting, internal audit and financial reporting functions.

Management Team

- Designing, implementing and inspecting the risk management and internal control systems;
- Identifying, evaluating and managing risks that may exert potential impacts on major operational procedures;
- Responding to and following up in a timely manner with regard to the investigation results of risk management and internal control issues raised by the Internal Audit Department;
- Providing opinions to the Board and the Audit Committee on the acknowledgment of the effectiveness of the risk management and internal control systems.

Internal Audit Department

- Reviewing the due effectiveness of the Company's risk management and internal control systems;
- Reporting the audit results and making suggestions to the Audit Committee, to improve major drawbacks of the systems or identify the deficiency of the control.

Identification, Evaluation and Management of Major Risks

The management team and relevant staff identify risks that may exert potential impacts on the Company and its operation, and evaluate and monitor risks in the environment and process. Through comparison of the risk appraisal results and risk prioritization, risk management strategies and internal control procedures are determined to prevent, avoid or reduce risks.

Major risks and related control measures are reviewed and upgraded on an ongoing basis to ensure proper internal control procedures in place. Based on the testing results, persons in charge confirm with the senior management that internal control measures have played their roles as expected, their weakness identified in the control have been corrected, and risk management policies and internal control procedures have been revised, in the event of any major changes. The Board and the Audit Committee supervise the control activities of the management team to ensure the effectiveness of the control measures.

Annual Review

In 2019, the Board reviewed the soundness and effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance control, with a self-evaluation report issued on the internal control. In addition, the Company retained an auditor to audit the effectiveness of the internal control related to the Company's financial reports, and to provide independent and objective assessments and suggestions in the form of auditor's report. The Board considers that the Company's risk management and internal control systems are effective and adequate.

Internal Audit

The Group has an Internal Audit Department which, equipped with an independent internal audit system, plays an important role in the Group's risk management and internal control framework. The Internal Audit Department reports directly to the Audit Committee. The annual and quarterly work plans of the Internal Audit Department are reviewed by the Audit Committee and reported to the Audit Committee regularly. Major audit findings will be reported on a timely basis. Based on its consideration, the Audit Committee will provide advice for the Board and the senior management, with subsequent measures taken to review the implementation of the rectification and improvement plans.

Corporate Governance Report

Disclosure of Inside Information

The Group has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Unless the inside information falls within any of the safe harbors as permitted under the Securities and Futures Ordinance, the Group is required to disseminate such information through the electronic publication system operated by the Stock Exchange to the public in a timely manner. All Directors, officers and relevant employees are required to take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. If the Group believes that the necessary degree of confidentiality cannot be maintained, the Group will immediately disclose the information to the public as soon as reasonably practicable. The policy and its effectiveness are subject to review on a regular basis.

Directors' Securities Transactions

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

Specified employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2019.

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 considering any matters specified in such requisition.

Further, pursuant to the Company's Articles of Association, shareholders individually or jointly holding no less than 3% of the Company's shares may submit an extempore proposal to the convener of a general meeting in writing ten days prior to the date of the meeting. The convener shall dispatch a supplementary notice of general meeting and announce the contents of such extempore proposal within two days upon receipt of the proposal.

Furthermore, a shareholder may propose a person other than a retiring Director for election as a Director at a general meeting. For such purpose, the shareholder must send to the Board a notice in writing of the intention to propose a person for election as a Director and notice in writing by that person of his or her willingness to be so elected, no earlier than the day after the dispatch of the notice of the relevant general meeting and not later than 7 days prior to the date appointed for the relevant general meeting.

Shareholders may send their requisitions and inquiries requiring the Board's attention to the Company Secretary at the Company's principal place of business in Hong Kong at Unit 1712, 17th Floor, Tower 2 Grand Central Plaza, No. 138 Shatin Rural Committee Road, New Territories, Hong Kong. Other general inquiries can be directed to the Company through our Investor and Media Relations Consultant, whose contact information is disclosed in the section headed "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. 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.

During the Year, there has not been any significant change in the Articles of Association of the Company.

Report of the Directors

The directors of the Company ("Board") submit their report together with the audited consolidated financial statements 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 2019.

Principal Activities and Geographical Analysis of Operations

The principal activities of the Group are automobile business (including traditional fuel-powered vehicles and new energy vehicles), handset components and assembly business as well as rechargeable battery and photovoltaic business. The Group also takes advantage of its technological superiority to actively develop the urban rail transportation business segment. The activities of the Company's subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities for the year ended 31 December 2019. Further discussion and analysis of principal activities are set out in the Management Discussion and Analysis on pages 10 to 17 of the annual report.

An analysis of the Group's performance for the year ended 31 December 2019 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 2019 are set out in the consolidated financial statements and their notes on page 45 to page 171 of this annual report.

Dividend Distribution Policy

(I) The Company's profit distribution policy shall focus on providing investors with reasonable investment returns as well as maintaining the sustainable development of the Company. The Company's profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations. A sustained and steady profit distribution policy shall be implemented.

(II) The Company may distribute dividends in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations. When the conditions for cash dividend are satisfied, cash dividend shall be the priority method of profit distribution.

(III) The Company's profit distribution shall be prepared by the Board of Directors in accordance with the Company's operating conditions and the relevant requirements of China Securities Regulatory Commission and shall be considered and approved at the general meeting.

After the profit distribution plan is approved at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of dividends within two months after convening the general meeting.

(IV) The profit distributed by the Company in cash each year shall not be less than 10% of the realized distributable profit for the year, provided that the following cash dividend conditions are satisfied and the capital needs for the normal production, operation and development of the Company are met. The cumulative profit for distribution in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit for such three years:

(1) The distributable profit (i.e. the Company's profit after tax net of loss and contribution of reserve funds) realized by the Company for the year or half year is positive in value and the cash flow is sufficient. The payment of cash dividends will not affect the subsequent continuing operation of the Company;

(2) The cumulative distributable profit of the Company is positive in value;

(3) The audit firm issues an unqualified audit report on the financial report of the Company for the year.

(V) The Board of Directors of the Company may propose the Company to make interim cash distribution according to the Company's earnings and capital requirement conditions, provided that the cash dividend conditions are satisfied.

(VI) Depending on the profitability and business growth for the year, the Company may distribute profits by way of shares to match share capital expansion with business growth, provided that the minimum cash dividend payout ratio and an optimal share capital base and shareholding structure are maintained.

Report of the Directors

(VII) When considering and conducting profit distribution, the Board of Directors of the Company shall take into account certain circumstances and factors as set out in the Company's Articles of Association.

(VIII) The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of domestic shares in Renminbi within the period as prescribed by the Articles of Association. The Company shall calculate and declare dividends and other payments which are payable to holders of overseas-listed foreign shares in Renminbi, and shall pay such amounts in the foreign currency within the period as prescribed by the Articles of Association. The applicable exchange rate shall be the average closing rate for the relevant foreign currency announced by the People's Bank of China of the five working days prior to the announcement of payment of dividend and other amounts. The Company shall pay foreign currencies to holders of overseas-listed foreign shares in accordance with the relevant foreign exchange control regulations of the State. Authorised by general meetings, the Board may determine to distribute interim dividends or bonuses.

The Board has resolved to recommend the payment of final dividend of RMB0.06 per share (including tax) for the year ended 31 December 2019 (for the year ended 31 December 2018: the payment of RMB0.204 per share (including tax)). The proposed final dividend is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting (the "AGM") of the Company.

The Company will publish announcement, circular and notice regarding the AGM in accordance with the Listing Rules and the Articles of Association of the Company. The Company will also make separate announcement regarding the record date and date of closure of register of members for the payment of the final dividend to the holders of H shares. It is expected that the final dividend will be distributed before 31 August 2020.

The final dividend will be denominated and declared in RMB. The holders of A shares will be paid in RMB and the holders of H shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the dividend at the Extraordinary General Meeting.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares when distributing the cash dividends. Any H shares not registered under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organisations or groups, will be deemed as shares held by non-resident enterprise shareholders. Therefore, the enterprise income tax will be withheld from dividends payable to such shareholders. If holders of H shares intend to change its shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares as at the record date of the proposed final dividend.

In accordance with the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) 《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, temporarily, exempted from the PRC individual income tax for dividend or bonuses received from foreign-invested enterprises. In accordance with the Letter of the State Administration of Taxation concerning Taxation Issues of Dividends Received by Foreign Individuals Holding Shares of Companies Listed in China (Guo Shui Han Fa [1994] No. 440) 《外籍個人持有中國境內上市公司股票所取得的股息有關稅收問題的函》(國稅函發[1994]440號)) as promulgated by the State Administration of Taxation on 26 July 1994, dividends (capital bonuses) received by foreign individuals holding B shares or overseas shares (including H shares) from Chinese enterprises issuing such B shares or overseas shares are temporarily exempted from individual income tax. Accordingly, in the payment of final dividends, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the final dividend to individual shareholders whose names appear on the register of members of H shares of the Company.

Shareholders are recommended to consult their tax advisor regarding the ownership and disposal of H shares of the Company in the PRC and in Hong Kong and other tax effects.

Report of the Directors

Business Review

The business review set out on pages 11 to 14 of the annual report shall form an integral part of this Report of the Directors.

Principal risks and uncertainties faced by the Group

Please refer to note 48 to the financial statements for details of the main financial risks faced by the Group and the Group's management objectives and policies regarding such risks. In addition to such financial risks, the Directors are of the view that any material change in relevant government policies (such as the Chinese Government's policies on economic development and environmental protection) is also one of the principal risks and uncertainties that may affect the Group's business.

Environmental policies

The Group has been a positive respondent for environmental protection. While helping reduce energy consumption through green products, the Group also focuses on reducing the direct impacts of its operation on the environment. By introducing an energy management system, promoting the replacement of traditional energy with renewable energy and saving energy through technical and management means, BYD continues to reduce its own energy consumption and carbon dioxide emissions.

Regulatory compliance

BYD requires stringent compliance with laws, social norms, professional ethics and internal regulations in its worldwide operations. The Group has established the Law and Regulation Management Committee which monitors, supervises and inspects, regularly and from time to time, the management and implementation of laws and regulations in various departments, and evaluates their implementation and compliance in such areas. During the year of 2019, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Relationship with employees

Since employees are the foundation for development, the Group adheres to the "people-oriented" principle in its human resources management and practices equal employment opportunities and prohibits any career discrimination. The Group reviews its employee compensation policies on a regular basis and bonuses and commission may be awarded to employees based on their annual performance evaluation. Efforts have also been made to help employees in the aspects of housing, transportation and children's education, etc.

Relationship with customers and suppliers

The Group strives to build and maintain long term and strong relationships with customers. BYD has established a customer satisfaction management system with a view to understanding and fulfilling customers' demands and enhancing their satisfaction. In terms of suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of our suppliers including suppliers' social responsibility.

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 40 to the financial statements, respectively.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2019 amounted to RMB11,022,000 (2018: RMB22,311,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 14 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 39 to the financial statements.

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Distributable Reserves

Distributable reserves of the Company as at 31 December 2019, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB597,664,000 (2018: RMB1,171,027,000).

Report of the Directors

Bank Loans

As at 31 December 2019, details of bank loans of the Group are set out in note 35 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no similar restriction against such rights under the laws of the PRC in respect of joint stock limited companies, 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 172 of this annual report.

Directors

The Directors who held office during the year ended 31 December 2019 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

Directors' and Supervisors' Service Contracts

All existing Directors had signed or renewed their service contracts or letters of appointment with the Company for a term of three years commencing on 8 September 2017.

All existing supervisors had signed or renewed their service or employment contracts with the Company for a term of three years commencing on 8 September 2017.

None of the above mentioned contracts and letters of appointment are determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

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

Directors' Remuneration

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

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

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

Biographical Details of Directors, Supervisors and Senior Management

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 20 to 26 of this annual report.

Report of the Directors

Directors', Supervisors' and Chief Executives' Interests

As at 31 December 2019, the interests and short positions of each of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 (%)
Wang Chuan-fu (Director)	513,623,850 (L) *(Note 1)*	28.33%	18.83%
Lv Xiang-yang (Director)	401,910,480 (L) *(Note 2)*	22.17%	14.73%
Xia Zuo-quan (Director)	101,377,432 (L)	5.59%	3.72 %

(L) – Long Position

Notes:

1. The 513,623,850 A shares did not include the 3,727,700 A shares held by Mr. Wang Chuan-fu in No.1 Assets Management Plan through E Fund BYD;

2. Of the 401,910,480 A shares, 239,228,620 A shares were held by Mr. Lv Xiang-yang in his personal capacity and 162,681,860 A shares were held by Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) ("Youngy Investment", formerly known as Guangzhou Youngy Management & Investment Group Company Limited). Youngy Investment was in turn held by Mr. Lv Xiang-yang and his spouse as to 89.5% and 10.5% of equity interests, respectively. Mr. Lv Xiang-yang was therefore deemed to be interested in the 162,681,860 A shares under the SFO.

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 (%)
Wang Chuan-fu (Director)	1,000,000 (L)	0.11%	0.04%
Xia Zuo-quan (Director)	500,000 (L) *(Note)*	0.05%	0.02%

(L) – Long Position

Note:

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

Saved as disclosed above, as at 31 December 2019, none of the Directors, supervisors or chief executives of the Company had any 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Shareholders with Notifiable Interests

As at 31 December 2019, to the knowledge of the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were required to be entered in the register kept by the Company pursuant to Section 336 of the SFO:

Report of the Directors

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)*	162,681,860 (L)	8.97%	5.96%

(L) – Long Position

Note:

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 the 162,681,860 A shares held by Youngy Investment under the SFO.

2. 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 (%)
Berkshire Hathaway Inc. *(Note 1)*	225,000,000 (L)	24.59%	8.25%
Berkshire Hathaway Energy *(Note 1)*	225,000,000 (L)	24.59%	8.25%
Li Lu *(Note 2)*	75,387,200 (L)	8.24%	2.76%
LL Group, LLC *(Note 2)*	75,387,200 (L)	8.24%	2.76%
Citigroup Inc. *(Note 3)*	52,566,885 (L)	5.74%	1.93%
	22,616,718 (S)	2.47%	0.83%
	21,331,510 (P)	2.33%	0.78%

(L) – Long Position (S) – Short position (P) – Lending pool

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, Berkshire Hathaway Energy Company (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 75,387,200 H shares (L) through its controlled corporation, Himalaya Capital Investors, L.P. (formerly known as LL Investment Partners, L.P.). Li Lu, being the controlling shareholder of Capital Investors, L.P. (formerly known as LL Group, LLC), was also deemed to be interested in 75,387,200 H shares.

3. Citigroup Inc. held a total of 52,566,885 H shares of the Company in long position and 22,616,718 H shares of the Company in short position through corporation under its control, among which: (a) 31,235,375 H shares in long position and 22,616,718 H shares in short position were held as interest of controlled corporation, 21,331,510 H shares in long position were held as an approved lending agent; (b) among the 52,566,885 H shares in long position, 21,331,510 H shares were available for lending, 2,014 H shares were held through listed derivatives settled in specie, 297,200 H shares were held through unlisted derivatives settled in specie, 4,690,500 H shares were held through cash-settled unlisted derivatives; (c) among the 22,616,718 H shares in short position, 417,142 H shares were held through unlisted derivatives settled in specie; (d) 20,745,091 H shares in long position and 7,617,303 H shares in short position were held by Citigroup Global Markets Limited. Citigroup Global Markets Limited is wholly owned by Citigroup Global Markets Holdings Bahamas Limited, which is owned as to 90% by Citigroup Financial Products Inc. Citigroup Financial Products Inc. is wholly owned by Citigroup Global Markets Holdings Inc. which is wholly owned by Citigroup Inc. Therefore, Citigroup Inc. is deemed to be interested in the shares held by Citigroup Global Markets Limited under the SFO.

The total issued share capital of the Company as at 31 December 2019 was RMB2,728,142,855, divided into 1,813,142,855 A shares of RMB1.00 each and 915,000,000 H shares of RMB1.00 each, all fully paid up.

Report of the Directors

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 2019.

Competing Business

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

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

Retirement Scheme

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

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

Major Customers and Suppliers

The percentage of purchases and sales for the year ended 31 December 2019 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	17.86%
– the five largest suppliers combined	26.37%
Sales	
– the largest customer	22.53%
– the five largest customers combined	34.44%

None of the directors, their close 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 customers noted above.

Related Party Transactions and Connected Transactions

A summary of the related party transactions undertaken by the Group during the Year is set out in note 45(a)(b)(c) to the financial statements. Such related party transactions did not constitute connected transactions of the Group under Chapter 14A of the Listing Rules.

There was no connected transaction entered into by the Group during the year ended 31 December 2019 which is required to be disclosed under the Listing Rules, and the Group has complied with the requirements under Chapter 14A of the Listing Rules.

Events After the Reporting Period

Details of significant subsequent events of the Group are set out in note 51 of the financial statements.

Report of the Directors

Sufficiency of Public Float

Based on the information that 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/her 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 auditor, will retire. A resolution will be proposed at the forthcoming AGM to appoint Ernst & Young as the international auditor of the Company for 2020 and Ernst & Young Hua Ming (LLP) as the domestic auditor for 2020.

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, the PRC, 21 April 2020

Report of the Supervisory Committee

In 2019, 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 general meetings were consistently implemented, the legal interest of shareholders was protected and the duties conferred under the Articles of Association and in the general meetings were completed in accordance with the Company Law, the Articles of Association and the relevant provisions, facilitating a disciplined operation and sustainable development of the Company.

1. Meetings of the Supervisory Committee during the Reporting Period and Resolutions Passed in Such Meetings

On 27 March 2019, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2019 was considered and approved accordingly.

On 26 April 2019, the Supervisory Committee convened its meeting at the office of the Company, where the first quarterly report of the Company for 2019 was considered and approved accordingly.

On 21 August 2019, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2019 was considered and approved accordingly.

On 29 October 2019, the Supervisory Committee convened its meeting at the office of the Company, where the third quarterly report of the Company for 2019 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 general meetings, operational decisions of the management, the operations of the Company in compliance with the laws, the acts of the Directors, supervisors and senior management of the Company, and the related party transactions entered into with its controlling shareholder. The Supervisory Committee considered that:

(1) The operating activities of the Company and its controlling subsidiaries in 2019 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 2019, 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 auditor presented an unqualified auditor's report. The report indicates that the financial statements give a true and fair view of the financial status and operating results of the Company.

The Supervisory Committee is confident in the prospect 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

21 April 2020

Independent Auditor's Report

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To the shareholders of BYD Company Limited

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

Opinion

We have audited the consolidated financial statements of BYD Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 171, which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-financial non-current assets	
The Group recorded property, plant and equipment of RMB55,296,009,000 and other intangible assets of RMB11,887,635,000, which included capitalised development costs of RMB11,545,664,000 as at 31 December 2019 in the consolidated financial statements. The management assessed whether there were any indicators of impairment for all non-financial non-current assets at 31 December 2019. Non-current assets with impairment indicators and development costs are tested for impairment. The management calculated the recoverable amounts of cash-generating units (CGUs), which is the higher of the fair value less costs of disposal and the value in use in the impairment test. The calculation of the recoverable amounts involved significant judgements and assumptions, such as revenue from future sales, gross profit margin, operational costs, terminal growth rates, discount rates, etc. As the assessment process is relatively complicated and involves significant estimates, which may be affected by unexpected future market and economic conditions, impairment assessment of non-financial non-current assets is considered as a key audit matter during the year. Details of the impairment assessment are disclosed in notes 2.4, 3 and 14 to 18 to the consolidated financial statements.	We performed the following audit procedures, among others, in relation to the impairment assessment of non-financial non-current assets: • Obtained an understanding of key internal controls of impairment assessment and its design and operating effectiveness; • Discussed with management on the impairment indicators of non-financial non-current assets and checked the reasonableness of identification of CGUs and impairment test model; • Evaluated the appropriateness of management's assumptions used in the impairment test (including revenue growth, profit margin, forecast periods, etc); • Involved internal valuation experts to assist in evaluating the appropriateness of assumptions and parameters, including discount rates, terminal growth rates, etc.; • Evaluated the assumptions and parameters by retrospectively reviewing the accuracy of management's forecasts made historically, reviewing the forecasted future economic trend and corroborating the assumptions with current market trend; • Reviewed the sufficiency and completeness of disclosures included in the consolidated financial statements.
Provision for expected credit losses on trade receivables, contract assets and long-term receivables	
As at 31 December 2019, trade receivables amounted to RMB40,134,545,000, long-term receivables amounted to RMB1,240,340,000 and contract assets amounted to RMB6,986,619,000, which accounted for a significant portion of the consolidated financial statements. Management uses a provision matrix to calculate the expected credit losses for trade receivables, long-term receivables and contract assets. The application of the provision matrix requires to consider all reasonable and reliable information, including customers' credit risks, aging of receivables, existence of disputes and historic payments, as well as forecasts of future economic conditions. The groupings of various customer segments and the estimation of expected credit loss rate involve significant judgements and estimates. Details of the provision for expected credit losses on trade receivables, contract assets and long-term receivables are disclosed in notes 2.4, 3, 24, 27 and 28 to the consolidated financial statements.	We performed the following procedures, among others, in relation to the provision for expected credit losses: • Obtained an understanding of key internal controls of the provision for expected credit losses and its design and operating effectiveness; • Discussed with management on the identification of customer segments and estimates on expected credit losses, reviewed its accuracy based on historical incurred losses, and evaluated the reasonableness of management's expected credit loss model considering current economic conditions. • For trade receivables with individually assessed credit risk exposure, discussed with management on the reasonableness of identification and analysed the recoverability of such receivables. • For trade receivables with credit risk exposure assessed based on provision matrix, evaluated the reasonableness of estimates on the expected credit loss model based on type of customers, historical incurred losses and expected credit loss rates of comparable companies. • Recalculated and checked management's provision for expected credit losses on trade receivables, contract assets and long-term receivables to ensure mathematical accuracy.

Independent Auditor's Report

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants

Hong Kong

21 April 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000 (Restated)
REVENUE	5	**121,778,117**	121,790,925
Cost of sales		**(103,702,124)**	(103,724,161)
Gross profit		**18,075,993**	18,066,764
Other income and gains	5	**1,974,950**	2,137,163
Government grants and subsidies	7	**1,707,657**	2,332,863
Selling and distribution expenses		**(4,345,897)**	(4,729,481)
Research and development costs		**(5,629,372)**	(4,989,360)
Administrative expenses		**(4,232,316)**	(3,826,379)
Impairment losses on financial and contract assets		**(477,031)**	(332,080)
Loss on disposal of financial assets measured at amortised cost		**(519,134)**	(361,765)
Other expenses		**(213,536)**	(568,610)
Finance costs	8	**(3,487,407)**	(3,118,751)
Share of profits and losses of:			
Joint ventures		**(435,311)**	(277,602)
Associates		**12,535**	52,878
PROFIT BEFORE TAX	6	**2,431,131**	4,385,640
Income tax expense	11	**(312,274)**	(829,447)
PROFIT FOR THE YEAR		**2,118,857**	3,556,193
Attributable to:			
Owners of the parent	13	**1,614,450**	2,780,194
Non-controlling interests		**504,407**	775,999
		2,118,857	3,556,193
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		**RMB0.50**	RMB0.93

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR		2,118,857	3,556,193
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Trade receivable financing:	25		
Changes in fair value		(5,234)	(64,059)
Impairment losses		(1,907)	5,422
		(7,141)	(58,637)
Exchange differences:			
Exchange differences on translation of foreign operations		15,547	(68,555)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		8,406	(127,192)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:	21		
Changes in fair value		301,335	(1,902,588)
Income tax effect		(63,644)	464,388
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		237,691	(1,438,200)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		246,097	(1,565,392)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,364,954	1,990,801
Attributable to:			
Owners of the parent		1,858,537	1,219,142
Non-controlling interests		506,417	771,659
		2,364,954	1,990,801

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	55,296,009	49,484,582
Investment properties	15	96,902	90,066
Right-of-use assets	16(b)	7,241,013	–
Prepaid land lease payments	16(a)	–	6,277,475
Goodwill	17	65,914	65,914
Other intangible assets	18	11,887,635	10,272,067
Prepayments, other receivables and other assets	26	5,303,154	4,233,402
Long-term receivables	28	1,240,340	2,134,405
Investments in joint ventures	19	3,105,145	2,793,681
Investments in associates	20	955,030	767,199
Equity investments at fair value through other comprehensive income	21	1,922,304	1,620,969
Other non-current financial assets		46,608	83,509
Deferred tax assets	38	1,514,934	1,388,314
Total non-current assets		88,674,988	79,211,583
CURRENT ASSETS			
Inventories	23	25,571,564	26,330,345
Contract assets	27	6,986,619	6,300,286
Trade receivables	24	40,134,545	44,240,183
Trade receivable financing	25	7,009,379	7,773,025
Prepayments, other receivables and other assets	26	6,078,455	5,663,811
Due from joint ventures and associates	45(c)	5,135,699	7,823,768
Due from other related parties	45(c)	–	224,854
Completed property held for sale	22	3,365,916	3,950,676
Derivative financial instruments	32	34,345	451
Pledged deposits	29	837,921	1,583,861
Restricted bank deposits	29	137,865	317,177
Cash and cash equivalents	29	11,674,297	11,151,057
Total current assets		106,966,605	115,359,494
CURRENT LIABILITIES			
Trade and bills payables	30	35,340,662	45,222,321
Other payables and accruals	31	10,648,738	13,012,545
Lease liabilities	16(c)	219,040	–
Derivative financial instruments	32	34,307	8,559
Advances from customers		2,000	2,300
Contract liabilities	33	4,502,139	3,469,114
Deferred income	34	–	615,367
Interest-bearing bank and other borrowings	35	54,061,858	50,768,422
Due to joint ventures and associates	45(c)	1,025,545	1,308,349
Due to other related parties	45(c)	110,857	79,286
Tax payable		259,607	228,085
Provision	36	1,824,194	1,854,627
Total current liabilities		108,028,947	116,568,975
NET CURRENT LIABILITIES		(1,062,342)	(1,209,481)

Consolidated Statement of Financial Position

31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,612,646**	78,002,102
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	35	**21,916,487**	13,924,380
Lease liabilities	16(c)	**548,680**	–
Deferred tax liabilities	38	**102,864**	66,308
Deferred income	34	**2,232,101**	1,921,949
Other liabilities	37	**211,094**	1,395,486
Total non-current liabilities		**25,011,226**	17,308,123
Net assets		**62,601,420**	60,693,979
EQUITY			
Equity attributable to owners of the parent			
Share capital	39	**2,728,143**	2,728,143
Reserves	40	**49,639,554**	48,574,346
Perpetual loans	41	**4,394,592**	3,895,800
		56,762,289	55,198,289
Non-controlling interests		**5,839,131**	5,495,690
Total equity		**62,601,420**	60,693,979

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Director *Director*

Wang Chuan-fu **Lv Xiang-yang**

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 (note 39)	Share premium account RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve fund RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Perpetual loans RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	2,728,143	19,980,490	4,626,697	1,270,306	3,399,166	(132,894)	18,785,285	3,895,800	54,552,993	4,953,293	59,506,286
Profit for the year	–	–	–	–	–	–	2,780,194	–	2,780,194	775,999	3,556,193
Other comprehensive income/(loss) for the year:											
Change in fair value of trade receivable financing	–	–	–	(58,637)	–	–	–	–	(58,637)	–	(58,637)
Change in fair value of equity investments at fair value through other comprehensive income	–	–	–	(1,438,200)	–	–	–	–	(1,438,200)	–	(1,438,200)
Exchange differences on translation of foreign operations	–	–	–	–	–	(64,215)	–	–	(64,215)	(4,340)	(68,555)
Total comprehensive income/(loss) for the year	–	–	–	(1,496,837)	–	(64,215)	2,780,194	–	1,219,142	771,659	1,990,801
Perpetual loan interest (note 12)	–	–	–	–	–	–	(238,400)	–	(238,400)	–	(238,400)
Final 2017 dividend paid	–	–	–	–	–	–	(384,668)	–	(384,668)	(202,505)	(587,173)
Appropriation to statutory surplus reserve fund	–	–	–	–	444,450	–	(444,450)	–	–	–	–
Government subsidies designated to increase capital reserve	–	–	928	–	–	–	(928)	–	–	–	–
Partial disposal of investments in associates	–	–	11,631	–	–	–	–	–	11,631	–	11,631
Others	–	37,591	–	–	–	–	–	–	37,591	(26,757)	10,834
At 31 December 2018	2,728,143	20,018,081*	4,639,256*	(226,531)*	3,843,616*	(197,109)*	20,497,033*	3,895,800	55,198,289	5,495,690	60,693,979

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 (note 39)	Share premium account RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve fund RMB'000 (note 40)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Perpetual loans RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	2,728,143	20,018,081	4,639,256	(226,531)	3,843,616	(197,109)	20,497,033	3,895,800	55,198,289	5,495,690	60,693,979
Profit for the year	–	–	–	–	–	–	1,614,450	–	1,614,450	504,407	2,118,857
Other comprehensive income/(loss) for the year:											
Change in fair value of trade receivable financing	–	–	–	(7,141)	–	–	–	–	(7,141)	–	(7,141)
Change in fair value of equity investments at fair value through other comprehensive income	–	–	–	237,691	–	–	–	–	237,691	–	237,691
Exchange differences on translation of foreign operations	–	–	–	–	–	13,537	–	–	13,537	2,010	15,547
Total comprehensive income for the year	–	–	–	230,550	–	13,537	1,614,450	–	1,858,537	506,417	2,364,954
Issue of perpetual loans (note 41)	–	–	–	–	–	–	–	498,792	498,792	–	498,792
Perpetual loan interest (note 12)	–	–	–	–	–	–	(241,388)	–	(241,388)	–	(241,388)
Final 2018 dividend paid	–	–	–	–	–	–	(556,541)	–	(556,541)	(150,442)	(706,983)
Government subsidies designated to increase capital reserve	–	–	402	–	–	–	(402)	–	–	–	–
Partial disposal of investments in an associate	–	–	(9,068)	–	–	–	–	–	(9,068)	–	(9,068)
Disposal of non-controlling interests without losing control	–	–	14,316	–	–	–	–	–	14,316	(14,316)	–
Appropriation to statutory surplus reserve fund	–	–	–	–	258,118	–	(258,118)	–	–	–	–
Others	–	–	573	–	(1,221)	–	–	–	(648)	1,782	1,134
At 31 December 2019	2,728,143	20,018,081*	4,645,479*	4,019*	4,100,513*	(183,572)*	21,055,034*	4,394,592	56,762,289	5,839,131	62,601,420

* These reserve accounts comprise the consolidated reserves of RMB49,639,554,000 (2018: RMB48,574,346,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,431,131	4,385,640
Adjustments for:			
Finance costs	8	3,487,407	3,480,516
Share of profits and losses of joint ventures and associates		422,776	224,724
Bank interest income	5	(353,761)	(187,230)
Dividend income from equity investments at fair value through other comprehensive income	5	(22,743)	(40,486)
Government grants and subsidies		(281,282)	(373,888)
Loss on disposal of items of non-current assets	6	99,754	18,526
Gain on disposal of subsidiaries	6	(31,142)	(403,868)
Fair value losses/(gain), net:			
Financial assets at fair value through profit or loss	6	(9,749)	5,470
Financial guarantee	6	–	18,855
Gain on disposal of financial products		(11,638)	(27,709)
Gain on disposal of investments in joint ventures	5	(67,692)	(1,073)
Depreciation of property, plant and equipment	14	8,146,823	7,615,308
Depreciation of right-of-use assets/recognition of prepaid land lease payments	6	368,985	143,059
Amortisation of other intangible assets	18	1,321,825	1,666,288
Write-down of inventories to net realisable value	6	152,696	227,854
Depreciation of investment properties	15	2,496	1,865
Impairment of property, plant and equipment	6	–	458,564
Impairment of other non-current financial assets		6,304	–
Impairment losses on trade receivable financing reversed	6	(1,907)	–
Impairment of trade receivables	24	722,670	512,700
Impairment losses on trade receivables reversed	24	(217,856)	(120,913)
Impairment of prepayments, deposits and other receivables, net		285	5,709
Impairment of amounts due from joint ventures and associates		49,009	55,405
Impairment losses on amounts due from joint ventures and associates reversed		(41,477)	(7,469)
Impairment of amounts due from other related parties, net		(2,690)	2,628
Impairment of long-term receivables	28	(11,179)	31,901
Impairment of contract assets reversed	27	(19,824)	(62,716)
		16,139,221	17,629,660
Decrease/(increase) in inventories		283,960	(6,584,924)
Decrease in restricted bank deposits		107,742	518,209
Decrease/(increase) in trade receivables		3,776,634	(5,828,480)
Decrease in trade receivable financing		727,855	–
Decrease in prepayments, other receivables and other assets		121,592	261,772
(Increase)/decrease in contract assets		(666,509)	10,472
Decrease/(increase) in amounts due from joint ventures and associates		2,680,945	(1,261,707)
Decrease in amounts due from other related parties		227,544	29,466
Decrease/(increase) in long-term receivables		905,244	(1,150,703)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Decrease in completed property held for sale	584,760	2,739,094
(Decrease)/increase in advances from customers	(300)	2,300
(Decrease)/increase in trade and bills payables	(9,945,477)	6,022,603
(Decrease)/increase in other payables and accruals	(260,670)	158,085
(Decrease)/increase in deferred income	(339,729)	633,542
(Decrease)/increase in amounts due to joint ventures and associates	(544,546)	862,035
Increase/(decrease) in contract liabilities	1,033,025	(1,231,166)
Increase/(decrease) in amounts due to other related parties	31,571	(51,322)
(Decrease)/increase in provision for warranties	(30,433)	383,115
Cash generated from operations	14,832,429	13,142,051
Interest received	353,761	187,230
Tax paid	(445,183)	(806,372)
Net cash flows from operating activities	14,741,007	12,522,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(9,528,245)	(10,631,294)
Increase in non-current prepayments	(7,395,986)	(3,012,775)
Increase in prepaid land lease payments included in right-of-use assets	(797,080)	(588,808)
Disposal of subsidiaries	(5,552)	459,784
Disposal of joint ventures	358,685	10,598
Increase in derivative financial instruments	–	(26,377)
Additions to other intangible assets	(2,905,849)	(3,618,923)
Dividend received from equity investments at fair value through other comprehensive income	16,440	45,515
Dividend received from joint ventures and associates	34,020	–
Proceeds from disposal of items of property, plant and equipment and other intangibles assets	413,119	3,936,074
Decrease in equity investments at fair value through other comprehensive income	6,303	23,922
Acquisition of subsidiaries	–	(26,872)
Receipt of disposal of financial products	11,638	27,709
Capital contributions to associates	(154,700)	–
Capital contributions to joint ventures	(918,439)	(788,528)
Increase in equity investments at fair value through profit or loss	(15,800)	(40,785)
Net cash flows used in investing activities	(20,881,446)	(14,230,760)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of perpetual loans	498,792	–
Proceeds from issue of corporate bonds	6,000,000	5,600,000
Corporate bond issue expenses	(23,217)	(21,132)
Proceeds from issue of super short-term debentures	14,000,000	8,500,000
Super short-term debenture issue expenses	(7,509)	(8,267)
Repayment of super short-term debentures	(14,500,000)	(3,000,000)
New other loans	200,000	1,376,550
New bank loans	58,278,303	51,588,428
Repayment of borrowings	(51,098,918)	(50,057,196)
Repayment of bonds	(3,000,000)	(4,500,000)
Interest paid	(3,440,331)	(3,294,620)
Perpetual loan interest paid	(241,388)	(238,400)
Dividends paid to non-controlling shareholders	(150,442)	(202,505)
Dividends paid to owners of the parent	(556,541)	(384,668)
Decrease/(increase) in pledged deposits	817,510	(1,452,513)
Principal portion of lease payments	(167,700)	–
Receipt of non-controlling investments	1,786	10,835
Net cash flows from financing activities	6,610,345	3,916,511
NET INCREASE IN CASH AND CASH EQUIVALENTS	469,906	2,208,660
Cash and cash equivalents at beginning of year	11,151,057	8,935,954
Effect of foreign exchange rate changes, net	53,334	6,443
CASH AND CASH EQUIVALENTS AT END OF YEAR	11,674,297	11,151,057

Notes to Financial Statements

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1. Corporate and group information

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, manufacture and sale of rechargeable batteries and photovoltaic products, automobiles and related products, handset components and other electronic products and rail transit equipment.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Lithium Batteries Co., Ltd. ("BYD Li-ion")**	PRC/ Mainland China	RMB6,160,000,000	100%	–	Research, development, sale and manufacture of li-ion batteries
Shanghai BYD Co., Ltd. ("BYD SH")***	PRC/ Mainland China	US$63,500,000	75%	25%	Research, development, sale and manufacture of li-ion batteries, solar batteries and solar arrays
BYD Auto Co., Ltd. ("BYD Auto")***	PRC/ Mainland China	RMB1,351,010,101	99%	–	Research, development, sale and manufacture of automobiles
BYD Precision Manufacture Co., Ltd. ("BYD Precision")****^	PRC/ Mainland China	US$145,000,000	–	65.76%	Manufacture, assembly and sale of mobile handset components and modules
BYD (Huizhou) Co., Ltd. ("BYD HZ")***	PRC/ Mainland China	US$150,000,000	55%	45%	Research, development, manufacture and sale of components of mobile handsets and other consumer electronics; development, sale and leasing of residential properties and property management (provided only to employees of the Company)
Huizhou BYD Battery Co., Ltd. ("BYD HZ Battery")***	PRC/ Mainland China	US$150,000,000	10%	90%	Research, development, sale and manufacture of li-ion batteries and accessories
BYD Auto Industry Co., Ltd. ("BYD Auto Industry")***	PRC/ Mainland China	US$1,207,654,387	89.57%	10%	Research, development, sale and manufacture of automobiles and light rail transit equipment
BYD Electronic (International) Co., Ltd. ("BYD Int'l")*	Hong Kong	HK$440,000,000	–	65.76%	Investment holding

Notes to Financial Statements

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1. Corporate and group information (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huizhou BYD Electronic Co., Ltd. ("Huizhou Electronic")***^	PRC/ Mainland China	US$110,000,000	–	65.76%	High-level assembly
Xi'an BYD Electronic Co., Ltd. ("Xi'an Electronic")****^	PRC/ Mainland China	RMB100,000,000	–	65.76%	Manufacture and sale of mobile handset components
BYD Auto Sales Co., Ltd. ("BYD Auto Sales")**	PRC/ Mainland China	RMB1,050,000,000	4.29%	94.76%	Sale and distribution of automobiles; provision of related after-sales services
Changsha BYD Auto Co., Ltd. ("Changsha Auto")**	PRC/ Mainland China	RMB1,000,000,000	–	99.88%	Research and development of automobiles and components
BYD (Shangluo) Industrial Co., Ltd. ("Shangluo BYD")***	PRC/ Mainland China	RMB2,600,000,000	38.50%	60.92%	Research, development, manufacture and sale of solar batteries and solar arrays

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

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

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

**** These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments at fair value through other comprehensive income, other non-current financial assets, trade receivable financing and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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2.1 Basis of preparation (continued)

Despite the Group's net current liabilities of approximately RMB1,062,342,000 as at 31 December 2019, the consolidated financial statements have been prepared on a going concern basis because the directors are of the view that the Group has sufficient cash flows and credit facilities in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

Notes to Financial Statements

31 December 2019

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Notes to Financial Statements

31 December 2019

2.2 Changes in accounting policies and disclosures (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of leasehold land, buildings, machinery and other equipment used in its operations. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Notes to Financial Statements

31 December 2019

2.2 Changes in accounting policies and disclosures (continued)

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	7,032,225
Decrease in prepaid land lease payments	(6,277,475)
Decrease in prepayments, other receivables and other assets	(185,673)
Increase in total assets	569,077
Liabilities	
Increase in lease liabilities	569,077
Increase in total liabilities	569,077

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	743,996
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	49,841
Commitments relating to leases of low-value assets	11,831
	682,324
Weighted average incremental borrowing rate as at 1 January 2019	4.83%
Discounted operating lease commitments as at 1 January 2019	569,077
Lease liabilities as at 1 January 2019	569,077

Notes to Financial Statements

31 December 2019

2.2 Changes in accounting policies and disclosures (continued)

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
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 HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 No mandatory effective date yet determined but available for adoption

Notes to Financial Statements

31 December 2019

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

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2.4 Summary of significant accounting policies

Investments in associates and joint ventures

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

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

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

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

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.

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.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

Fair value measurement

The Group measures its listed equity investments and derivative financial instruments 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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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, contract assets, deferred tax assets, investment properties, financial assets and completed property held for sale), 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.

Notes to Financial Statements

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2.4 Summary of significant accounting policies (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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 70 years	5%
Leasehold improvements	Over the shorter of the lease terms and 5 years	–
Machinery and equipment (except moulds)	5 to 12 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.

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.

Investment properties

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

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Investment properties (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The principal annual rates used for this purpose as follows:

Buildings	1.4% to 9.5%

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value 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 ten 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 two to ten years.

Know-how

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

Software

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	44 to 99 years
Buildings	1 to 20 years
Machinery and Other equipment	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Leases (applicable before 1 January 2019) (continued)

Sale and leaseback

When a sale and leaseback transaction results in a finance lease, the transaction in substance is a mean whereby the lessor provides finance to the lessee, with the asset as security. 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 subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For trade receivable financing, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For trade receivable financing, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the trade receivable financing are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the trade receivable financing. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are past due.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trade receivable financing and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities and equity instruments

Initial recognition and measurement

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

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

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

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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 at amortised cost (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 contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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 2019

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 foreign currency forward 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.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

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 consolidated 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.

Short-term deposits

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain goods and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type 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.

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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and 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.

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and 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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2.4 Summary of significant accounting policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A significant financing component does not exist if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance.

The Group sells products to a customer who is also the supplier of key materials used in the manufacturing of products. The Group obtains the control of the materials purchased from the customer and provides significant services to integrate materials with other goods and services into a portfolio of outputs. The Group considered itself as a principal in the arrangement and accordingly recognizes revenue on a gross basis. Otherwise, the Group is an agent and records as revenue the net amount that it retains for its agency services if its role is to arrange to provide the goods.

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the goods.

Some contracts for the sale of goods provide customers with rebates. The rebates give rise to variable consideration.

(i) Rebates

Retrospective rebates may be provided to certain customers according to the Group's business policy. Rebates are offset against amounts payable by the customer. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Notes to Financial Statements

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2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Construction services

The construction contract entered into between the Group and its customers usually includes performance obligations such as construction services. As the irreplaceable use of the services provided by the Group, and the Group has the right to receive payment for the performance part that has been completed so far in the whole contract period, the Group considers them as performance obligations within a certain period of time, and recognises the revenue based on the performance progress, except where the performance progress cannot be reasonably determined. The Group determines the performance progress for the services provided in accordance with the output method. When the performance progress cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue will be recognised based on the amount of costs incurred, until the performance progress can be reasonably determined.

(c) Provision for services

Revenue from the provision of services is recognised over the scheduled period on an input method because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to Financial Statements

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2.4 Summary of significant accounting policies (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Employee benefits

Employees' leave entitlements

Employees' entitlements to annual leave and long service leave are recognised when they accrue to employees.

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 scheme – 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 scheme – outside 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.

Notes to Financial Statements

31 December 2019

2.4 Summary of significant accounting policies (continued)

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 4.55% and 6.39% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

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

Notes to Financial Statements

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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:

Business model

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Principal versus agent considerations

The Group sells products to a customer who is also the supplier of key materials used in the manufacturing of products. The Group needs to determine whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised goods before transferring the goods to the customer. Otherwise, the Group is an agent and records as revenue the net amount that it retains for its agency services if its role is to arrange to provide the goods. To assess whether the Group controls the goods before they are transferred to the customer, the Group has considered various factors, including but not limited to whether the Group is (i) the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has latitude in establishing the selling price and (iv) has significant involvement in the determination of product and service specifications.

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. Further details are included in note 38 to the consolidated financial statements.

Notes to Financial Statements

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3. Significant accounting judgements and estimates (continued)

Estimation uncertainty

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

Estimation of constraint on variable consideration

When estimating the effect of an uncertainty on an amount of variable consideration to which the entity will be entitled, the entity is required to consider all information (historical, current and forecast) that is reasonably available to the entity and to estimate variable amount of consideration in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if an entity has a large number of contracts with similar characteristics. The most likely amount may be an appropriate estimate of the amount of variable considerations if contract has only two possible amounts. When an entity determines that it cannot meet the highly probable threshold if it includes all of the variable consideration in the transaction price, the amount of variable consideration that must be included in the transaction price is limited to the amount that would not result in a significant revenue reversal. That is, an entity is required to include in the transaction price the portion of variable consideration that will not result in a significant revenue reversal when the uncertainty associated with the variable consideration is subsequently resolved. A minimum amount of variable consideration should be included in the transaction price when doing so would not result in a significant reversal of cumulative revenue recognised. At the end of each reporting period, the entity would be required to revaluate variable consideration, including constraints on variable consideration to reflect any changes during the reporting period.

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 2019 was RMB65,914,000 (2018: RMB65,914,000). Further details are given in note 17 to the consolidated financial statements.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the invoice date for groupings of various customer segments that have similar loss patterns by product type.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 and 27 to the consolidated financial statements.

Notes to Financial Statements

31 December 2019

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal 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 2019 was RMB304,996,000 (2018: RMB97,634,000). The amount of unrecognised tax losses at 31 December 2019 was RMB4,006,626,000 (2018: RMB2,266,882,000). Further details are disclosed in note 38 to the consolidated 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 consolidated 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 2019, the best estimate of the carrying amount of capitalised development costs was RMB11,545,664,000 (2018: RMB9,953,100,000). Further details are disclosed in note 18 to the consolidated financial statements.

Notes to Financial Statements

31 December 2019

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 each of the reporting periods. Further details are disclosed in note 36 to the consolidated financial statements.

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 batteries and photovoltaic products segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries, photovoltaic products and iron batteries products (including energy storage stations and iron battery packs), principally for mobile phones, electric tools and other portable electronic instruments, photovoltaic products, energy storage products and electric vehicles;

(b) the mobile handset components and assembly service segment comprises the manufacture and sale of mobile handset components such as housings, electronic components 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 and automobiles leasing and after sales services, and rail transport related business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 non-lease-related finance costs, interest income, government grants and subsidies, as well as head office and corporate expenses and gains are excluded from such measurement.

Segment assets exclude deferred tax assets, goodwill, equity investments at fair value through other comprehensive income, other non-current financial assets, derivative financial instruments, investment properties and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable, financial liabilities at fair value through profit or loss, interest-bearing bank and other borrowings, derivative financial instruments, interest payable, dividend payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Transfer pricing in operating segments is determined with reference to the agreed price among operating segments.

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31 December 2019

4. Operating segment information (continued)

Year ended 31 December 2019	Rechargeable batteries and photovoltaic products 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 (note 5)					
Sales to external customers	9,718,500	52,522,290	59,537,327	–	121,778,117
Intersegment sales	12,012,976	1,697,354	1,728,042	–	15,438,372
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	757,742	683,898	2,387,372	570,798	4,399,810
Taxes and surcharges	29,415	173,818	1,341,002	16,361	1,560,596
	22,518,633	55,077,360	64,993,743	587,159	143,176,895
Reconciliation:					
Elimination of intersegment sales					(15,438,372)
Elimination of other gross income					(4,399,810)
Elimination of taxes and surcharges					(1,560,596)
Revenue – sales to external customers					121,778,117
Segment results	398,567	1,765,378	2,784,635	1,759	4,950,339
Reconciliation:					
Elimination of intersegment results					(573,653)
Interest income					353,761
Dividend income and unallocated gains					2,223,424
Corporate and other unallocated expenses					(1,068,260)
Finance costs (other than interest on lease liabilities)					(3,454,480)
Profit before tax					2,431,131

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31 December 2019

4. Operating segment information (continued)

Year ended 31 December 2019	Rechargeable batteries and photovoltaic products 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 assets	38,231,539	30,341,049	123,579,755	–	192,152,343
Reconciliation:					
Elimination of intersegment receivables					(7,088,335)
Elimination of unrealised profit from intersegment sales					(924,150)
Corporate and other unallocated assets					11,501,735
Total assets					195,641,593
Segment liabilities	15,784,339	13,711,057	32,157,078	–	61,652,474
Reconciliation:					
Elimination of intersegment payables					(7,088,335)
Corporate and other unallocated liabilities					78,476,034
Total liabilities					133,040,173
Other segment information:					
Share of (profits)/losses of:					
Joint ventures	(7,941)	–	443,252	–	435,311
Associates	14,820	–	(27,355)	–	(12,535)
Impairment losses recognised in the statement of profit or loss, net	103,986	55,014	-	–	159,000
Impairment losses/(losses reversed) on financial and contract assets	475,498	28,677	(27,144)	–	477,031
Depreciation and amortisation	2,328,187	2,375,951	5,135,991	–	9,840,129
Investments in joint ventures	300,055	–	2,805,090	–	3,105,145
Investments in associates	438,416	–	516,614	–	955,030
Capital expenditure*	6,682,281	3,943,451	8,829,421	–	19,455,153

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31 December 2019

4. Operating segment information (continued)

Year ended 31 December 2018	Rechargeable batteries and photovoltaic products 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 (note 5)					
Sales to external customers	8,681,073	41,341,000	71,768,852	–	121,790,925
Intersegment sales	16,610,675	1,856,880	1,341,502	–	19,809,057
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	222,720	635,129	2,484,090	2,776,214	6,118,153
Taxes and surcharges	46,123	253,815	1,753,917	91,774	2,145,629
	25,560,591	44,086,824	77,348,361	2,867,988	149,863,764
Reconciliation:					
Elimination of intersegment sales					(19,809,057)
Elimination of other gross income					(6,118,153)
Elimination of taxes and surcharges					(2,145,629)
Revenue – sales to external customers					121,790,925
Segment results	530,160	2,649,476	2,888,166	37,119	6,104,921
Reconciliation:					
Elimination of intersegment results					(764,885)
Interest income					187,230
Dividend income and unallocated gains					2,903,531
Corporate and other unallocated expenses					(926,406)
Finance costs					(3,118,751)
Profit before tax					4,385,640

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31 December 2019

4. Operating segment information (continued)

Year ended 31 December 2018	Rechargeable batteries and photovoltaic products 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 assets	30,687,006	29,668,125	126,343,092	–	186,698,223
Reconciliation:					
Elimination of intersegment receivables					(3,103,897)
Elimination of unrealised profit from intersegment sales					(859,038)
Corporate and other unallocated assets					11,835,789
Total assets					194,571,077
Segment liabilities	13,920,446	12,891,789	39,730,381	–	66,542,616
Reconciliation:					
Elimination of intersegment payables					(3,103,897)
Corporate and other unallocated liabilities					70,438,379
Total liabilities					133,877,098
Other segment information:					
Share of (profits)/losses of:					
Joint ventures	(7,421)	–	285,023	–	277,602
Associates	(6,576)	–	(46,302)	–	(52,878)
Impairment losses recognised in the statement of profit or loss	629,750	43,679	12,987	–	686,416
Impairment losses/(losses reversed) on financial and contract assets	(17,672)	60,076	289,676	–	332,080
Depreciation and amortisation	1,698,257	2,314,982	5,413,281	–	9,426,520
Investments in joint ventures	292,114	–	2,501,567	–	2,793,681
Investments in associates	401,236	–	365,963	–	767,199
Capital expenditure*	5,798,265	2,475,791	10,178,589	–	18,452,645

* Capital expenditure consists of additions to property, plant and equipment, investment properties, right-of-use assets, other intangible assets and prepayment for items of property, plant and equipment.

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4. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2019 RMB'000	2018 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**102,266,890**	106,473,578
Asia Pacific (excluding PRC)	**9,177,702**	8,360,910
United States of America	**4,017,448**	2,336,466
Others	**6,316,077**	4,619,971
	121,778,117	121,790,925

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

(b) Non-current assets

	2019 RMB'000	2018 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	**82,656,260**	72,852,308
United States of America	**574,682**	516,302
Others	**653,946**	549,862
	83,884,888	73,918,472

The non-current asset 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 RMB27,431,632,000 (2018: RMB13,177,651,000) was derived from sales made by the mobile handset components and assembly service segment and the rechargeable batteries and photovoltaic products 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

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Sale of goods and construction services	121,698,442	121,734,100
Rendering of services	79,675	56,825
	121,778,117	121,790,925

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Rechargeable batteries and photovoltaic products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Type of goods or services				
Sale of goods and construction services	9,718,500	52,522,290	59,457,652	121,698,442
Rendering of service	–	–	79,675	79,675
Total revenue from contracts with customers	9,718,500	52,522,290	59,537,327	121,778,117
Geographical markets				
PRC (including Hong Kong, Macau and Taiwan)	3,594,484	43,060,592	55,611,814	102,266,890
Asia Pacific (excluding PRC)	2,832,101	5,914,299	431,302	9,177,702
United States of America	896,403	2,152,758	968,287	4,017,448
Others	2,395,512	1,394,641	2,525,924	6,316,077
Total revenue from contracts with customers	9,718,500	52,522,290	59,537,327	121,778,117
Timing of revenue recognition				
At a point in time	9,718,500	52,522,290	59,041,594	121,282,384
Over time	–	–	495,733	495,733
Total revenue from contracts with customers	9,718,500	52,522,290	59,537,327	121,778,117

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5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Rechargeable batteries and photovoltaic products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Type of goods or services				
Sale of goods	8,681,073	41,341,000	71,712,027	121,734,100
Rendering of service	–	–	56,825	56,825
Total revenue from contracts with customers	8,681,073	41,341,000	71,768,852	121,790,925
Geographical markets				
PRC (including Hong Kong, Macau and Taiwan)	4,289,085	32,575,927	69,608,566	106,473,578
Asia Pacific (excluding PRC)	2,133,306	5,970,976	256,628	8,360,910
United States of America	120,483	1,853,339	362,644	2,336,466
Others	2,138,199	940,758	1,541,014	4,619,971
Total revenue from contracts with customers	8,681,073	41,341,000	71,768,852	121,790,925
Timing of revenue recognition				
At a point in time	8,681,073	41,341,000	71,712,027	121,734,100
Over time	–	–	56,825	56,825
Total revenue from contracts with customers	8,681,073	41,341,000	71,768,852	121,790,925

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5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

Year ended 31 December 2019

Segment	Rechargeable batteries and photovoltaic products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	9,718,500	52,522,290	59,537,327	121,778,117
Intersegment sales	12,012,976	1,697,354	1,728,042	15,438,372
Intersegment adjustments and eliminations				(15,438,372)
Total revenue from contracts with customers				121,778,117

Year ended 31 December 2018

Segment	Rechargeable batteries and photovoltaic products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Total RMB'000
Revenue from contracts with customers				
External customers	8,681,073	41,341,000	71,768,852	121,790,925
Intersegment sales	16,610,675	1,856,880	1,341,502	19,809,057
Intersegment adjustments and eliminations				(19,809,057)
Total revenue from contracts with customers				121,790,925

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5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods and construction services	3,070,012	4,017,333

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of goods. Some contracts provide customers with rebates which give rise to variable consideration subject to constraint.

Construction services

The performance obligation is satisfied over time as services are rendered and are billed based on construction progress. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Rendering of services

The performance obligation is satisfied over time as services are rendered, and are billed based on the agreements of contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'000 Price including tax	2018 RMB'000 Price including tax
Amounts expected to be recognised as revenue:		
Within one year	4,197,737	3,469,114
More than one year	304,402	–
	4,502,139	3,469,114

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5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	353,761	187,230
Service income	391,140	282,889
Foreign exchange gains, net	130,461	233,769
Penalty from suppliers	143,926	111,163
Rental income from leases:		
Rental income from operating leases of investment properties	17,031	N/A
Other lease payments, including fixed payments	95,804	N/A
	112,835	62,617
Dividend income from equity investments at fair value through other comprehensive income	22,743	40,486
Others	176,810	123,130
	1,331,676	1,041,284

	2019 RMB'000	2018 RMB'000
Gains		
Gain on disposal of scrap and materials	542,629	653,819
Gain on disposal of subsidiaries	31,142	403,868
Gain on sales of properties	1,811	37,119
Gain on disposal of joint ventures	67,692	1,073
	643,274	1,095,879

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6. Profit before tax

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		103,503,134	103,431,316
Cost of services provided		46,294	64,991
Depreciation of property, plant and equipment	14	8,146,823	7,615,308
Depreciation of investment properties	15	2,496	1,865
Impairment of property, plant and equipment****	14	–	458,564
Depreciation of right-of-use assets (2018: recognition of prepaid land lease payments)	16(a),16(b)	368,985	143,059
Amortisation of other intangible assets other than development costs***	18	122,701	109,680
Research and development costs:			
Deferred expenditure amortised	18	1,199,124	1,556,608
Current year expenditure		5,629,372	4,989,360
		6,828,496	6,545,968
Minimum lease payments under operating leases		–	769,457
Lease payments not included in the measurement of lease liabilities	16(d)	1,149,270	–
Auditors' remuneration		7,308	6,898
Employee benefit expense (excluding directors' and supervisors' remuneration (note 9):			
Wages and salaries		18,883,755	18,149,942
Welfare		184,951	150,237
Pension scheme contributions		1,447,904	1,338,602
		20,516,610	19,638,781
Loss on disposal of items of non-current assets		99,754	18,526
Foreign exchange differences, net*****		(130,461)	(233,769)
Impairment of trade receivables and amounts due from joint ventures and associates*		771,679	570,733
Impairment of long-term receivables*		10,502	31,901
Impairment of trade receivable financing*		–	5,625
Impairment of contract assets*		880	–
Reversal of impairment of trade receivables, amounts due from joint ventures and associates and amounts due from other related parties*		(262,023)	(128,380)
Reversal of impairment of long-term receivables*		(21,681)	–
Reversal of impairment of contract assets*		(20,704)	(62,716)
Reversal of impairment of trade receivable financing*		(1,907)	(203)
Impairment of financial guarantee contracts*		–	18,855
Gain on disposal of financial instruments*		(6,304)	(26,871)
Write-down of inventories to net realisable value**		152,696	227,854
Gain on disposal of subsidiaries*****		(31,142)	(403,868)
Fair value losses/(gain), net:			
Financial assets at fair value through profit or loss		(9,749)	5,470
Provision	36	695,252	1,137,480

Notes to Financial Statements

31 December 2019

6. Profit before tax (continued)

* Included in "Impairment losses on financial and contract assets" in the consolidated statement of profit or loss.

** Included in "Cost of sales" in the consolidated statement of profit or loss.

*** Included in "Administrative expenses" in the consolidated statement of profit or loss.

**** Included in "Other expenses" in the consolidated statement of profit or loss.

***** Included in "other income and gains" in the consolidated statement of profit or loss.

7. Government grants and subsidies

	2019 RMB'000	2018 RMB'000
Related to assets		
Subsidies on industry development fund for Changsha Automobile Zone (note (a))	68,907	72,647
Subsidies on research and development for batteries of electronic vehicles (note (b))	39,594	42,632
Full hybrid engine system of plug-in vehicle projects (note (a))	23,595	27,386
Others	149,925	231,223
	282,021	373,888
Related to income		
Subsidies on marketing incentives for new energy automobiles	–	600,000
Research and development subsidy on Taiyuan car battery project	95,529	267,459
Support fund for industrial co-construction (note (c))	223,995	144,990
Subsidies on employee stability (note (d))	30,383	37,595
Subsidies on industry development (note (c))	278,267	–
Incentive subsidy on Shanwei BYD Industrial projects	–	14,695
Others	797,462	894,236
	1,425,636	1,958,975
	1,707,657	2,332,863

Notes to Financial Statements

31 December 2019

7. Government grants and subsidies (continued)

Notes:

(a) The items represent subsidy income obtained by subsidiaries of the Group from the government for the development of automobile projects, and is released to profit over the expected useful life of relevant assets.

(b) The items represent subsidy income obtained by subsidiaries of the Group from the government for the construction of iron-powered lithium battery production lines, and is released to profit over the expected useful life of relevant assets.

(c) The items represent subsidy income obtained by subsidiaries of the Group from the government for boosting the industry development. The same amount as relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.

(d) The items represent subsidy income obtained by subsidiaries of the Group from the government on employee stability. The same amount as relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.

8. Finance costs

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Interest on bank and other borrowings	3,028,457	2,962,957
Interest on lease liabilities	32,927	–
Bank charges for discounted notes	611,654	388,803
	3,673,038	3,351,760
Less: Interest capitalised	(185,631)	(233,009)
	3,487,407	3,118,751

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.84% (2018: 5.34%).

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9. Directors' and supervisors' remuneration

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

	2019 RMB'000	2018 RMB'000
Fees	1,000	1,000
Other emoluments:		
Salaries, allowances and benefits in kind	11,758	10,583
Pension scheme contributions	73	73
	11,831	10,656
	12,831	11,656

There were no discretionary bonuses or compensation paid for loss of office or as inducement to join the Company for directors and supervisors during the year (2018: Nil).

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Zhang Ran	200	200
Mr. Wang Zi-dong	200	200
Mr. Zou Fei	200	200
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

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9. Directors' and supervisors' remuneration (continued)

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

2019	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	–	5,316	24	5,340
Non-executive directors:				
Mr. Lv Xiang-yang	200	–	–	200
Mr. Xia Zuo-quan	200	–	–	200
Supervisors:				
Ms. Wang Zhen	–	3,495	26	3,521
Mr. Dong Jun-qing	–	100	–	100
Mr. Yang Dong-sheng	–	2,647	23	2,670
Mr. Li Yong-zhao	–	100	–	100
Mr. Huang Jiang-feng	–	100	–	100
	400	11,758	73	12,231

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9. Directors' and supervisors' remuneration (continued)

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

2018	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	–	5,643	24	5,667
Non-executive directors:				
Mr. Lv Xiang-yang	200	–	–	200
Mr. Xia Zuo-quan	200	–	–	200
Supervisors:				
Ms. Wang Zhen	–	2,667	26	2,693
Mr. Dong Jun-qing	–	100	–	100
Mr. Yang Dong-sheng	–	1,973	23	1,996
Mr. Li Yong-zhao	–	100	–	100
Mr. Huang Jiang-feng	–	100	–	100
	400	10,583	73	11,056

There were no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year (2018: Nil).

10. Five highest paid employees

No directors are included in the five highest paid employees during the year (2018: Nil). Details of the remuneration for the year of the five (2018: five) non-director highest paid employees are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**42,237**	39,489
Pension scheme contributions	**123**	123
	42,360	39,612

There were no discretionary bonuses or compensation paid for loss of office or as inducement to join the Company for the above highest paid employees during the year (2018: Nil).

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31 December 2019

10. Five highest paid employees (continued)

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

	2019	2018
RMB7,000,001 to RMB7,500,000	2	2
RMB7,500,001 to RMB8,000,000	–	2
RMB8,000,001 to RMB8,500,000	–	–
RMB8,500,001 to RMB9,000,000	2	–
RMB9,000,001 to RMB9,500,000	–	–
RMB9,500,001 to RMB10,000,000	–	1
RMB10,000,001 to RMB10,500,000	–	–
RMB10,500,001 to RMB11,000,000	1	–
	5	5

11. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions 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 were approved to be high and new technology enterprises ("HNTE") and were entitled to a reduced CIT rate of 15%. The HNTE certificates need to be renewed every three years so as to enable those subsidiaries to enjoy the reduced CIT rate of 15%.

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11. Income tax (continued)

Certain subsidiaries operating in Mainland China were entitled to a reduced CIT rate of 15% for the year pursuant to the Western Development Policy. These subsidiaries retained records pursuant to the policies by the State Taxation Administration so as to be entitled to the reduced CIT rate.

	2019 RMB'000	2018 RMB'000
Current – Hong Kong		
Charge for the year	–	547
Current – Mainland China		
Charge for the year	446,014	686,981
Current – Elsewhere		
Charge for the year	19,968	29,510
Deferred (note 38)	(153,708)	112,409
Total tax charge for the year	312,274	829,447

A reconciliation of the tax expense applicable to profit before tax at the statutory tax 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 statutory tax rate to the effective tax rate, are as follows:

	2019 RMB'000	2019 %	2018 RMB'000	2018 %
Profit before tax	2,431,131		4,385,640	
Tax at the statutory tax rate	607,783	25.0	1,096,744	25.0
Lower tax rate for specific provinces or enacted by local authority	(341,610)	(14.1)	(453,901)	(10.4)
Losses attributable to joint ventures and associates	59,547	2.4	20,469	0.5
Income not subject to tax	(40,530)	(1.7)	–	–
Expenses not deductible for tax	11,219	0.5	92,559	2.1
Tax losses and deductible temporary differences not recognised	565,050	23.2	658,485	15.0
Tax losses utilised from previous periods	(82,287)	(3.4)	(155,034)	(3.5)
Super-deduction of research and development costs	(466,898)	(19.1)	(429,875)	(9.8)
Tax charge at the Group's effective tax rate	312,274	12.8	829,447	18.9

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12. Perpetual loan interest

The interest of perpetual loans paid in 2019 was RMB241,388,000 (2018: RMB238,400,000). The Group's perpetual loans are disclosed in note 41 to the consolidated financial statements.

13. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on profit for the year attributable to ordinary equity holders of the parent adjusted for interest paid or payable for perpetual loans, and the weighted average number of ordinary shares of 2,728,142,855 (2018: 2,728,142,855) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 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:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	1,614,450	2,780,194
Interest paid for perpetual loans for the year	(209,186)	(206,263)
Accumulated unpaid interest attributable to perpetual loans for the year	(48,679)	(32,202)
Profit used in the basic earnings per share calculation	1,356,585	2,541,729

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	2,728,142,855	2,728,142,855

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14. Property, plant and equipment

Group	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 31 December 2018 and 1 January 2019:							
Cost	19,492,269	201,305	49,491,595	1,380,402	7,198,098	5,638,810	83,402,479
Accumulated depreciation and impairment	(3,222,694)	(34,163)	(26,361,225)	(513,463)	(3,786,352)	–	(33,917,897)
Net carrying amount	16,269,575	167,142	23,130,370	866,939	3,411,746	5,638,810	49,484,582
At 1 January 2019, net of accumulated depreciation and impairment	16,269,575	167,142	23,130,370	866,939	3,411,746	5,638,810	49,484,582
Additions	134,698	25,898	6,105,749	567,450	2,115,491	5,452,140	14,401,426
Disposals	(1,549)	(18,959)	(246,346)	(146,381)	(22,706)	(638)	(436,579)
Depreciation provided during the year	(609,167)	(42,508)	(5,999,659)	(291,595)	(1,203,894)	–	(8,146,823)
Transfer to investment properties	(9,332)	–	–	–	–	–	(9,332)
Transfers	1,564,096	–	3,448,741	211	356,188	(5,369,236)	–
Exchange realignment	2,728	–	(1,663)	1,116	554	–	2,735
At 31 December 2019, net of accumulated depreciation and impairment	17,351,049	131,573	26,437,192	997,740	4,657,379	5,721,076	55,296,009
At 31 December 2019:							
Cost	21,177,239	199,310	57,314,868	1,690,428	9,419,899	5,721,076	95,522,820
Accumulated depreciation and impairment	(3,826,190)	(67,737)	(30,877,676)	(692,688)	(4,762,520)	–	(40,226,811)
Net carrying amount	17,351,049	131,573	26,437,192	997,740	4,657,379	5,721,076	55,296,009

As at 31 December 2019, the Group was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB3,641,244,000 (2018: RMB3,573,965,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

As at 31 December 2019, certain items of the Group's freehold land and buildings with a net carrying amount of approximately RMB209,019,000 (2018: RMB220,370,000) were pledged to secure general banking facilities granted to the Group, certain items of the Group's motor vehicles with a net carrying amount of approximately RMB2,088,000 (2018: nil) 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 nil (2018: RMB4,754,000) were pledged to secure general banking facilities granted to the Group (note 35(a)).

The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms ranging from three to five years. The substance of the arrangement is that the lessors provide finance to the Group with the asset as security. The Group continues to account for the assets in its consolidated statement of financial position. The sales proceeds are recorded as other borrowings in the consolidated statement of financial position. The Group has paid off the loan in 2019 (note 35(k)).

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14. Property, plant and equipment (continued)

Group	Freehold land and buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and 1 January 2018:							
Cost	17,625,166	81,504	46,853,779	935,573	6,071,642	4,512,856	76,080,520
Accumulated depreciation and impairment	(2,678,374)	(8,457)	(21,941,201)	(354,105)	(3,267,665)	–	(28,249,802)
Net carrying amount	14,946,792	73,047	24,912,578	581,468	2,803,977	4,512,856	47,830,718
At 1 January 2018, net of accumulated depreciation and impairment	14,946,792	73,047	24,912,578	581,468	2,803,977	4,512,856	47,830,718
Additions	56,278	120,065	5,649,321	547,809	1,426,082	5,490,413	13,289,968
Disposals	(24,884)	–	(3,235,646)	(67,194)	(174,600)	(31,382)	(3,533,706)
Impairment	–	–	(458,564)	–	–	–	(458,564)
Depreciation provided during the year	(554,653)	(25,970)	(5,996,397)	(199,705)	(838,583)	–	(7,615,308)
Transfer to investment properties	(25,224)	–	–	–	–	–	(25,224)
Transfers	1,866,494	–	2,265,785	6,099	194,699	(4,333,077)	–
Exchange realignment	4,772	–	(6,707)	(1,538)	171	–	(3,302)
At 31 December 2018, net of accumulated depreciation and impairment	16,269,575	167,142	23,130,370	866,939	3,411,746	5,638,810	49,484,582
At 31 December 2018:							
Cost	19,492,269	201,305	49,491,595	1,380,402	7,198,098	5,638,810	83,402,479
Accumulated depreciation and impairment	(3,222,694)	(34,163)	(26,361,225)	(513,463)	(3,786,352)	–	(33,917,897)
Net carrying amount	16,269,575	167,142	23,130,370	866,939	3,411,746	5,638,810	49,484,582

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15. Investment properties

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**90,066**	66,707
Transfer from property, plant and equipment	**9,332**	25,224
Depreciation provided during the year	**(2,496)**	(1,865)
Carrying amount at 31 December	**96,902**	90,066

16. Leases

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 44 to 99 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms with lease periods of 1 to 20 years. Machinery and other equipment generally have lease terms of 1 to 5 years and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension options, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	5,981,496
Additions	588,809
Recognised in the statement of profit or loss during the year (note 6)	(143,059)
Exchange realignment	(852)
Carrying amount at 31 December 2018	6,426,394
Current portion included in prepayments, other receivables and other assets	(148,919)
Non-current portion	6,277,475

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16. Leases (continued)

The Group as a lessee (continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Buildings RMB'000	Machinery and other equipment RMB'000	Total RMB'000
As at 1 January 2019	6,426,394	592,261	13,570	7,032,225
Additions	797,080	395,156	12,575	1,204,811
Disposals	(557,714)	(69,210)	–	(626,924)
Depreciation charge	(155,123)	(209,245)	(4,617)	(368,985)
Exchange realignment	(114)	–	–	(114)
As at 31 December 2019	6,510,523	708,962	21,528	7,241,013

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	569,077
New leases	333,416
Accretion of interest recognised during the year	32,927
Payments	(167,700)
Carrying amount at 31 December	767,720
Analysed into:	
Current portion	219,040
Non-current portion	548,680

The maturity analysis of lease liabilities is disclosed in note 48 to the consolidated financial statements.

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16. Leases (continued)

The Group as a lessee (continued)

(d) The amounts recognised in the statement of profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	32,927
Depreciation charge of right-of-use assets	368,985
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	1,146,219
Expense relating to leases of low-value assets (included in administrative expenses)	3,051
Total amount recognised in profit or loss	1,551,182

(e) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These extension options are expected to be exercised.

(f) The total cash outflow for leases are disclosed in note 43 to the consolidated financial statements.

The Group as a lessor

The Group leases certain of its properties and vehicles under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB196,269,000 (2018: RMB88,785,000).

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	100,585	69,500
After one year but within two years	65,619	55,917
After two years but within three years	44,551	51,336
After three years but within four years	20,470	36,357
After four years but within five years	9,319	20,902
After five years	62,407	66,250
	302,951	300,262

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17. Goodwill

	RMB'000
At 1 January 2018, 31 December 2018 and 31 December 2019:	
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% (2018: 13%). The growth rate used to extrapolate the cash flows of the automobiles and related products cash-generating unit beyond the five-year period is 3% (2018: 3%), which is less than the long-term average growth rate of the automobile industry.

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

	Automobiles and related products	
	2019	2018
	RMB'000	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 2019 and 2018. 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

	Development costs RMB'000	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation and impairment	9,953,100	10,349	942	307,676	10,272,067
Additions – internal development	2,791,688	–	–	–	2,791,688
Additions – acquired	–	2,462	12	145,946	148,420
Disposal	–	–	–	(2,721)	(2,721)
Amortisation provided during the year	(1,199,124)	(5,586)	(98)	(117,017)	(1,321,825)
Exchange realignment	–	–	–	6	6
At 31 December 2019	11,545,664	7,225	856	333,890	11,887,635
At 31 December 2019:					
Cost	19,584,641	56,753	3,695	853,894	20,498,983
Accumulated amortisation and impairment	(8,038,977)	(49,528)	(2,839)	(520,004)	(8,611,348)
Net carrying amount at 31 December 2019	11,545,664	7,225	856	333,890	11,887,635
31 December 2018					
Cost at 1 January 2018, net of accumulated amortisation and impairment	7,963,163	863	1,189	252,408	8,217,623
Additions – internal development	3,546,545	–	–	–	3,546,545
Additions – acquired	–	11,650	–	162,871	174,521
Disposal	–	–	–	(275)	(275)
Amortisation provided during the year	(1,556,608)	(2,164)	(247)	(107,269)	(1,666,288)
Exchange realignment	–	–	–	(59)	(59)
At 31 December 2018	9,953,100	10,349	942	307,676	10,272,067
At 31 December 2018:					
Cost	16,792,954	54,765	3,683	732,906	17,584,308
Accumulated amortisation and impairment	(6,839,854)	(44,416)	(2,741)	(425,230)	(7,312,241)
Net carrying amount at 31 December 2018	9,953,100	10,349	942	307,676	10,272,067

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18. Other intangible assets (continued)

Deferred development costs are stated at cost less any impairment losses. Development costs start to be amortised once relevant products reach mass production conditions. They are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten 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.

19. Investments in joint ventures

	2019 **RMB'000**	2018 RMB'000
Share of net assets	**3,105,145**	2,793,681

The Group's trade receivable and payable balances with joint ventures are disclosed in note 45(c) to the consolidated financial statements.

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

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Shenzhen Denza New Energy Automotive Co., Ltd. ("DENZA")	RMB5,060,000,000	PRC/Mainland China	50%	50%	50%	Research, development and sale of automobiles
Tianjin BYD Automobile Company Limited ("Tianjin BYD")	RMB350,000,000	PRC/Mainland China	50%	43%	50%	Assembly and sale of automobiles and coaches
Xi'an Infrastructure Yadi Automobile Service Co., Ltd. ("Xi'an Infrastructure")	RMB10,000,000	PRC/Mainland China	40%	40%	40%	Automobiles and parts sales and automobile maintenance
Shenzhen BYD Electric Car Investment Co., Ltd. ("BYD Electric Car")	RMB300,000,000	PRC/Mainland China	60%*	50%	60%	New energy investment and the establishment of industrial electric vehicle industry
Guangzhou Guang Qi BYD New Energy Bus Co., Ltd. ("Guang Qi BYD")	RMB300,000,000	PRC/Mainland China	51%*	50%	51%	Manufacture and design of auto parts and accessories and manufacture of automobiles
Shenzhen Didi New Energy Auto Lease Co., Ltd. ("Shenzhen Didi")	RMB1,195,616,300	PRC/Mainland China	10%	40%	10%	Electric car and fuel car rental and sale, taxi business

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19. Investments in joint ventures (continued)

Name	Particulars of registered capital held	Place of registration and business	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Beijing Hualin Loading Co., Ltd. ("Beijing Hualin")	RMB100,000,000	PRC/Mainland China	49%	40%	49%	Production and sale for special-used vehicles, import and export storage, technologies and agency
Hangzhou BYD Xihu New Energy Auto Co., Ltd. ("Xihu New Energy")	RMB100,000,000	PRC/Mainland China	49%	40%	49%	New energy vehicle technology, internet technology development, technical services and advice, and the establishment of charging poles
BYD Auto Finance Company Limited ("BYD Auto Finance")	RMB1,500,000,000	PRC/Mainland China	80%*	80%	80%	Auto financing leases, auto loan, issuance of financial bonds, and car finance consulting agency
Hubei Energy Storage Co., Ltd. ("Hubei Energy Storage")	RMB100,000,000	PRC/Mainland China	55%*	60%	55%	Investment and operation of energy storage
Hengqin Vanke Yundi Commercial Services Co., Ltd.	RMB5,000,000	PRC/Mainland China	50%	33%	50%	Commercial services, technology development, technology transfer, technology consulting and technology services
Chengdu Shudu BYD New Energy Vehicles Co., Ltd.	RMB30,000,000	PRC/Mainland China	60%*	57%	60%	The R&D of new energy electric vehicles,and leasing of new energy electric vehicles
Shenzhen Vanke Yundi Industrial Co., Ltd.	RMB100,000,000	PRC/Mainland China	72%*	67%	72%	Commercial services, technology development, technology transfer, technology consulting and technology services
Shenzhen BYD International Financial Lease Co., Ltd. ("International Financial Lease")	RMB400,000,000	PRC/Mainland China	30%	33%	30%	Financial lease and financial lease advisory service

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19. Investments in joint ventures (continued)

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
Qinghai Salt Lake BYD Resources Development Co., Ltd. ("Qinghai Salt Lake")	RMB500,000,000	PRC/Mainland China	49%	40%	49%	Development of lithium resources in Salt Lake and the production and sale of lithium carbonate
Meihao Chuxing (Hangzhou) Automotive Technology Co., Ltd. ("Meihao Chuxing")	RMB1,285,000,000	PRC/Mainland China	65%*	60%	65%	Automobile R&D, automobile leasing and operational management; and new energy technology
BYD TOYOTA EV Technology Co., Ltd.	RMB345,000,000	PRC/Mainland China	50%	50%	50%	Design and development of electric vehicles & their derivatives and the parts of electric vehicles & their derivatives; import and export, sales and after-sales service

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

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

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19. Investments in joint ventures (continued)

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

	2019 RMB'000	2018 RMB'000
Cash and cash equivalents	213,591	427,029
Other current assets	1,416,638	1,403,544
Current assets	1,630,229	1,830,573
Non-current assets, excluding goodwill	1,032,116	1,108,514
Financial liabilities, excluding trade and other payables and provisions	550,000	270,000
Other current liabilities	1,236,005	989,921
Current liabilities	1,786,005	1,259,921
Non-current financial liabilities, excluding trade and other payables	660,000	1,210,001
Net assets	216,340	469,166
Net assets, excluding goodwill	216,340	469,166
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	108,170	234,583
Unrealised profit arising from transactions with the Group	(4,107)	(41,893)
Carrying amount of the investment	104,063	192,690
Revenue	427,701	471,433
Other expense	3,416	560,633
Interest income	8,284	10,917
Depreciation and amortisation	430,540	160,807
Interest expenses	72,497	82,944
Total comprehensive loss for the year	(1,152,860)	(887,584)

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19. Investments in joint ventures (continued)

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

	2019 RMB'000	2018 RMB'000
Share of joint ventures' profit for the year	137,212	181,373
Share of joint ventures' total comprehensive income	137,212	181,373
Elimination of unrealised profit/(loss)	101,918	(143,555)
Aggregate carrying amount of the Group's investments in joint ventures	3,001,082	2,600,991

20. Investments in associates

	2019 RMB'000	2018 RMB'000
Share of net assets	823,792	636,984
Goodwill on acquisition	131,238	131,238
	955,030	768,222
Provision for impairment	–	(1,023)
	955,030	767,199

The Group's trade receivable and payable balances with associates are disclosed in note 45(c) to the consolidated financial statements.

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Tibet Zabuye Lithium Industry Co., Ltd. ("Zabuye Lithium")	RMB930,000,000	PRC/Mainland China	18%	18%	18%	Products of lithium and boron mineral salt
Shan Mei Ling Qiu Bi Xing Industry Development Co., Ltd. ("Shan Mei Ling Qiu Bi Xing")	RMB10,000,000	PRC/Mainland China	20%	20%	20%	Solar power ecosystem remediation of agricultural products

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20. Investments in associates (continued)

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Shenzhen Electric Power Sales Co., Ltd. ("Shenzhen Electric Power Sales")	RMB200,000,000	PRC/Mainland China	40%	20%	40%	Electric power engineering design, installation, operation of electric vehicle charging infrastructure, and sale of electricity
Hangzhou Xihu New Energy Auto Operation Co., Ltd. ("Hangzhou Xihu Operation")	RMB50,000,000	PRC/Mainland China	29%	29%	29%	Taxi service, electric vehicle rental, electric vehicle charging infrastructure
Shenzhen Qianhai Green Transportation Co., Ltd. ("Qianhai Green Transportation")	RMB20,000,000	PRC/Mainland China	19%	29%	19%	Car rental, public transportation vehicle maintenance and repairs
Shenzhen Chongdian Easy Co., Ltd. ("Chongdian Easy")	RMB5,000,000	PRC/Mainland China	5%	25%	5%	Power equipment maintenance, electric vehicle charging infrastructure design, new energy, charging equipment technology development, consultation, transfer and services
MCC Ramu New Technology Limited ("MCC Ramu")	RMB936,840,000	PRC/Mainland China	10%	11%	10%	Development, consultancy, transferal, and services of energy-saving and environmentally friendly technologies and product technologies, power battery manufacturing, import and export of goods and technology
China Railway Engineering Consulting Group Co., Ltd.	RMB730,818,000	PRC/Mainland China	4%	11%	4%	Engineering survey, design, consultancy, supervision and inspection, EPC contracting, and specialised contracting.
Shenzhen Faurecia Auto Parts Co., Ltd. ("Faurecia")	RMB200,000,000	PRC/Mainland China	30%	40%	30%	Develop, produce, assemble, sell and deliver car seats and related parts covering the whole car chair, seat frame, seat foam and seat cover; and provision after-sales service and technical development service

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20. Investments in associates (continued)

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Tianjin Hongdi Financial Lease Co., Ltd. ("Tianjin Hongdi")	RMB400,000,000	PRC/Mainland China	25%	33%	25%	Financial leasing business; leasing business; purchase of leased assets at home and abroad; disposal of residual value and maintenance of leased property; leasing transaction consulting services
Yinchuan Sky Rail Operation Co., Ltd. ("Yinchuan Operation")	RMB1,200,000	PRC/Mainland China	40%	33%	40%	Clear in laws and regulations or approved by the State Council
QPT New Energy Automobile Service Co., Ltd.	RMB18,000,000	PRC/Mainland China	15%	14%	15%	Online car-hailing operation and management, car sales, rental; sales of auto parts; automobile information consultation, economic information consultation; vehicle repair and maintenance
Dongguan Tec-Rich Engineering Co., Ltd. ("Dongguan Tec-Rich Engineering")	RMB20,000,000	PRC/Mainland China	32.5%	33%	32.5%	Research and development, production, sales, leasing, installation, maintenance and technical consultation of precision equipment and instruments; processing and sales of machinery and equipment parts; computer software development, sales and technical services; import and export of goods or technology

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20. Investments in associates (continued)

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

	2019 RMB'000	2018 RMB'000
Share of associates' profit for the year	11,282	32,261
Share of associates' total comprehensive income	11,282	32,261
Elimination of unrealised profit/(loss)	450	(116)
Aggregate carrying amount of the Group's investments in associates	955,030	767,199

21. Equity investments at fair value through other comprehensive income

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value		
Holitech Technology Co., Ltd.	1,922,304	1,620,969

The above listed equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

22. Completed property held for sale

	2019 RMB'000	2018 RMB'000
Completed property held for sale, at cost:*		
At the beginning of year	3,950,676	6,689,770
Recognised in the statement of profit or loss	(584,760)	(2,739,094)
At end of year	3,365,916	3,950,676

* The construction of Yadi Sancun has been completed and transferred to completed property held for sale in 2017.

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23. Inventories

	2019 RMB'000	2018 RMB'000
Raw materials	3,650,668	5,127,866
Work in progress	10,982,781	11,747,481
Finished goods	10,124,766	8,589,749
Moulds held for production	813,349	865,249
	25,571,564	26,330,345

24. Trade receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	41,697,960	45,338,100
Impairment	(1,563,415)	(1,097,917)
	40,134,545	44,240,183

For sales of traditional fuel automobiles, payment in advance, mainly in the form of bank bills, is normally required. For sales of new energy automobiles, the Group generally provides the customers with a credit period of one to twelve months or allow the customers to make instalment payments in twelve to twenty-four months.

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 8% (2018: 6%) and 22% (2018: 20%) 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.

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24. Trade receivables (continued)

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within three months	16,646,431	23,875,422
Four to six months	7,300,248	8,876,074
Seven months to one year	6,023,355	6,571,079
One to two years	8,107,967	3,313,015
Two to three years	1,369,674	1,428,698
Over three years	686,870	175,895
	40,134,545	44,240,183

The government subsidies of new energy automobiles sales are included in the above trade receivables.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	1,097,917	735,969
Impairment losses	722,670	512,700
Impairment losses reversed	(217,856)	(120,913)
Amount written off as uncollectible	(38,386)	(30,455)
Exchange realignments	(930)	616
At end of year	1,563,415	1,097,917

The increase in the loss allowance was due to the following significant changes in the gross carrying amount: Increase in the loss allowance of RMB614,283,000 as a result of an increase in trade receivables whose credit risk exposure was individually assessed.

The increase in the loss allowance of 2018 was due to the following significant changes in the gross carrying amount: (1) Increase in the loss allowance as a result of an increase in trade receivables due to revenue growth; (2) Decrease in the loss allowance as a result of the adjustment of contract assets required in accordance with the adoption of HKFRS 15.

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates of the provision matrix are based on the invoice date for groupings of various customer segments with similar loss patterns by product type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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24. Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	1,331,858	1,005,041	75.46%
Based on provision matrix	40,366,102	558,374	1.38%
	41,697,960	1,563,415	

As at 31 December 2018

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	446,125	390,758	87.59%
Based on provision matrix	44,891,975	707,159	1.58%
	45,338,100	1,097,917	

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

New energy business (include subsidies to new energy automobile products)

	Ageing as at 31 December 2019				
	Within three months	Four to six months	Seven months to one year	Over one year	Total
Expected credit loss rate	0.53%	0.84%	1.18%	1.71%	1.18%
Gross carrying amount (RMB'000)	4,543,202	6,331,752	5,141,348	9,756,797	25,773,099
Expected credit losses (RMB'000)	23,908	53,426	60,809	166,925	305,068

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24. Trade receivables (continued)

New energy business (include subsidies to new energy automobile products) (continued)

	Ageing as at 31 December 2018				
	Within three months	Four to six months	Seven months to one year	Over one year	Total
Expected credit loss rate	0.82%	0.82%	1.04%	2.94%	1.12%
Gross carrying amount (RMB'000)	16,168,948	8,317,774	6,417,848	4,384,687	35,289,257
Expected credit losses (RMB'000)	133,054	68,501	66,496	128,779	396,830

Non-new energy business

	Ageing as at 31 December 2019				
	Within three months	**Four to six months**	**Seven months to one year**	**Over one year**	**Total**
Expected credit loss rate	**0.52%**	**0.38%**	**0.35%**	**41.89%**	**1.74%**
Gross carrying amount (RMB'000)	**12,175,969**	**1,026,641**	**953,741**	**436,652**	**14,593,003**
Expected credit losses (RMB'000)	**63,151**	**3,888**	**3,354**	**182,913**	**253,306**

	Ageing as at 31 December 2018				
	Within three months	Four to six months	Seven months to one year	Over one year	Total
Expected credit loss rate	0.55%	0.47%	2.81%	29.54%	3.23%
Gross carrying amount (RMB'000)	7,856,671	629,057	245,757	871,233	9,602,718
Expected credit losses (RMB'000)	43,067	2,980	6,909	257,373	310,329

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25. Trade receivable financing

	2019 RMB'000	2018 RMB'000
Commercial acceptance bills	192,510	25,279
Bank acceptance bills	6,886,161	7,811,804
	7,078,671	7,837,083
Less: other comprehensive income – change in fair value	69,292	64,058
	7,009,379	7,773,025

The Group reclassified bills receivable into financial assets at fair value through other comprehensive income, presented as trade receivable financing. As of 31 December 2019, the accumulated impairment provision for trade receivable financing provided by the Group was RMB13,548,000 (31 December 2018: RMB15,455,000).

26. Prepayments, other receivables and other assets

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Non-current portion			
Prepayment for items of property, plant and equipment	4,953,771	4,044,963	4,044,963
Others	349,383	188,439	188,439
Current portion			
Deposits and other receivables	5,768,723	5,227,825	5,227,825
Impairment	(95,490)	(143,763)	(143,763)
	5,673,233	5,084,062	5,084,062
Prepayments	362,761	322,068	507,741
Loans to employees	42,461	72,008	72,008
	6,078,455	5,478,138	5,663,811

At 31 December 2019, an impairment loss of RMB95,490,000 (2018: RMB143,763,000) has been provided, including a full provision for a deposit of RMB94,616,000 paid to a supplier (2018: RMB143,174,000).

As a result of the initial application of HKFRS 16, prepayments of RMB185,673,000 previously included in "Prepayments, other receivables and other assets" were adjusted to the right-of-use assets recognised at 1 January 2019 (note 2.2).

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27. Contract assets

	2019 RMB'000	2018 RMB'000
Contract assets arising from:		
Sale of goods and construction services	**7,061,365**	6,394,856
Impairment	**(74,746)**	(94,570)
	6,986,619	6,300,286

The increase in the net carrying amount of contract assets in 2019 and 2018 was the result of the increase in the ongoing sale of goods at the end of each of the years. During the year ended 31 December 2019, RMB74,746,000 (2018: RMB94,570,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**7,061,365**	6,394,856

The movement in the loss allowance for impairment of contract assets is as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**94,570**	157,286
Impairment losses, net	**(19,824)**	(62,716)
At end of year	**74,746**	94,570

An impairment analysis is performed at each reporting date to measure expected credit losses. The Group applies the simplified approach in calculating expected credit losses.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**1.06%**	1.48%
Gross carrying amount (RMB'000)	**7,061,365**	6,394,856
Expected credit losses (RMB'000)	**(74,746)**	(94,570)

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28. Long-term receivables

	2019 RMB'000	2018 RMB'000
Long-term receivables	1,264,256	2,169,500
Impairment	(23,916)	(35,095)
	1,240,340	2,134,405

During the year, the discount rate used for recognising goods sold by instalments ranged from 4.75% to 4.90% (2018: 4.75% to 4.90%).

The movements in the loss allowance for impairment of long-term receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	35,095	3,193
Impairment losses, net	(11,179)	31,902
At end of year	23,916	35,095

Set out below is the information about the credit risk exposure on the Group's long-term receivables using a provision matrix:

As at 31 December 2019

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	39,742	20,369	51.25%
Based on provision matrix	1,224,514	3,547	0.29%
	1,264,256	23,916	

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28. Long-term receivables (continued)

As at 31 December 2018

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	166,865	27,090	16.23%
Based on provision matrix	2,002,635	8,005	0.40%
	2,169,500	35,095	

29. Cash and cash equivalents, restricted bank deposits and short-term deposits

	Notes	**2019 RMB'000**	2018 RMB'000
Cash and bank balances		**11,674,297**	10,907,057
Time deposits		**975,786**	2,145,038
		12,650,083	13,052,095
Less:			
Pledged deposits	*(i)*	**(837,921)**	(1,583,861)
Restricted bank deposits	*(ii)*	**(137,865)**	(317,177)
Cash and cash equivalents	*(iii)*	**11,674,297**	11,151,057

Notes:

(i) At 31 December 2019, a bank deposit of RMB837,921,000 (2018: RMB1,583,861,000) was pledged for bank acceptance bills and letters of credit.

(ii) The balance of restricted bank deposits as at 31 December 2019 mainly represented the balance of a guarantee deposit required by the bank under a tri-lateral agreement between a subsidiary of the Company, the bank and a third-party supplier.

(iii) At the end of the reporting period, cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB8,079,731,000 (2018: RMB7,285,948,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Most of the bank balances, pledged deposits and restricted bank deposits are deposited with creditworthy banks with no recent history of default.

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30. Trade and bills payables

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

	2019 RMB' 000	2018 RMB' 000
Within three months	25,808,926	32,087,999
Four to six months	8,065,446	11,162,123
Seven months to one year	905,861	775,458
One to two years	379,794	593,879
Two to three years	127,424	533,789
Over three years	53,211	69,073
	35,340,662	45,222,321

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 180 days.

31. Other payables and accruals

	2019 RMB' 000	2018 RMB' 000
Other payables	6,865,958	9,156,891
Accrued payroll	3,782,780	3,855,654
	10,648,738	13,012,545

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

32. Derivative financial instruments

	2019		2018	
	Assets RMB' 000	Liabilities RMB' 000	Assets RMB' 000	Liabilities RMB' 000
Foreign currency forward contracts	34,345	34,307	451	8,559
Portion classified as current:				
Foreign currency forward contracts	34,345	34,307	451	8,559

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32. Derivative financial instruments (continued)

Non-hedging derivatives:

The Group has entered into various foreign currency forward contracts to manage its exchange rate exposures, which did not meet the criteria for hedge accounting. Gains on changes in the fair value of non-hedging derivatives amounting to approximately RMB8,146,000 were charged to profit or loss during the year (2018: loss of approximately RMB1,951,000). The maturity of derivative financial instruments is within one year.

33. Contract liabilities

Details of contract liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers			
Sale of housing	**301,987**	588,579	631,140
Sale of goods	**4,200,152**	2,880,535	4,069,140
Total contract liabilities	**4,502,139**	3,469,114	4,700,280

Contract liabilities mainly represent receipts in advance from customers prior to the satisfaction of performance obligations. The relevant income from such contract is recognised upon satisfaction of the performance obligations by the Group. In most cases, the Group generally satisfies the performance obligations and recognises the income within one year upon receipt of payment in advance from customers.

34. Deferred income

	2019 RMB'000	2018 RMB'000
Government grants and subsidies	**2,232,101**	2,410,994
Others	**–**	126,322
	2,232,101	2,537,316
Current portion		
Government grants and subsidies	**–**	(489,045)
Others	**–**	(126,322)
	–	(615,367)
Non-current portion	**2,232,101**	1,921,949

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34. Deferred income (continued)

The movements in deferred income related to government grants and subsidies during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	2,410,994	2,080,437
Received during the year	1,506,378	2,625,825
Returned during the year	(7,998)	–
Released to profit or loss	(1,677,273)	(2,295,268)
At 31 December	2,232,101	2,410,994
Less: Portion classified as current liabilities	–	(489,045)
Non-current portion	2,232,101	1,921,949

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

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35. Interest-bearing bank and other borrowings

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	1.48-4.79	2020	38,603,445	0.99-5.66	2019	35,576,025
	LIBOR+45bps-110bps	2020	1,732,024	LIBOR+110bps-225bps	2019	2,212,952
Current portion of long-term bank loans – secured	3.00-5.37	2020	4,107,471	3.00-3.85	2019	3,040,179
Current portion of long-term bank loans – unsecured	3.69-5.46	2020	1,328,000	2.65-4.89	2019	1,379,000
Current portion of other borrowings – secured			–	5.94	(k)	63,750
Other loans – unsecured	4.35	(m)	200,000			–
			45,970,940			42,271,906
Super short-term debentures	3.6-3.91	(l)	4,997,982	4.08-5.80		5,496,811
Corporate bonds – unsecured	4.87-5.75	(d) and (f)	3,092,936	4.94	(d) and (f)	2,999,705
			54,061,858			50,768,422
Non-current						
Bank loans – secured	4.90	2030	27,601	4.90	2030	27,166
	3.00-4.75	2025	125,011	3.00-4.75	2022	134,839
Bank loans – unsecured	3.69-6.60	2028	11,795,320	3.69-5.80	2020	5,821,999
Other borrowings – secured			–	5.94	(k)	863,599
			11,947,932			6,847,603
Corporate bonds – unsecured	4.6-5.75	(e), (g), (h), (i) and (j)	9,968,555	4.87-5.75	(e) and (g)	7,076,777
			21,916,487			13,924,380
			75,978,345			64,692,802

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31 December 2019

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

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**45,970,940**	42,271,906
In the second year	**7,819,437**	4,844,081
In the third to fifth years, inclusive	**3,961,097**	1,871,354
Beyond five years	**167,398**	132,168
	57,918,872	49,119,509
Corporate bonds		
Within one year (note (d) and (f))	**3,092,936**	2,999,705
In the second to fifth years (notes (e), (g), (h), (i) and (j)), inclusive	**9,968,555**	7,076,777
	13,061,491	10,076,482
Super short-term debentures		
Within one year (note (l))	**4,997,982**	5,496,811
	4,997,982	5,496,811
	75,978,345	64,692,802

Notes:

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

(i) mortgages over certain of the Group's freehold land and buildings with an aggregate carrying value at the end of the reporting period of approximately RMB209,019,000 (2018: RMB220,370,000) (note 14);

(ii) mortgages over certain of the Group's construction in progress with an aggregate carrying value of nil at the end of the reporting period, since the mortgage loan was paid off this year. (2018: RMB4,754,000) (note 14).

(iii) mortgages over certain of the Group's motor vehicles with an aggregate carrying value at the end of the reporting period of approximately RMB2,088,000 (2018: nil) (note 14).

In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB45,464,912,000 (2018: RMB36,616,393,000) as at the end of the reporting period.

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

(c) Except for bank loans of RMB2,403,790,000 (2018: RMB2,326,603,000) which are denominated in United States dollars ("US$"), RMB992,000 (2018: Nil) in Singaporean dollars and RMB6,410,000 (2018: Nil) in Japanese yen, all borrowings are denominated in RMB.

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

Notes: (continued)

(d) On 15 June 2017, the Company issued RMB1,500,000,000 corporate bonds. The bonds have a maturity of five years due in 2022 and bear a fixed interest rate of 4.87% per annum to be paid 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 (15 June 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 14 July 2017.

(e) On 12 April 2018, the Company issued RMB3,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2023 and bear a fixed interest rate of 5.17% per annum to be paid 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 (12 April 2021), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 4 June 2018.

(f) On 22 August 2018, the Company issued RMB1,600,000,000 corporate bonds. The bonds have a maturity of four years due in 2022 and bear a fixed interest rate of 5.75% per annum to be paid annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the second interest payment date (22 August 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 25 September 2018.

(g) On 18 December 2018, the Company issued RMB1,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2023 and bear a fixed interest rate of 4.98% per annum to be paid 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 (21 December 2021), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 29 January 2019.

(h) On 22 February 2019, the Company issued RMB2,500,000,000 corporate bonds. The bonds have a maturity of five years due in 2024 and bear a fixed interest rate of 4.60% per annum to be paid 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 (22 February 2022), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 13 March 2019.

(i) On 17 June 2019, the Company issued RMB1,000,000,000 corporate bonds. The bonds have a maturity of five years due in 2024 and bear a fixed interest rate of 4.86% per annum to be paid 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 (14 June 2022), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 11 July 2019.

(j) On 9 August 2019, the Company issued RMB2,500,000,000 corporate bonds. The bonds have a maturity of five years due in 2024 and bear a fixed interest rate of 4.80% per annum to be paid 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 (9 August 2022), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 15 August 2019.

(k) The Group entered into sale and leaseback arrangement contracts with third-party leasing companies, with contract terms ranging from three to five years. The substance of the arrangement is that the lessors provide finance to the Group with the assets 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 2018, the aggregate book value of the assets was RMB2,597,316,000 and the balance of other borrowings amounting to RMB63,750,000 was recorded as a current liability and RMB863,599,000 was recorded as a non-current liability on the Group's consolidated statement of financial position. The Group has paid off the loans during 2019.

(l) On 17 July 2019, the Company issued the Eighth Tranche Super Short-term Debenture in 2019, with an aggregate amount of RMB1.0 billion and an interest rate of 3.91%, valid within 270 days. On 26 July 2019, the Company issued the Ninth Tranche Super Short-term Debenture in 2019, with an aggregate amount of RMB2.0 billion and an interest rate of 3.84%, valid within 270 days. On 14 August 2019, the Company issued the Tenth Tranche of Super Short-term Debenture in 2019, with an aggregate amount of RMB2.0 billion and an interest rate of 3.60%, valid within 268 days.

(m) As at 31 December 2019, the loans due to joint ventures for the Group (2018: Nil) are unsecured and repayable in a year.

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36. Provision

	Warranties	
	RMB'000	RMB'000
	2019	2018
At 1 January	1,854,627	1,471,511
Additional provision	695,252	1,137,481
Amounts utilised during the year	(725,685)	(754,365)
At 31 December	1,824,194	1,854,627

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.

37. Other liabilities

	2019	2018
	RMB'000	RMB'000
Long-term payables	–	81
Financial guarantee contracts	18,855	18,855
Others	192,239	1,376,550
	211,094	1,395,486

The financial guarantee contracts represent guarantees given to financial institutions in connection with facilities granted to customers.

The financial guarantee contracts are measured at the higher of the expected credit loss allowance and the amount initially recognised less the cumulative amount of income recognised. The expected credit loss allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the financial institutions for a credit loss incurred less any amounts that the Group expects to receive from certain customers. The amount initially recognised representing the fair value at initial recognition of the financial guarantee contracts was not significant.

The credit exposure of the financial guarantee contracts is classified as stage 1. During the year, there were no transfers between stages (2018: Nil).

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38. Deferred tax

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

Deferred tax assets

	Depreciation in excess of depreciation allowance RMB'000	Impairment of assets RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accruals and provision for warranties RMB'000	Tax losses RMB'000	Fair value adjustment arising from trading financial liabilities and others RMB'000	Total RMB'000
At 1 January 2019	733,416	47,690	186,314	209,694	434,740	97,634	234	1,709,722
Deferred tax credited/(charged) to the statement of profit or loss during the year	4,222	87,309	2,898	95,438	(74,888)	207,362	15,262	337,603
At 31 December 2019	737,638	134,999	189,212	305,132	359,852	304,996	15,496	2,047,325
At 1 January 2018	621,690	57,271	190,073	138,036	345,091	200,749	27,122	1,580,032
Deferred tax credited/(charged) to the statement of profit or loss during the year	111,726	(9,581)	(3,759)	71,658	89,649	(103,115)	(26,888)	129,690
At 31 December 2018	733,416	47,690	186,314	209,694	434,740	97,634	234	1,709,722

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38. Deferred tax (continued)

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments of financial assets at fair value through profit or loss RMB'000	Depreciation in excess of depreciation allowance RMB'000	Withholding taxes on the earnings anticipated to be remitted by subsidiaries RMB'000	Deferred tax payment arising from disposal of a subsidiary RMB'000	Total RMB'000
At 1 January 2019	–	68	330,659	44,648	12,341	387,716
Deferred tax charged/(credited) to the statement of profit or loss during the year	–	742	211,844	(28,691)	–	183,895
Deferred tax charged to other comprehensive income during the year	63,644	–	–	–	–	63,644
At 31 December 2019	63,644	810	542,503	15,957	12,341	635,255
At 1 January 2018	464,388	–	–	25,912	119,705	610,005
Deferred tax charged/(credited) to the statement of profit or loss during the year	–	68	330,659	18,736	(107,364)	242,099
Deferred tax credited to other comprehensive income during the year	(464,388)	–	–	–	–	(464,388)
At 31 December 2018	–	68	330,659	44,648	12,341	387,716

For presentation purposes, certain deferred tax assets and liabilities have been offset with an amount of RMB532,391,000 (2018: RMB321,408,000) in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,514,934	1,388,314
Net deferred tax liabilities recognised in the consolidated statement of financial position	102,864	66,308

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38. Deferred tax (continued)

The Group has tax losses arising in Mainland China of RMB1,964,355,000 (2018: RMB556,944,000) 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 RMB3,886,797,000 (2018: RMB2,151,326,000) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses of RMB119,829,000 (2018: RMB115,556,000) arising from other jurisdictions that will expire in one to eight years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items as it is not considered probable that taxable profits will be available against which the above items can be utilised:

	2019 **RMB'000**	2018 RMB'000
Tax losses	**4,006,626**	2,266,882
Deductible temporary differences	**4,571,760**	4,176,639
	8,578,386	6,443,521

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from 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. 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.

As at 31 December 2019, the Group recognised the relevant deferred tax liabilities of RMB15,957,000 (2018: RMB44,648,000) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. No withholding tax has been provided for the earnings of approximately RMB15,243,223,000 (2018: RMB13,745,944,000) as these earnings are expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future based on several factors, including management's estimation of overseas funding requirements.

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39. Share capital

Shares	2019 RMB'000	2018 RMB'000
Authorised, issued and fully paid: 2,728,142,855 (2018: 2,728,142,855) ordinary shares of RMB1 each	**2,728,143**	2,728,143

40. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 53 to 54 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 to use. When the balance of the statutory surplus reserve fund reaches 50% of the respective entity's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve fund must be maintained at least 25% of the share capital after increase.

41. Perpetual loans

(a) In 2016, the Company issued medium term notes at par of RMB200 million and RMB400 million on 24 February 2016 and 26 February 2016, respectively, with a total amount of RMB600 million (RMB595.8 million after deducting listing expenses). The current medium-term notes have a term of 5+N years. On or after the fifth interest payment date, the issuer has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments). If the issuer decides to exercise the redemption rights, the issuer shall publish the Announcement of Early Redemption through media one month before the redemption and the redemption process shall be completed by the Shanghai Clearing House as the agent. For the current medium-term notes, the coupon interest rate of the first 5 years for which interest is accruable is 5.1% per annum. If the issuer does not exercise the redemption rights, the coupon interest rate will be adjusted to the then base rate plus initial spread and 300 basis points from the 6th year and remains unchanged from the 6th year to the 10th year for which interest is accruable. The coupon interest rate is reset every 5 years.

Unless the mandatory interest payment event happens, before each of the interest payment date of medium-term notes, the issuer can choose to defer the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not constitute the issuer's default to pay the interest in full. In the event that the issuer decides to defer the interest payments, the issuer and the related agency shall disclose such arrangement in an announcement of deferred interest payments five days before the interest payment date.

The issuer shall not defer the interest payment of the interest accrual period and all the interest and the underlying yields that were deferred according to the investment agreement and the contractual agreement if any of the following occurs within 12 months before the interest payment date:

- The borrower declares dividend to the holders of ordinary shares; or
- The borrower reduces registered capital.

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41. Perpetual loans (continued)

(b) The Company issued two tranches of perpetual loans on 22 August 2017 and 18 October 2017, respectively, with a total principal amount of RMB3.3 billion. The loans will have a perpetual term until redemption by the Company in accordance with the terms of issuance and will mature at the redemption by the Company. At the third maturity date and each maturity date thereafter, the Company has the right to redeem the notes with a principal amount plus all deferred interest. The initial loan interest rates are the first year of these trust loan annual interest rates were 6.30% and 6.16% respectively, the trust loan annual interest rates of the second and third year were based on the differences between the previous interest rate adjustment date and the date of one-year SHIBOR plus the annual interest rate on trust loans of the first year, respectively. If the Company will not redeem the loans, the interest rate will be reset every year after the first three years. The interest rate for the first extended year will be reset to the last effective interest rate plus 300 basis points per annum. Thereafter, the interest rate for each year will be reset to the effective interest rate of the previous period plus 300 basis points per annum until the interest rate reaches 18%.

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

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

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

(c) The Company issued renewable bonds on 21 June 2019 with a total principal amount of RMB500 million. The loan will have a term of 2+N years. On or after the second interest payment date, the issuer shall have the option to extend the maturity of the bonds for one additional cycle (i.e., two years) or to pay in full at the end of that cycle. The issuer is not limited by the number of times it may exercise its option to renew the term, but it shall publish an announcement of exercise of the option through media at least 30 trading days prior to the interest payment date in the exercise year of the option to renew the term.

In the case of any change of tax policies or accounting standards, the issuer shall have the right to exercise the right of redemption at the end of the year in which the change of such laws and regulations, the judicial interpretation of relevant laws and regulations or the change of accounting policies is officially implemented. If the issuer decides to exercise the redemption rights, an announcement shall be published 20 trading days before the date available for redemption (except that the period from the implementation date of the change of accounting policies to the year end is less than 20 trading days, in which case the issuer shall make a timely announcement). The redemption plan is irrevocable once announced. Except for the above two cases, the issuer has no right or obligation to redeem the current bond. For the current renewable bonds, the coupon interest rate of the first 2 years for which interest is accruable is 6.20% per annum. If the issuer does not exercise the redemption rights, the coupon interest rate will be adjusted to the then base rate plus initial spread and 300 basis points from the 3rd year and remains unchanged from the 3rd year to the 4th year for which interest is accruable. The coupon interest rate is reset every 2 years.

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41. Perpetual loans (continued)

(c) (continued)

Unless the mandatory interest payment event happens, before each of the interest payment dates of medium-term notes, the issuer can choose to have the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not constitute the issuer's default to pay the interest in full according to the contract. In the event that the issuer decides to defer the interest payments, the issuer and the related agency shall disclose such arrangement in an announcement of deferred interest payments five days before the interest payment date.

The issuer shall not defer the interest payment of the interest accrual period and all the interest and the underlying yields that were deferred according to the investment agreement and the contractual agreement if any of the following occurs within 12 months before the interest payment date:

- The borrower declares dividend to the holders of ordinary shares; or
- The borrower reduces registered capital

These perpetual loans do not have specific maturities. The Company has the right to defer interest or to redeem the notes. The Company does not have the contractual obligation to deliver cash or other financial assets to other parties. Therefore, the perpetual loans are recognised as an equity. The interest paid on the perpetual loans in 2019 was RMB241,388,000 (2018: RMB238,400,000).

42. Contingent liabilities

(a) Litigation

Action against Foxconn

On 11 June 2007, a Hong Kong High Court action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Company (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 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 grounds in the June 2007 Action. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The total damages sought by the Plaintiffs in the October 2007 Action have not been quantified.

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

As at the reporting date, the case remains in the process of legal proceedings. After consulting the Company's legal counsel representing the Company for the case, the board is of the view that the estimate of ultimate outcome and amount to settle the obligation, if any, of the litigation cannot be made reliably up to date.

Notes to Financial Statements

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42. Contingent liabilities (continued)

(a) Litigation (continued)

Service Contract Dispute against Shanghai Qiancheng Culture Communication Co., Ltd.

On 4 November 2018, Shanghai Qiancheng Culture Communication Co., Ltd., as the plaintiff, filed a legal proceeding against the Company and its subsidiary, Shanghai BYD Electric Vehicle Co., Ltd. to Shanghai High People's Court in respect of advertising service contract dispute, requiring a service fee of RMB241,592,516, liquidated damages of RMB60,813,050 and a temporary total amount of RMB302,405,566, including litigation fees, property preservation fees and preservation guarantee expenses.

On 7 December 2018, the Company filed an appeal to Shanghai High People's Court, arguing that the case shall be heard by a court with jurisdiction in Guangdong Province. On 20 December 2018, Shanghai High People's Court issued a Civil Ruling Paper of (2018) Hu Min Chu No.100 ((2018)滬民初100號), ruling to reject the objection over the jurisdiction raised by the Company. On 2 January 2019, the Company appealed to the Supreme People's Court of the People's Republic of China, requesting the repeal of the aforementioned Civil Ruling Paper issued by Shanghai High People's Court and the transfer of the case to a court with jurisdiction in Guangdong Province. On 28 February 2019, the Supreme People's Court of the People's Republic of China issued a Civil Ruling Paper of (2019) Zui Gao Fa Min Xia Zhong No.60 ((2019)最高法民轄終60號), overruling the appeal and maintaining the original judgement. Shanghai High People's Court held hearings on 25 April 2019, 17 May 2019, 22 August 2019 and 9 October 2019, respectively. The case is still in trial and pending for judgement.

As at the reporting date, the case is still in proceedings. With the assistance of the legal adviser responsible for the case on behalf of the Company, the Board believes that the final result of the proceeding and compensation obligations, if any, cannot be estimated reliably.

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

	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries by the Company	**87,565,930**	87,211,760

As at 31 December 2019, the banking facilities granted to subsidiaries and joint ventures subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB45,759,214,000 (2018: RMB36,616,393,000) and RMB3,559,870,000 (2018: RMB4,245,000,000), respectively.

(c) Repurchase obligation

The Group entered into tri-lateral finance cooperation contracts ("the Cooperation Contracts") with certain customers and third-parties or related financial institutions ("Financial Institutions"). Pursuant to the arrangement under the Cooperation Contracts, the Company bears repurchase obligations to Financial Institutions that in the event of customer default or other specific conditions, the Company inherits all the creditor's rights and related interests. At the same time, the Company is required to make payments to Financial Institutions for the outstanding payments due from the customers and has the right to take measures by way of recovery sale of new energy vehicles and other relief measures to pay the remaining arrears of the customers to the Financial Institutions. The Company reserves the right to pursue the remaining creditor's rights. Management believes that the repossessed vehicles will be able to be sold for proceeds that are not significantly different from the repurchase payments. As at 31 December 2019, the Group's maximum exposure to these obligations was RMB11,163,670,000 (2018: RMB11,478,920,000). For the year ended 31 December 2019, there was no default of payments from customers which required the Group to make payments to Financial Institutions.

Notes to Financial Statements

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43. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB730,490,000 and RMB767,720,000, respectively, in respect of lease arrangements for leasehold land, buildings and machinery and other equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Other Liabilities
At 31 December 2018	64,692,802	–	1,376,550
Effect of adoption of HKFRS 16	–	569,077	–
At 1 January 2019 (restated)	64,692,802	569,077	1,376,550
Changes from financing cash flows	7,584,878	(167,700)	(1,376,550)
New leases	–	333,416	–
Interest expense	3,454,480	32,927	–
Interest capitalised	185,631	–	–
Foreign exchange movement	60,554	–	–
At 31 December 2019	75,978,345	767,720	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2019 **RMB'000**
Within operating activities	**(1,149,270)**
Within investing activities	**(797,080)**
Within financing activities	**(167,700)**

Notes to Financial Statements

31 December 2019

44. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Buildings	1,139,767	2,020,477
Plant and machinery	4,608,229	6,266,393
Capital contribution in respect of investments	81,757	89,757
	5,829,753	8,376,627
Authorised but not contracted for:	23,538	120,650
	5,853,291	8,497,277

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its plant and machinery and office equipment under operating lease arrangements. Leases for plant and machinery were negotiated for terms mainly ranging from three to five years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	213,440
In the second to fifth years, inclusive	423,271
After five years	107,285
	743,996

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

	2019 RMB'000	2018 RMB'000
Capital contribution payable to joint ventures	543,925	47,116

Notes to Financial Statements

31 December 2019

45. Related party transactions

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

	Notes	**2019** **RMB'000**	2018 RMB'000
Joint ventures and associates:			
Sales of products	(i)	**2,623,864**	9,428,692
Sales of machinery and equipment	(ii)	**–**	176,151
Service income	(iii)	**272,696**	100,914
Rental expense	(iv)	**914,333**	327,272
Purchases of products and service	(v)	**1,848,141**	5,476,778
Sales of products and service to Union Brother Technology Co., Ltd. ("UBTECH")	(vi)	**704**	6,063
Sales of products and service to Shenzhen Pengcheng Electrically-Powered Car Rental Co., Ltd. ("Pengcheng Chuzu")	(vii)	**–**	7,966
Purchases of products and service from Xi'an Northern Qinchuan Co., Ltd. ("Northern Qinchuan")	(viii)	**141**	184
Purchases of products and service from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology")	(ix)	**268,369**	110,456
Purchases of products and service from Shenzhen Saidi New Energy Logistics Co., Ltd. ("Saidi New Energy")	(x)	**–**	16,203
Purchases of products and service from Cangzhou Mingzhu Plastic Co., Ltd. ("Mingzhu Plastic")	(xi)	**21,383**	117,360
Purchases of products and service from Shenzhen UniFortune Supply Chain Service Co., Ltd. ("UniFortune")	(xii)	**–**	4,008
Purchase of products and service from Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Tech")		**–**	585
Purchase of products and service from Shenzhen Jingshi Technology Co., Ltd. ("Jingshi Tech")	(xiii)	**3,395**	–

Notes to Financial Statements

31 December 2019

45. 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 joint ventures and associates were made according to the published prices offered to other customers of the Group;

(ii) The sales of machinery and equipment to joint ventures and associates were made according to the published prices offered by the Group to its other customers.

(iii) The service income from joint ventures and associates was made according to the published prices offered by the Group to their other customers.

(iv) The rental expense was charged at prices mutually agreed between the Group and joint ventures and associates;

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

(vi) The sales of products and service to UBTECH, a company of which an executive of the Company is a director of the board, were made according to the published prices offered to other customers of the Group;

(vii) The sales of products and service to Pengcheng Chuzu, a company of which two executives of the Company are directors of the board, were made according to the published prices offered to other customers of the Group;

(viii) The purchases of products and service from 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;

(ix) The purchases of products and service from Easpring Technology, a company of which an independent non-executive director of the Company is an independent director of the board, were made according to the published prices offered by Easpring Technology to its other customers;

(x) The purchases of products and service from Saidi New Energy were made according to the published prices offered by Saidi New Energy to its other customers;

(xi) The purchases of products and service from Mingzhu Plastic, a company of which an independent non-executive director of the Company is an independent director of the board, were made according to the published prices offered by Mingzhu Plastic to its other customers;

(xii) The purchases of products and service from UniFortune, a company of which a non-executive director of the Company is a director of the board, were made according to the published prices offered by UniFortune to its other customers;

(xiii) The purchases of products and service from Jingshi Tech, a company of which an executive of the Company was a director of the board in the past twelve months, were made according to the published prices offered by Jingshi Tech to its other customers.

Notes to Financial Statements

31 December 2019

45. Related party transactions (continued)

(b) Guarantees provided to related parties:

Loan guarantees

(i) As at 31 December 2019, the Company provided a guarantee to the bank for the borrowing of DENZA amounting to RMB480,000,000 (31 December 2018: RMB615,000,000).

(ii) As at 31 December 2019, the Company provided a guarantee to the bank for the borrowing of BYD Auto Finance amounting to RMB2,680,000,000 (31 December 2018: RMB3,630,000,000).

(iii) As at 31 December 2019, the Company provided a guarantee to the bank for the borrowing of Tianjin Hongdi amounting to RMB281,980,000 (31 December 2018: Nil).

(iv) As at 31 December 2019, the Company provided a guarantee to the bank for the borrowing of MCC Ramu amounting to RMB100,000,000 (31 December 2018: Nil).

(v) As at 31 December 2019, the Company provided a guarantee to the bank for the borrowing of Energy Storage Power Station amounting to RMB17,890,000 (31 December 2018: Nil).

Repurchase obligation

Details of the repurchase obligation are disclosed in note 42(c) to the consolidated financial statements.

(i) As at 31 December 2019, the Group's maximum exposure of obligation to Shenzhen Didi and its subsidiaries was RMB1,988,087,000 (31 December 2018: RMB1,307,181,000).

(ii) As at 31 December 2019, the Group's maximum exposure of obligation to Rongjie Company Limited was RMB78,108,000 (31 December 2018: Nil).

(iii) As at 31 December 2019, the Group has no exposure of obligation to Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu") (31 December 2018: RMB18,403,000).

Notes to Financial Statements

31 December 2019

45. Related party transactions (continued)

(c) Outstanding balances with related parties:

	2019 RMB'000	2018 RMB'000
Amounts due from joint ventures and associates:		
DENZA	36,053	48,082
Tianjin BYD	1,700,584	1,044,993
Jiangnan Chuzu	–	1,361
International Financial Lease and its subsidiaries	278,415	1,775,136
Qianhai Green Transportation	–	3
BYD Auto Finance	1,244	1,129
Xihu New Energy	45,321	28,052
Guang Qi BYD	1,614,696	3,078,613
Shenzhen Didi and its subsidiaries	93,922	136,037
Beijing Hualin	9,118	147
Xi'an Infrastructure	492,532	1,582,353
BYD Electric Car	975	21,868
Tianjin Hongdi	806,278	–
Dongguan Tec-Rich Engineering	7,249	–
Yinchuan Operation	24,729	–
Faurecia	24,583	105,994
	5,135,699	7,823,768

	2019 RMB'000	2018 RMB'000
Amounts due from other related parties:		
UBTECH	–	2,607
Yinchuan Operation	–	222,247
	–	224,854

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31 December 2019

45. Related party transactions (continued)

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

	2019 RMB'000	2018 RMB'000
Amounts due to joint ventures and associates:		
DENZA	317,452	282,820
International Financial Lease	92,532	62,655
Tianjin BYD	8,083	62,863
Xihu New Energy	280	13,627
Guang Qi BYD	69,864	19,627
Shenzhen Electric Power Sales and its subsidiaries	11,175	19,929
Chongdian Easy	386	255
BYD Auto Finance	62	–
Faurecia	202,270	455,008
BYD Electric Car	17,471	482
Meihao Chuxing	304,654	–
Dongguan Tec-Rich Engineering	56	–
Shenzhen Didi and its subsidiaries	1,260	391,083
	1,025,545	1,308,349

	2019 RMB'000	2018 RMB'000
Amounts due to other related parties:		
Northern Qinchuan	5	35
Mingzhu Plastic	9,365	63,477
UBTECH	37	–
Easpring Technology	101,450	15,774
	110,857	79,286

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

(ii) During the year, the Group borrowed RMB200,000,000 (2018:Nil) from Qinghai Salt Lake, which is unsecured, repayable in 2020 and with an annual interest rate of 4.35% (note 35).

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45. Related party transactions (continued)

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

	2019 RMB'000	2018 RMB'000
Short term employee benefits	85,140	72,148
Pension scheme contributions	415	385
	85,555	72,533

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

The related party transactions in respect of the items set out in note 45 (a), (b) and (c) do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements

31 December 2019

46. 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:

2019 Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at fair value through other comprehensive income Debt investments RMB'000	Financial assets at fair value through other comprehensive income Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Long-term receivables	–	–	–	1,240,340	1,240,340
Equity investments at fair value through other comprehensive income	–	–	1,922,304	–	1,922,304
Other non-current financial assets	46,608	–	–	–	46,608
Trade receivables	–	–	–	40,134,545	40,134,545
Due from joint ventures and associates	–	–	–	5,135,699	5,135,699
Trade receivable financing	–	7,009,379	–	–	7,009,379
Financial assets included in prepayments, other receivables and other assets	–	–	–	717,056	717,056
Derivative financial instruments	34,345	–	–	–	34,345
Pledged deposits	–	–	–	837,921	837,921
Restricted bank deposits	–	–	–	137,865	137,865
Cash and cash equivalents	–	–	–	11,674,297	11,674,297
	80,953	7,009,379	1,922,304	59,877,723	68,890,359

Financial liabilities	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	35,340,662	35,340,662
Interest-bearing bank and other borrowings	–	75,978,345	75,978,345
Due to joint ventures and associates	–	1,025,545	1,025,545
Due to other related parties	–	110,857	110,857
Lease liabilities	–	767,720	767,720
Derivative financial instruments	34,307	–	34,307
Financial liabilities included in other payables and accruals	–	6,511,803	6,511,803
Other liabilities	18,855	192,239	211,094
	53,162	119,927,171	119,980,333

Notes to Financial Statements

31 December 2019

46. 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)

2018 Financial assets	Financial assets at fair value through profit or loss Mandatorily designated as such RMB' 000	Financial assets at fair value through other comprehensive income Debt investments RMB' 000	 Equity investments RMB' 000	Financial assets at amortised cost RMB' 000	Total RMB' 000
Long-term receivables	–	–	–	2,134,405	2,134,405
Equity investments at fair value through other comprehensive income	–	–	1,620,969	–	1,620,969
Other non-current financial assets	83,509	–	–	–	83,509
Trade receivables	–	–	–	44,240,183	44,240,183
Due from joint ventures and associates	–	–	–	7,823,768	7,823,768
Due from other related parties	–	–	–	224,854	224,854
Trade receivable financing	–	7,773,025	–	–	7,773,025
Financial assets included in prepayments, other receivables and other assets	–	–	–	319,807	319,807
Derivative financial instruments	451	–	–	–	451
Pledged deposits	–	–	–	1,583,861	1,583,861
Restricted bank deposits	–	–	–	317,177	317,177
Cash and cash equivalents	–	–	–	11,151,057	11,151,057
	83,960	7,773,025	1,620,969	67,795,112	77,273,066

Financial liabilities	Financial liabilities at fair value through profit or loss RMB' 000	Financial liabilities at amortised cost RMB' 000	Total RMB' 000
Trade and bills payables	–	45,222,321	45,222,321
Interest-bearing bank and other borrowings	–	64,692,802	64,692,802
Due to joint ventures and associates	–	1,308,349	1,308,349
Due to other related parties	–	79,286	79,286
Derivative financial instruments	8,559	–	8,559
Financial liabilities included in other payables and accruals	–	8,303,508	8,303,508
Other liabilities	18,855	1,376,631	1,395,486
	27,414	120,982,897	121,010,311

Notes to Financial Statements

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47. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of restricted bank deposits, cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to joint ventures and associates and amounts due from/to other related parties 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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

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

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

Notes to Financial Statements

31 December 2019

47. 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:

As at 31 December 2019

	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
Equity investments at fair value through other comprehensive income	1,922,304	–	–	1,922,304
Trade receivable financing	–	7,009,379	–	7,009,379
Other non-current financial assets	8,305	38,303	–	46,608
Derivative financial instruments	–	34,345	–	34,345
	1,930,609	7,082,027	–	9,012,636

As at 31 December 2018

	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
Equity investments at fair value through other comprehensive income	1,620,969	–	–	1,620,969
Trade receivable financing	–	7,773,025	–	7,773,025
Other non-current financial assets	6,702	76,807	–	83,509
Derivative financial instruments	–	451	–	451
	1,627,671	7,850,283	–	9,477,954

Notes to Financial Statements

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2019

	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
Other liabilities	–	18,855	–	18,855
Derivative financial instruments	–	34,307	–	34,307
	–	53,162	–	53,162

As at 31 December 2018

	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
Other liabilities	–	18,855	–	18,855
Derivative financial instruments	–	8,559	–	8,559
	–	27,414	–	27,414

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 (2018: Nil).

Notes to Financial Statements

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2019

	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 receivables	–	1,240,340	–	1,240,340

As at 31 December 2018

	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 receivables	–	2,134,405	–	2,134,405

Liabilities for which fair values are disclosed:

As at 31 December 2019

	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
Other liabilities	–	192,239	–	192,239
Interest-bearing bank and other borrowings	–	75,978,345	–	75,978,345
	–	76,170,584	–	76,170,584

As at 31 December 2018

	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
Other liabilities	–	1,376,631	–	1,376,631
Interest-bearing bank and other borrowings	–	64,692,802	–	64,692,802
	–	66,069,433	–	66,069,433

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivative financial instruments, comprise interest-bearing bank and other borrowings, restricted bank deposits, pledged deposits and cash and cash equivalents. 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 derivative financial instruments are set out in note 2.4 to the consolidated 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 2019, approximately 72% (2018: 73%) of the Group's interest-bearing bank and other borrowings bore interest at fixed rates.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
2019			
RMB	25	(22,858)	–
RMB	(25)	22,858	–
2018			
RMB	25	(5,364)	–
RMB	(25)	5,364	–

* Excluding retained profits and exchange fluctuation reserve

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue is predominately denominated 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 amounts incurred, so as to alleviate the impact on business due to exchange rate fluctuations.

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

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in owners' equity * RMB'000
2019			
If RMB weakens against US$	5	233,485	–
If RMB strengthens against US$	(5)	(233,485)	–
2018			
If RMB weakens against US$	5	131,205	–
If RMB strengthens against US$	(5)	(131,205)	–

* 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.

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Long-term receivables	–	–	–	1,264,256	1,264,256
Contract assets	–	–	–	7,061,365	7,061,365
Trade receivables*	–	–	1,331,858	40,366,102	41,697,960
Trade receivable financing	7,078,671	–	–	–	7,078,671
Financial assets included in prepayments, other receivables and other assets					
– Normal**	717,931	–	–	–	717,931
– Doubtful**	–	–	94,616	–	94,616
Due from joint ventures and associates*	–	–	–	5,239,809	5,239,809
Pledged deposits					
– Not yet past due	837,921	–	–	–	837,921
Restricted bank deposits	137,865	–	–	–	137,865
Cash and cash equivalents	11,674,297	–	–	–	11,674,297
Exposure on guarantees to finance leasing companies					
– Not yet past due	11,163,670	–	–	–	11,163,670
	31,610,355	–	1,426,474	53,931,532	86,968,361

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Long-term receivables	–	–	–	2,169,500	2,169,500
Contract assets	–	–	–	6,394,856	6,394,856
Trade receivables*	–	–	446,125	44,891,975	45,338,100
Trade receivable financing	7,837,083	–	–	–	7,837,083
Financial assets included in prepayments, other receivables and other assets					
– Normal**	320,398	–	–	–	320,398
– Doubtful**	–	–	143,174	–	143,174
Due from joint ventures and associates*	–	–	–	7,922,388	7,922,388
Due from other related parties*	–	–	–	228,327	228,327
Pledged deposits					
– Not yet past due	1,583,861	–	–	–	1,583,861
Restricted bank deposits	317,177	–	–	–	317,177
Cash and cash equivalents	11,151,057	–	–	–	11,151,057
Exposure on guarantees to finance leasing companies					
– Not yet past due	11,478,920	–	–	–	11,478,920
	32,688,496	–	589,299	61,607,046	94,884,841

* For trade receivables, amounts due from joint ventures and associates and amounts due from other related parties to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risk to funds shortage 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, lease liabilities 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 and other borrowings, lease liabilities 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

	2019					
	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	–	17,003,964	39,267,396	24,055,084	176,621	80,503,065
Lease liabilities	–	78,466	200,204	390,496	298,650	967,816
Trade and bills payables	560,429	25,808,925	8,971,308	–	–	35,340,662
Due to joint ventures	–	1,025,545	–	–	–	1,025,545
Due to other related parties	–	110,857	–	–	–	110,857
Financial liabilities included in other payables and accruals	1,083,449	2,403,659	2,464,497	–	–	5,951,605
Other liabilities	–	–	–	192,239	18,855	211,094
	1,643,878	46,431,416	50,903,405	24,637,819	494,126	124,110,644
Financial guarantees issued						
Maximum amount guaranteed	11,163,670	–	–	–	–	11,163,670

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Financial liabilities (continued)

	2018					
	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	–	13,849,174	38,518,364	15,125,141	92,450	67,585,129
Trade and bills payables	1,196,741	32,087,999	12,998,147	–	–	46,282,887
Due to joint ventures	–	1,308,349	–	–	–	1,308,349
Due to other related parties	–	79,286	–	–	–	79,286
Other payables	956,176	4,542,019	2,742,531	–	–	8,240,726
	2,152,917	51,866,827	54,259,042	15,125,141	92,450	123,496,377
Financial guarantees issued						
Maximum amount guaranteed	11,478,920	–	–	–	–	11,478,920

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 2019 and 31 December 2018.

Notes to Financial Statements

31 December 2019

48. Financial risk management objectives and policies (continued)

Capital management (continued)

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

	31 December 2019 RMB'000	1 January 2019 RMB'000 (note)	31 December 2018 RMB'000
Interest-bearing bank and other borrowings	**75,978,345**	64,692,802	64,692,802
Lease liabilities	**767,720**	569,077	–
Less: Cash and cash equivalents	**(11,674,297)**	(11,151,057)	(11,151,057)
Net debt	**65,071,768**	54,110,822	53,541,745
Equity attributable to owners of the parent*	**52,367,697**	51,302,489	51,302,489
Gearing ratio	**124%**	105%	104%

* Equity attributable to owners of the parent excluded the amount of perpetual loans of RMB4,394,592,000 (2018: RMB3,895,800,000).

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's gearing ratio increased from 104% to 105% on 1 January 2019 when compared with the position as at 31 December 2018.

49. Dividends

	2019 RMB'000	2018 RMB'000
Proposed final RMB0.06 (2018: RMB0.204) per ordinary share	**163,689**	556,541
	163,689	556,541

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

Notes to Financial Statements

31 December 2019

50. Transfers of financial assets

Financial assets that are not derecognised in their entirety

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB9,348,000(2018: RMB26,425,000) to certain of its suppliers in order to settle trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the 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 RMB9,348,000 (2018: RMB26,425,000) as at 31 December 2019.

Financial assets that are derecognised in their entirety

In 2019, the Group conducted certain bill discounting with several banks in China (the "Discounted Bills") with a carrying amount of RMB4,287,360,000 (31 December 2018: RMB340,369,000). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Discounted Bills at the time of discounting, which meets the conditions of derecognition of financial assets, and therefore fully derecognised the Discounted Bills at their carrying amount on the discounting date. However, the Group continue to be exposed to the risks of repurchasing such bills at their carrying amount since the banks are entitled to recourse against the Group if the bills are rejected by the acceptors when falling due ("Continuing Involvement"). In the opinion of the directors, the fair value of the Continuing Involvement is insignificant. During the year, the Group did not recognise any profit or loss from the transfer of Discounted Bills or from the Continuing Involvement.

At 31 December 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle trade payables due to these suppliers with a carrying amount of RMB6,673,147,000 (31 December 2018: RMB8,787,232,000). 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 guarantor 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, the Group 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 is 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 2019, the Group has not recognised any gain or loss from the transfer of the Derecognised Bills or the Continuing Involvement.

In the ordinary course of business, the Group has factored a small amount of receivables measured at amortised cost to financial institutions without recourse for its short-term financing needs, and has entered into non-recourse receivables factoring agreements with a number of banks to transfer certain receivables to those banks (the "Factored Receivables"). Under certain receivable factoring agreements, the Group is not required to undertake default risks and the delayed repayment risk from the debtors after the transfer of the Factored Receivables, and all risks and rewards relating to the Factored Receivables are transferred. The condition of derecognition of financial assets is met. Therefore, the Group derecognised the Factored Receivables at their carrying amounts. As at 31 December 2019, the carrying amount of transferred Factored Receivables amounted to RMB14,120,159,000 (31 December 2018: RMB13,240,987,000), and the loss relating to derecognition amounted to RMB519,134,000 (31 December 2018: RMB361,765,000).

During the year ended 31 December 2019, the Group has an enforceable legal right to offset the recognised amounts of trade receivables and trade payables and the Group has an intention to settle on a net basis. The aggregate carrying amount of the trade receivables and trade payables offset was RMB3,508,810,000 as at 31 December 2019 (31 December 2018: RMB7,707,940,000).

Notes to Financial Statements

31 December 2019

51. Events after the reporting period

(1) The 2019 proposed profit distribution plan was approved at the 37th Meeting of the Sixth Session of the Board of the Company dated 21 April 2020. Based on the total share capital of 2,728,142,855 shares as at 21 April 2020, a cash dividend of RMB163,689,000 (i.e. a cash dividend of RMB0.06 per share (tax inclusive)) will be distributed. The dividend distribution plan is subject to consideration and approval of the Company's shareholders at the forthcoming annual general meeting.

(2) The Resolution on Increasing the Share Capital of Joint Venture Shenzhen Denza New Energy Automotive Co., Ltd. 《關於擬對參股公司深圳騰勢新能源汽車有限公司增資的議案》 was considered and passed at the 34th Meeting of the Sixth Session of the Board held on 21 January 2020, pursuant to which the increase of RMB350 million in the share capital of DENZA, a joint venture of the Company, by BYD Auto Industry, a subsidiary of the Company, to be entirely used as registered capital was approved. Upon the increase in the share capital of DENZA by BYD Auto Industry, shareholdings in DENZA by the Company through BYD Auto Industry maintained at 50%.

(3) The Company was permitted to publicly offer corporate bonds with a total par value not exceeding RMB10 billion ("Bonds Offer") to qualified investors as approved by the file "ZJXK [2020] No.58" from China Securities Regulatory Commission. The Bonds Offer would be issued in tranches. The corporate bonds publicly offered to qualified investors by BYD Company Limited (the first tranche) (epidemic control and prevention bond) in 2020 were the first tranche of issuance. The issuance will be completed on 23 April 2020, the issue price is RMB100 each, and the issuance size is RMB2 billion.

(4) Since the breakout of the COVID-19 in January 2020, the production and operation of certain business segments of the Group was delayed, and most of the subsidiaries of the Group has fully implemented the pandemic prevention and control measures deployed by Chinese government. As the breakout in mainland China has gradually been under control and guided by the policy of "resumption of labor and production" from local governments, the production and operation of the Group's business segments have basically gone to normal as at the date of this report. However, affected by the breakout, the Group's sales volume of new energy automobiles decreased significantly as compared to the same period of the previous year, which affects the results of the Group in the first quarter of 2021.

However, given the breakout is currently spreading rapidly across the world, the Company will continue to give close attention to the development of COVID-19, and make assessment and active response to its impact on the financial position, operating results and other aspects of the Company.

52. Comparative amounts

The presentation of certain items and balances in the financial statements have been revised and certain comparative amounts have been reclassified and restated to conform with the current year's presentation.

Notes to Financial Statements

31 December 2019

53. Statement of financial position of the Company

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

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,262,490	1,416,220
Investment properties	58,778	60,387
Investments in subsidiaries	17,904,535	17,770,045
Investments in joint ventures	1,571,400	1,598,000
Investments in associates	533,478	533,478
Prepaid land lease payments	–	22,161
Other intangible assets	194,898	156,238
Non-current prepayments	29,706	18,124
Right-of-use assets	41,820	–
Equity investments at fair value through other comprehensive income	1,922,304	1,620,969
Other non-current financial assets	1,503	1,503
Total non-current assets	23,520,912	23,197,125
CURRENT ASSETS		
Inventories	77,006	89,017
Trade receivables	173,862	187,731
Trade receivable financing	273,796	–
Prepayments, other receivables and other assets	538,475	713,633
Due from subsidiaries	42,082,231	35,570,162
Due from joint ventures	276,634	284,709
Restricted bank deposits	26,640	–
Cash and cash equivalents	1,783,033	595,227
Total current assets	45,231,677	37,440,479

Notes to Financial Statements

31 December 2019

53. Statement of financial position of the Company (continued)

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

	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	2,714,960	2,657,235
Other payables	2,351,768	544,066
Lease liabilities	16,563	–
Contract liabilities	72,924	48,764
Interest-bearing bank and other borrowings	15,836,939	17,098,884
Due to joint ventures	162,286	32,399
Due to subsidiaries	4,934,911	2,354,130
Tax payable	1,425	1,425
Total current liabilities	26,091,776	22,736,903
NET CURRENT ASSETS	19,139,901	14,703,576
TOTAL ASSETS LESS CURRENT LIABILITIES	42,660,813	37,900,701
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	14,598,055	9,956,777
Lease liabilities	6,648	–
Deferred tax liabilities	63,644	–
Deferred income	12,152	12,152
Total non-current liabilities	14,680,499	9,968,929
Net assets	27,980,314	27,931,772
EQUITY		
Equity attributable to owners of the parent		
Share capital	2,728,143	2,728,143
Reserves	20,857,579	21,307,829
Perpetual loans	4,394,592	3,895,800
	27,980,314	27,931,772

Notes to Financial Statements

31 December 2019

53. Statement of financial position of the Company (continued)

Note:

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

	Share premium account RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Perpetual loans RMB'000	Total RMB'000
At 1 January 2018	19,980,490	(225,407)	1,393,452	649,836	1,487,091	3,795,800	27,181,262
Profit for the year	–	–	–	–	84,150	–	84,150
Other comprehensive loss for the year:							
Change in fair value of trade receivable financing	–	–	(515)	–	–	–	(515)
Change in fair value of equity investments at fair value through other comprehensive income	–	–	(1,438,200)	–	–	–	(1,438,200)
Total comprehensive loss for the year	–	–	(1,438,715)	–	84,150	–	(1,354,565)
Perpetual loan interest (note 12)	–	–	–	–	(238,400)	–	(238,400)
Final 2017 dividend paid	–	–	–	–	(384,668)	–	(384,668)
Appropriate to statutory surplus reserve fund	–	–	–	26,783	(26,783)	–	–
At 31 December 2018	19,980,490	(225,407)	(45,263)	676,619	921,390	3,895,800	25,203,629
At 1 January 2019	19,980,490	(225,407)	(45,263)	676,619	921,390	3,895,800	25,203,629
Profit for the year	–	–	–	–	112,607	–	112,607
Other comprehensive income/(loss) for the year:							
Change in fair value of trade receivable financing	–	–	(2,619)	–	–	–	(2,619)
Change in fair value of equity investments at fair value through other comprehensive income	–	–	237,691	–	–	–	237,691
Total comprehensive income for the year	–	–	235,072	–	112,607	–	347,679
Issue of perpetual loans	–	–	–	–	–	498,792	498,792
Perpetual loan interest (note 12)	–	–	–	–	(241,388)	–	(241,388)
Final 2018 dividend paid	–	–	–	–	(556,541)	–	(556,541)
Appropriation to statutory surplus reserve fund	–	–	–	26,783	(26,783)	–	–
At 31 December 2019	19,980,490	(225,407)	189,809	703,402	209,285	4,394,592	25,252,171

54. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 21 April 2020.

Five Year Financial Summary

As 31 December 2019

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.

	2019 RMB'000	2018 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000	2015 RMB'000
REVENUE	**121,778,117**	121,790,925	102,650,614	100,207,703	77,611,985
Cost of sales	**(103,702,124)**	(103,724,161)	(84,715,540)	(81,189,440)	(65,752,741)
Gross profit	**18,075,993**	18,066,764	17,935,074	19,018,263	11,859,244
Other income and gains	**1,974,950**	2,137,163	1,153,210	926,216	1,991,326
Government grants and subsidies	**1,707,657**	2,332,863	1,275,807	710,939	581,177
Selling and distribution costs	**(4,345,897)**	(4,729,481)	(4,925,288)	(4,196,339)	(2,867,992)
Research and development costs	**(5,629,372)**	(4,989,360)	(3,739,491)	(3,171,694)	(1,998,499)
Administrative expenses	**(4,232,316)**	(3,826,379)	(3,047,734)	(3,690,339)	(3,428,963)
Impairment losses on financial and contract assets	**(477,031)**	(332,080)	N/A	N/A	N/A
Loss on disposal of financial assets measured at amortised cost	**(519,134)**	(361,765)	N/A	N/A	N/A
Other expenses	**(213,536)**	(568,610)	(463,645)	(629,203)	(581,505)
Finance costs	**(3,487,407)**	(3,118,751)	(2,342,770)	(1,799,609)	(1,517,003)
Share of profits and losses of:					
Joint ventures	**(435,311)**	(277,602)	(270,959)	(619,528)	(245,802)
Associates	**12,535**	52,878	46,437	19,704	3,003
PROFIT BEFORE TAX	**2,431,131**	4,385,640	5,620,641	6,568,410	3,794,986
Income tax expense	**(312,274)**	(829,447)	(703,705)	(1,088,398)	(656,790)
PROFIT FOR THE YEAR	**2,118,857**	3,556,193	4,916,936	5,480,012	3,138,196
Attributable to:					
Equity holders of the parent	**1,614,450**	2,780,194	4,066,478	5,052,154	2,823,441
Minority interests	**504,407**	775,999	850,458	427,858	314,755
	2,118,857	3,556,193	4,916,936	5,480,012	3,138,196
TOTAL ASSETS	**195,641,593**	194,571,077	178,099,430	145,070,778	115,485,755
TOTAL LIABILITIES	**(133,040,173)**	(133,877,098)	(118,141,943)	(89,661,415)	(79,456,514)
NON-CONTROLLING INTERESTS	**(5,839,131)**	(5,495,690)	(4,953,293)	(4,153,434)	(3,734,837)
NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)	**56,762,289**	55,198,289	55,004,194	51,255,929	32,294,404

比亞迪股份有限公司
BYD COMPANY LIMITED