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

DREAM THE FUTURE

2018 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 Samsung, Huawei, 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 handset manufacturers such as Samsung and Huawei, as well as global electric power tools and other portable electronic equipment manufacturers such as Bosch and Cooper. Lithium-ion and nickel batteries produced by the Group are widely applied in handsets, digital cameras, power tools, electric toys and other portable electronic devices and electric 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」;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三星、華為、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、華為等手機領導廠商,以及博世、庫柏等全球性的電動工具及其他便攜式電子設備廠商。本集團生產的鋰離子電池及鎳電池廣泛應用於手機、數碼相機、電動工具、電動玩具等各種便攜式電子設備和電動產品。

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				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	121,790,925	102,650,614	100,207,703	77,611,985	55,366,384
Gross profit	18,066,764	17,935,074	19,018,263	11,859,244	7,623,458
Gross profit margin (%)	15	17	19	15	14
Profit attributable to equity holders of the parent	2,780,194	4,066,478	5,052,154	2,823,441	433,525
Net profit margin (%)	2.3	4.0	5.0	3.6	0.8

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net assets (less minority interests)	55,198,289	55,004,194	51,255,929	32,294,404	25,365,597
Total assets	194,571,077	178,099,430	145,070,778	115,485,755	94,008,855
Gearing ratio (%) (Note)	104	93	74	109	103
Current ratio (times)	0.99	0.98	1.00	0.82	0.77
Receivables turnover (days) (Note)	189	192	132	116	118
Inventory turnover (days)	82	81	76	73	71

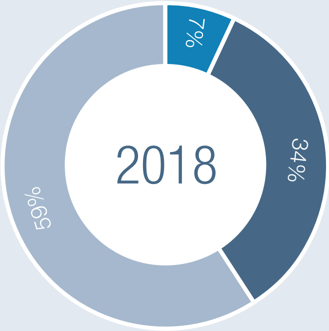
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

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

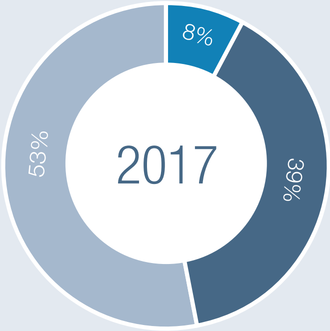
Financial Highlights

Revenue Breakdown by Product Categories

- Rechargeable Battery and Photovoltaic
- Handset components and Assembly Services
- Automobiles and related products



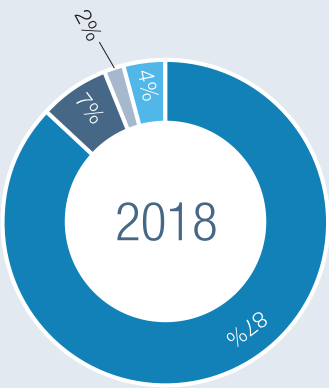
2018



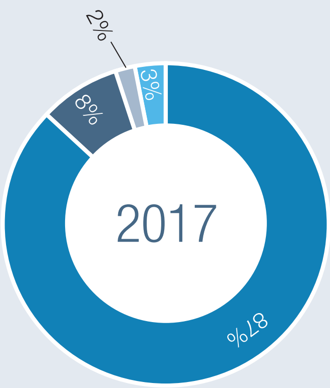
2017

Revenue Breakdown by Locations of Customers

- PRC (including Hong Kong, Macau and Taiwan)
- Asia Pacific (excluding PRC)
- U.S.A.
- Others



2018



2017

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

Authorized Representatives
Wang Chuan-fu
Li Qian

Legal Address
No. 1, Yan' an Road
Kuichong Street
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 2018 (the "Year").

In 2018, although impacted by global economic volatility, GDP growth target set in the beginning of the year was fulfilled with a hike of 6.6%. During the Year, affected by factors such as international trade friction, slowing macroeconomic growth and reduction in tax incentives for new energy vehicle buyers, the automobile industry faced greater pressure.

During the Year, sales volume of automobiles in China was approximately 28,080,000 units, down by 2.8% year-on-year, but new energy vehicles continued to maintain rapid growth with sales volume increasing by 61.7% to 1,256,000 units during the year, continuing to lead the global market. However, the change in subsidy policy for the new energy vehicle industry has to a certain extent affected the profitability of the industry.

During the Year, the brand new model of the Dynasty series was very well received by the market, leading to rapid growth in the Group's new energy vehicle business.

For the year ended 31 December 2018, revenue of the Group increased by 18.65% to RMB121,791 million. Profit attributable to owners of the parent was RMB2,780 million, representing a decrease of 31.63%. Earnings per share were RMB0.93. The Board recommended the payment of final dividends of RMB0.204 per share (tax inclusive).

During the Year, BYD continued to take forward the new energy vehicle business, and reinforced its leading position in the global new energy vehicle market. In 2018, the Group's Dynasty series launched during the year was well-received by the market and the sales volume continued to be high, driving the continued growth in the Group's new energy vehicle business. The sales volume doubled during the Year. It ranked first in the global market in terms of sales volume for four consecutive years. In respect of commercial vehicles, BYD continued to focus on expanding the application of its new energy vehicles in the field of special use vehicles and was committed to achieving full market coverage of BYD new energy vehicles. In respect of passenger vehicles, BYD's plug-in hybrid vehicle still maintained its market-leading position and accounted for a 41% market share in the plug-in hybrid passenger vehicle market. Meanwhile, the five vehicle models "Qin DM", "Song DM", "e5", "Tang DM" and "Yuan EV" all rose to the top ten places in China in terms of sales volume of new energy vehicles for 2018. In addition, the Group released its self-developed IGBT4.0 technology during the Year, and in terms of several key technological indicators, the performance of products using this technology has already surpassed those of mainstream products in the market, which disrupted overseas enterprises' technological monopoly and facilitated the healthy and rapid development of domestic electric vehicles.

Regarding traditional automobiles, the Group's fuel vehicle business has developed steadily, while introducing a number of Dynasty replacement models. Sales volume during the Year increased to approximately 254,000 units, up by 3.7% year-on-year. "Song Max", the Group's first model that applies the Dragon Face design, continued to be highly sought-after in the market and became one of the best-selling MPV models in 2018. The Dynasty series is set to become a new growth driver of the Group's traditional automobile business in the future.

In 2018, the Group continued to explore urban rail transportation solutions and receive numerous orders at home and abroad during the Year. It is expected that the business will create new growth opportunities for the Group in the future.

The Group actively opened up its supply and distribution system and set up a joint venture with Faurecia during the Year to outsource the seat business in order to focus on its core businesses. In addition, the Group signed a strategic cooperation agreement with Chang'an Automobile to propose the establishment of a joint venture in the battery business sector and expedite the external sales of power battery, marking an important step in opening up the supply and distribution system, thereby strengthening its leading position in the industry.

Chairman's Statement

For the handset component and assembly business, as a leading global provider of intelligent product solutions and capitalising on its advantages in operation scale, technology and cost, the Group continued to improve its competitiveness in handset components and assembly business. BYD continued to provide products, such as metal casings and metal middle frames, to major leading handset manufacturers around the world during the Year, maintained steady growth in revenue. With the application of 5G technology just around the corner, market demand for materials that are not easily affected by electromagnetic interference, such as 3D glass, ceramics and plastics as well as other materials, has been gradually increasing. The Group grasped the market opportunity and executed comprehensive plans. As a result, the Group received a number of orders for glass products from its major customers and its business achieved rapid growth during the Year. Moreover, the ceramics and composite materials business of the Group has made positive progress during the Year.

In respect of the rechargeable battery and photovoltaic business, the traditional battery business of the Group grew steadily and its market share further expanded during the Year. However, after the issue of the 2018 Notice on Matters Relating to Photovoltaic Power Generation (《關於二零一八年光伏發電有關事項的通知》), the operation of photovoltaic business faced greater pressure as there was a significant reduction in industry demand, coupled with fierce market competition.

Looking ahead, 2019 will be a year of comprehensive growth for BYD. The Group is confident of the steady development of its various businesses. For the automobile business, the Group will continue to pursue product optimisation and upgrade, enhance its research and development innovation capabilities, and gradually promote its brand influence and reputation. It is expected that the newly released vehicle models will further contribute to the increase in sales volume for the Group and bring about a new product cycle, hence improving its competitiveness in the vehicle business. In addition, future adjustment to subsidy policies will accelerate the process of selecting the superior and eliminating the inferior, and increase concentration of quality resources in the hands of industry leading enterprises, which in turn will continue to increase the market share of leading manufacturers.

For the handset component and assembly business, the Group will continue to push forward with the development of its metal parts and glass casing business and seek more business from new customers at home and abroad in order to attain a more diverse customer base. Meanwhile, the Group will seize industry opportunities and continue to expand into the field of intelligent products, as well as secure more orders from major customers so as to achieve continuous growth of the business revenue and generate more income for the Group.

For the rechargeable batteries and photovoltaic business, the Group believes that the "Grid Parity" photovoltaic power generation policy will speed up the growth of the business and set the stage for the recovery of the industry in the coming year. The Group will firmly grasp market opportunities and further control costs.

Going forward, the new energy vehicles, and urban railway transportation business will continue to be the key strategic development directions of the Group. The Group will adhere to the promotion of low-carbon environmentally-friendly new energy vehicles and provide cities with a comprehensive solution to address problems ranging from air pollution to traffic congestion. The Group is committed to solving the problems of air pollution and traffic congestion in cities and boost the development of intelligent transport system in cities while achieving long-term healthy growth for the Group.

In light of the recent development, BYD will continue to actively reform its operating strategies, seek out suitable cooperation opportunities, lessen the burden of management, focus on core businesses and enhance internal operating efficiency. In addition, the Group will continue to strengthen its research and development and innovation capabilities, strive to continuously enhance the core competitiveness of the brand and achieve the long-term prosperity and business growth of the Group.

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, 27 March 2019


Dream Together to
Build A New Future

Management Discussion and Analysis

Industry Analysis and Review

Automobiles Business

In 2018, the pace of global economy expansion weakened. While China's economy was somewhat affected by such adverse factors as the China-US trade disputes, financial deleveraging, credit tightening and slowing liquidity, its economic growth stayed in a reasonable range, with a GDP growth rate of 6.6%.

According to the statistics from China Association of Automobile Manufacturers, in 2018, the production and sales volume of automobiles in China amounted to 27,809,000 units and 28,081,000 units, respectively, down 4.2% and 2.8% year-on-year, with the sales volume of the automobile industry reporting a negative growth for the first time in 28 years. During the Year, the new energy vehicle sector bucked the downward trend in the industry, recording production and sales volume of 1,270,000 units and 1,256,000 units respectively, up 59.9% and 61.7% year-on-year, delivering a stunning growth.

During the Year, the entry threshold to policies on financial subsidies for new energy vehicles in China was further raised to promote the long-term healthy development of the new energy vehicle industry. The implementation of the "Notice on Adjusting and Improving the Policy of Financial Subsidy for the Promotion and Application of New Energy Vehicles (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》)", which was jointly issued by the four Ministries and Commissions, on 12 February 2018 reduced the subsidiary on new energy vehicles in phases and imposed certain pressure on the profitability of the relevant companies in the industry; however, as the government supported the development of outstanding enterprises with its subsidy policies by raising the technical parameters which will increase concentration of resources in the hands of the industry leaders. The central government's promotion of technological upgrade through supporting excellent and strong industry players will be conducive to the high-quality development of the new energy vehicle industry. In addition, with the superior performance of new energy vehicles, their sales volume in the cities with no vehicle purchase limits has been increasing, indicating that its reliance on polices is decreasing and that the development of the new energy vehicle industry is gradually shifting from policy-driven to market-driven.

Management Discussion and Analysis

Handset Components and Assembly Business

According to the statistical data from IDC (a market research institution), the global smartphone shipments reached 1.4 billion units in 2018, down by 4.1% year-on-year, and according to the latest data released by the China Academy of Information and Communications Technology* (中國信息通信研究院), the handset shipments in China amounted to 414 million units in 2018, down by 15.6% year-on-year.

As the smartphone market is becoming saturated, coupled with the increasingly competitive market, the global smartphone competition has entered a new stage. Meanwhile, consumers' growing demand for quality products has urged the domestic and foreign handset manufacturers to focus on external design and material selection so as to achieve differentiation, thereby increasing their competitiveness. During the Year, as the application of metal parts continued to increase, the glass casings gradually became one of the mainstream designs of mid-to-high-end models, and demands for ceramics and new composite materials also increased, giving more alternatives to the consumers.

Rechargeable Batteries and Photovoltaic Business

In the field of rechargeable batteries and photovoltaic business, the Group's traditional battery business grew rapidly during the Year with its market share continuing to increase. During the Year, the global photovoltaic market was affected by the policies of a number of countries and thus growing slowly as a whole. In particular after the issue of a new photovoltaic policy in China on 31 May 2018, the industry demand has been significantly weakened, and companies are generally facing greater operational pressure. According to the data released by the National Energy Administration, China recorded an additional photovoltaic installed capacity of approximately 43 GW in 2018, down by 18% year-on-year.

Business Review

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the automobile business including the manufacture and sales of new energy vehicles and traditional fuel vehicles, the handset components

and assembly business, the rechargeable batteries and photovoltaic business while actively expanding its urban rail transportation business. During the Year, the Group recorded a total revenue of approximately RMB121,791 million, representing a year-on-year increase of 18.65%, among which, the revenue from the automobile business and related products amounted to approximately RMB71,769 million, representing a year-on-year increase of 31.68%; the revenue from the handset components and assembly business amounted to approximately RMB41,341 million, representing a year-on-year increase of 4.11%; the revenue from the rechargeable batteries and photovoltaic business

Management Discussion and Analysis

amounted to approximately RMB8,681 million, representing a year-on-year increase of 2.83%. These three business segments accounted for 58.93%, 33.94% and 7.13% of the Group's total revenue, respectively. During the Year, the revenue from the new energy automobile business amounted to approximately RMB51,450 million, representing a year-on-year increase of 33.48%, with its share in the Group's total revenue further increasing to 42.24%.

Automobile Business

In light of the flourishing new energy vehicle market, BYD actively capitalised on the industry opportunities and increased its investment in research and development, while upgrading its technologies and continuously launching new products, striving to promote the long-term healthy development of its new energy vehicle business. Despite the reduction in subsidy, the Group's new energy vehicle business continued to grow rapidly during the Year, with the sales volume of its new energy vehicles doubling and market share rocketing. According to data of CAAM, BYD ranked number one again in terms of sales volume in the global new energy vehicle sector in 2018, and has won the champion title of the global new energy vehicle sales for four consecutive years. The Group's industry-leading position was further consolidated and its brand influence was further enhanced.

2018 marks the beginning of BYD's new product cycle, starting a new round of vehicle launch. Vehicle models including the "Yuan EV360" and the new generation of "Tang DM", the new model of "Song" and "Qin Pro" launched by the Group in the May to September period continued with the "Dragon Face" family design. With greatly enhanced product appeal all models were well-received by consumers and recorded record-breaking sales. Among them, the new "Tang DM" model incorporated new exterior and interior decoration designs, and the overall product performance of which was enhanced. The model won unanimous praise in the market upon being introduced, and has immediately became the best-selling plug-in hybrid vehicle in China. Moreover, Qin Pro, as the world's first vehicle model equipped with "BYD D++ Open Ecology", runs on the platform of DiLink intelligent networking system, which, with the OTA smart remote upgrade, can enable unlimited possibilities of in-car applications, making itself a new AI specie with self-evolving ability. During the Year, the new generation of "Tang DM", "Song DM" and "Qin DM" of BYD ranked top three in terms of sales in the plug-in hybrid vehicles market in China, along with "e5" and "Yuan EV" ranking top ten in terms of new energy vehicles sales in China, which further consolidated BYD's leading position in the new energy vehicle industry.

In terms of pure electric buses, with its established reputation and influence in domestic and overseas markets, BYD will continue to promote the process of Electrification of Public Transportation in cities both at home and aboard. Domestically speaking, the Group has achieved major breakthrough in market expansion in regions such as Guangzhou, winning a great number of orders. BYD's pure electric buses have been put into operation in tier 1 and 2 cities such as Beijing, Guangzhou, Shenzhen, Tianjin, Hangzhou, Nanjing, Changsha and Xi'an to proactively push forward with the development of "Electrification of Public Transportation". In overseas markets, BYD has also received orders from all around the world, including France, Chile, Hungary, Denmark, Germany and Canada during the Year. At present, the pure electric buses manufactured by BYD are serving their passengers in more than 300 cities of 50 plus countries and regions on 6 continents.

Management Discussion and Analysis

During the Year, BYD's first highly "modulised" 12 meter pure electric bus model in China was launched globally, equipped with cutting-edge technologies such as the "intelligent monitoring and diagnosis system", "intelligent battery thermal management system" and the "intelligent power distribution management system" and achieving major breakthroughs in terms of vehicle-modulisation and weight-reduction. While greatly enhanced the comprehensive performance of vehicle, these technologies not only enable reduction of energy consumption but save operational costs. BYD has maintained its leading position in the pure electric bus sector, and is a world leader in the new energy bus development industry.

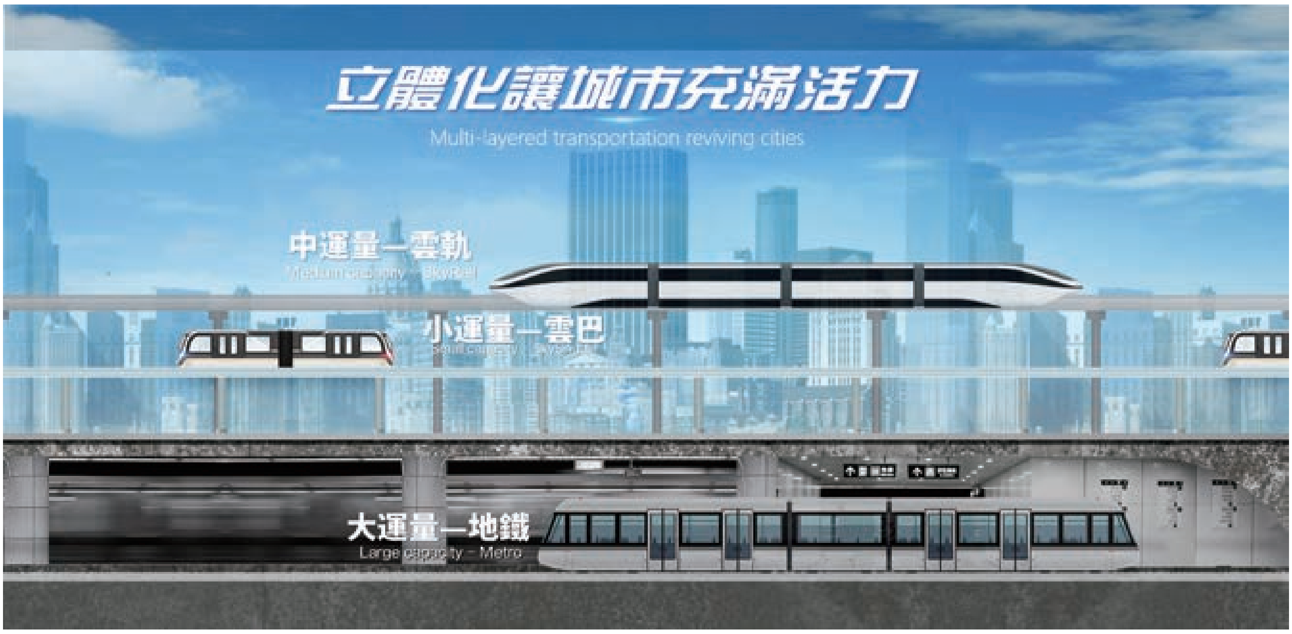
Under the "7+4" strategic planning, the Group constantly explores the potential application and coverage of new energy vehicles in the commercial field, with an emphasis on expanding into the special use vehicle sector and striving for full-market coverage of new energy vehicles. During the year, large-scale demonstrative operation of the first batch of BYD T10ZT pure electric dump trucks commenced in Shenzhen, serving as a proof that BYD seized the high ground in the pure electric heavy dump truck business which has high barrier to entry in relation to technology. It could resolve the bottleneck in the development of muck transportation business, and brings about new opportunities for the green urban transportation. As a key part of the "7+4" strategic planning, BYD's forklift truck has rapidly penetrated into various niche markets during the Year, and successfully entered into a number of overseas markets including Germany, the US, Brazil and Japan. The Group also debuted its unpiloted pure electric forklift truck that was jointly developed with an engineering giant in Asia, ST Engineering, during the Year, further promoting the application of new energy vehicles in the special use vehicle business.

On the other hand, BYD launched the IGBT4.0 technology which is a significant benchmark in the Automotive Grade field. The technology acts as a strong "China Chip", helping the automotive industry blaze a trail and succeed in its venture. As the only automobile enterprise in China with a comprehensive industry value chain of Insulated Gate Bipolar Transistor (IGBT), BYD continuously devoted itself to self-development and innovation of core electric vehicle technology such as IGBT. As a result, it has fully grasped aspects including the design and manufacture of IGBT chips, module encapsulating, testing and application platform for high-voltage equipment, breaking up overseas enterprises' technological monopoly and contributed to the acceleration of development of electric vehicles in China.

While strengthening its foothold in the new energy vehicle market, the Group also continued to promote the development of traditional fuel vehicle business. During the Year, the Group sold more than 254,000 units of traditional fuel vehicles, representing a year-on-year increase of 3.7%. The Dynasty series was very well-received by the market, among which the fuel version of "Tang" and "Song" were continuously the best sellers with a remarkable increase in the selling prices. As the first car model with the "Dragon Face" family design, "Song MAX", capitalising on its appearance and relatively higher performance, remained to be one of the best-selling MPV in China. Sales volume during the Year was approximately 100,000 units. The Group continued to improve its product planning, and launched a new generation of "Song" and "Qin Pro" in fuel vehicle version, which are equipped with the DiLink intelligent networking system featuring Di Platform, Di Cloud, Di Ecology and Di Open, providing users with the authentic intelligent travelling experience and becoming a new driving force for the Group's fuel vehicle business.

During the Year, the Group had been actively adjusting its operational strategy and speeding up the opening of the supply and distribution system. During the Year, the Group has entered into a strategic cooperation with Faurecia Group, one of the world's top three auto parts technology companies. A joint venture was set up to outsource the Group's seat business, so as to give full play to the technological and platform advantages of both parties and promote the quality enhancement and costs control of the Group's seat business, while at the same time enabling the Group to focus resources on its core businesses and promote efficient development of its automotive business. On the other hand, BYD accelerated the pace of its planned power batteries supply through signing a strategic cooperation agreement as well as a power battery joint venture and cooperation framework agreement with Chang'an Automobile, and will establish a joint venture engaging in the production of batteries with an annual production volume of 10GWH, providing power batteries for Chang'an Automobile. In addition, the Group's strategic cooperation with other manufacturers also made favourable progress. The relevant strategic cooperation marked an important step of the Group's supply of power batteries to external party and a significant breakthrough in the course of opening-up of the supply and distribution system. It was of great strategic significance to the power battery business and the long-term development of the Group.

Management Discussion and Analysis



Concerning the urban rail transportation sector, the Group stepped up its effort in planning the layout and achieved a good progress. As one of the low-cost solutions to urban rail transportation, "Skyrail" and "Skybus" boast significant market demands. Since the launch of straddle monorail "Skyrail" in 2016, the Group has successively received orders from numerous cities in domestic and overseas markets. The first commercially operated Skyrail line was also opened to traffic in September 2017 in Yinchuan. During the Year, the Group actively procured the expansion of its "Skybus" business and achieved favourable progress in that regard. In the future, the commencement of more projects in domestic and overseas markets in relevant business is expected to bring new growth potential for the Group.

Handset Components and Assembly Business

As one of leading handset components and assembly service providers in the world, BYD provides complete device design, component manufacturing and complete device assembly services for both domestic and overseas handset brands as well as and other mobile intelligent terminal manufacturers. In 2018, the revenue from the handset components and assembly business of the Group amounted to approximately RMB41,341 million, representing a year-on-year increase of approximately 4.11%.

During the Year, benefiting from the close cooperation between the Group and major domestic and international handset manufacturers, the Group continued to receive orders for a number of high-end flagship models, which has effectively reinforced its leading position in the field of metal parts. The intense competition in the industry led to a relatively lower profitability for the metal component business, which had a substantial effect on the Group's profits as a whole.

The Group has been keeping up with market demands by researching and developing new materials and improving its manufacturing process in response of the upgrade in consumption structure and advancement of 5G application, so as to provide the market with a more diverse product solution plan. Glass casing is gradually becoming one of the mainstream design features for high-end smartphones due to its aesthetically-pleasing design, lightness and thinness, thereby driving the rapid growth of the Group's glass business. During the Year, the Group stepped up its efforts to expand its glass business, actively researched and developed technologies and increased production capacity in an attempt to lay the groundwork for future growth.

During the Year, the Group closely followed the market changes and actively expanded its scope of business in relation to automotive electronics, intelligent equipment, Internet of things, and stepped up its efforts in planning the layout in the above-mentioned areas, in order to seize new business opportunities in the electronics industry.

Rechargeable Batteries and Photovoltaic Business

The Group's rechargeable batteries include lithium-ion batteries and nickel batteries, which are widely used in portable electronic devices, including handsets, digital cameras, and intelligent devices. In addition, the Group has also been actively developing energy storage batteries and solar cell products for application in storage power stations and photovoltaic power plants. During the Year, the Group's battery business grew rapidly with its market share constantly expanding while its photovoltaic business rendered a relatively weak performance and remained unprofitable generally. In 2018, the Group's rechargeable batteries and photovoltaic business recorded a revenue of approximately RMB8,681 million, representing a year-on-year increase of 2.83%.

Management Discussion and Analysis

Prospect and Strategy

Looking ahead to 2019, the international environment will remain complex and challenging, while global economy will likely to face downward pressure. Domestically, we are expected to see some fine adjustments to the macro policies, but proactive fiscal policies and stable monetary policies will render strong support for the macro-economy. China's economic transformation is progressing steadily, and the domestic economy is expected to maintain stable growth. The continual optimization of industry structure will bring more development opportunities for emerging industries such as the new energy vehicle industry.

Automobiles Business

As a world leader in the new energy vehicles field, BYD will continue to seize the historic opportunities brought about by the rapid growth in the global new energy vehicle industry to strengthen technology R&D and innovation while expanding its production capacity. Meanwhile, it will meet the rapidly growing market demand by integrating quality resources, focusing on its business strength, enhancing product competitiveness as well as speeding up the development and launch of new car models.

In terms of new energy vehicle policy, subsidies in 2019 will continue to decline, and the process of selecting the superior and eliminating the weaker players in the industry will be accelerated, which in turn will increase the concentration flow of resources in the hands of industry leaders. As such, the Group will strengthen cost control and use brand premiums to offset the impacts on its profitability as a result of shrinking subsidies.

In addition, in the face of the increasingly competitive new energy vehicle market, the Group will continue to make adjustments to its strategies and focus on product upgrades to drive the fast growth of new energy vehicle business. The Group will launch a new generation of vehicle models during the Year, including the new generation of "Yuan EV". "Tang EV" and "Song MAX" DM. Among which, presale of the new generation of "Tang EV" and "Yuan EV535" has commenced and is expected to contribute considerable sales volume to the Group. With the launch of new models, the Group's new energy vehicle product line will be fully upgraded, and its automobile business will usher in a new growth cycle.

In terms of market expansion, as sales of new energy vehicle gradually move from policy-driven to market-driven, demand in second-, third- and fourth-tier cities will further increase. In 2019, the Group will continue to promote new energy vehicles from first-tier and purchase-restricted cities to second-, third- and fourth-tier cities, to eventually achieve sales coverage of new energy vehicles across the country. In addition, the soaring demand for new energy vehicles in the e-hailing market will add a new driving force to the growth of the Group's new energy vehicle business.

In the field of public transportation, leveraging on its established brand awareness and influence in the domestic and overseas markets, BYD will push forward the electrification of urban public transportation at home and abroad and continue to increase the penetration of new energy vehicles in the global public transportation market. At the same time, the Group will focus on promoting its low carbon and environmentally-friendly urban rail transportation products, and align with the rail transportation planning and schedule of approval process, speed up the implementation and operation of confirmed orders. While maintaining the rapid growth in the revenue, the Group will strive to accelerate the development of rail transportation with small and medium capacity and help resolve the increasingly serious traffic congestion, and support the development of the intelligent transportation system in the city. In addition, the Group's new energy commercial vehicle business will gradually penetrate into the special use vehicle sector, aiming to realize the electrification of all kinds of special use vehicles such as logistics vehicles and muck trucks.

In the field of traditional fuel vehicles, the Group will improve overall competitiveness through optimizing the appearance and performance of vehicles while realising effective control of costs. The Group will actively explore the upgrade and update of its existing products. The Group will conduct more platform-based R&D and innovation, while enhancing quality standard and design aesthetics, in order to provide consumers with new automotive products that offer a greater driving experience so as to establish good market reputation, thus realising synchronous development of quality and quantity of traditional fuel vehicle business.

In respect of business strategy, the Group will continue to maintain an open supply system and accelerate the process of marketization of automobile supply chain. In the future, the Company will actively seek to spin off its existing auto parts business and focus on its core businesses, to further lessen managerial burden and improve cost control. As to businesses with core competitiveness like power battery and IGBT technology application businesses, the Group will ensure the long-term continual development of those businesses through acceleration of external sales and promote opening-up and integration, while securing internal demands.

Management Discussion and Analysis

Handset Components and Assembly Business

As a world leading provider of intelligent product solutions, BYD will continue to focus on product innovation and technology enhancement in order to improve its overall competitiveness. In the future, the Group will continue to consolidate its customer base of metal parts, strive for more orders for metal parts, and maintain its leading position in the segment. In terms of new materials application, the Group will grasp the market trends of 5G, Internet of things and artificial intelligence, strengthen strategic planning for 3D glass, ceramics and plastic casings, prepare itself in terms of production capacity and technological level to secure more orders from customers and foster a new driver for the Group's sustainable growth.

In addition, the Group will continue to actively expand its business scope by exploring opportunities in auto electronics, intelligent hardware products and other related fields. Meanwhile, it will progressively develop other OEM customers to promote the long-term development of the Group's handset components and assembly business.

Rechargeable Batteries and Photovoltaic Business

Regarding rechargeable batteries, through research and development of new technologies and exploration of new customers, the Group will actively promote the continued increase of its market share in relevant markets. As to the photovoltaic business, the new cycle of "Grid Parity" is expected to be progressively introduced to the photovoltaic sector, which is expected to promote the gradual recovery of the photovoltaic sector. The Group will continue to increase its presence in the domestic and overseas markets, and further realize effective cost control so as to capture the market opportunities for growth.

Management Discussion and Analysis

Forecasted operating results for January to March 2019

Change (in percentage) of net profit attributable to shareholders of the listed company for January to March 2019	583.39%	to	778.65%
Range of net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2019	70,000	to	90,000
Net profit attributable to shareholders of the listed company (RMB10,000) for January to March 2018	10,243		
Reasons for changes in results	The new energy vehicle business is expected to have a robust growth in the first quarter in 2019 as compared with the same period of last year, leading to a remarkable improvement in the Group's revenue and profitability. Regarding new energy passenger vehicles, the sales volume of new models remained high and a significant increase in sales as compared with the same period of last year is expected. In terms of new energy commercial vehicles, delivery of orders will likely show slowdown and the sales of special purpose vehicles will gradually increase. As to fuel vehicles, it is expected that the models from the Dynasty series will continue to be well-received by the market and in turn result in the steady increase of selling prices of fuel vehicles of the Group. However, the gradual exit of the Group's previous models from the market has had certain effects on the overall sales volume, with the overall sales of fuel vehicles declining. In relation to the handset components and assembly business, the Group continued to receive orders from world leading handset brand manufacturers for their flagship models, which promoted the steady development of its business. But the competition in the market remains fierce and the profitability of the Group will be affected accordingly. In terms of the photovoltaic business, market demands remained weak. It is expected that the business will see greater loss in the first quarter.		

Financial Review

Revenue and Profit attributable to Owners of the Parent Company

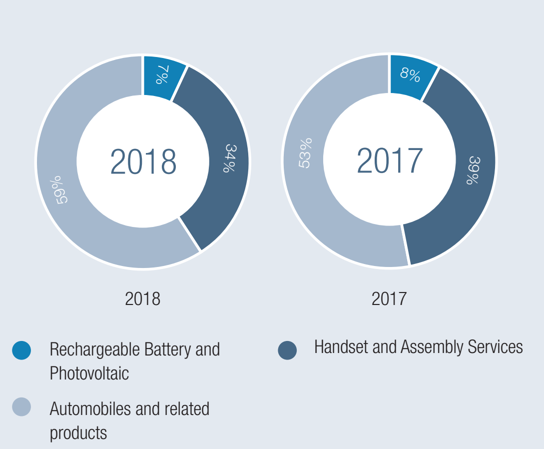
During the Year, revenue increased by 18.65% as compared to that of 2017, which was mainly driven by the growth of the automobile business. Profit attributable to equity holders of the parent decreased by 31.63% as compared to the same period of the previous year, mainly attributable to impact from subsidy cuts of new energy vehicles and the increase in R&D expenses.

Segmental Information

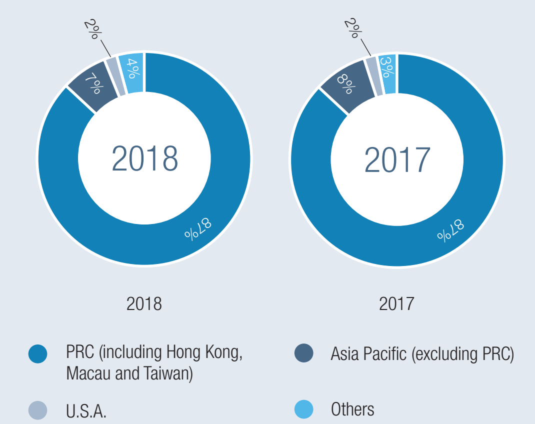
The charts below set out comparisons of the Group's revenue by product category for the years ended 31 December 2018 and 2017:

Gross Profit and Margin

Revenue Breakdown by Product Categories



Revenue Breakdown by Locations of Customers



Management Discussion and Analysis

During the Year, the Group's gross profit increased by 0.73% to RMB18,067 million. Gross profit margin decreased from approximately 17.47% in 2017 to approximately 14.83% during the Year. The decrease in gross profit margin was mainly due to the effect of the decrease in profits in the automobile business.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB12,523 million, compared with operating cash inflow of approximately RMB6,368 million in 2017. Cash inflow of the Group during the period was mainly arising from the increase in cash received from sales of goods and provision of services during operating activities. Total borrowings as at 31 December 2018, including all bank loans and bonds, were approximately RMB64,693 million, compared with approximately RMB56,511 million as at 31 December 2017. The maturity profile of the bank loans and bonds thereof spread over a period of twelve years, with approximately RMB50,768 million repayable within one year, approximately RMB4,844 million in the period of second year, approximately RMB8,948 million within the third to the fifth years and approximately RMB133 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 2018, turnover period of receivables (including trade and bill receivables, due from joint ventures and associates, due from related parties) was approximately 189 days, as compared to approximately 192 days for the same period in 2017, which showed no significant changes. The inventory turnover period was approximately 82 days for the year ended 31 December 2018 as compared to about 81 days for the same period in 2017, which showed no significant changes.

The Company completed the 2017 first tranche of debt financing plan of Beijing Financial Assets Exchange on 17 March 2017. The debt financing plan was simplistically described as "17 Yue BYD ZR001", with an actual listing amount of RMB3.0 billion and a fixed rate of interest of 4.94%, for a term of two years. The interest payment shall be made once every three months (it will be postponed to the next working day should it be a statutory festival or holiday in PRC), without compound interest, and the principal will be repaid on one-off basis upon maturity, the last interest payment shall be made together with the principal repayment. The interest accrued period commenced on 17 March 2017, the date for the first interest payment was 17 June 2017.

On 13 October 2017, the Company received the Approval of the Public Offering of Corporate Bonds by BYD Company Limited to Qualified Investors (ZJXK [2017] No. 1807) (《關於核准比亞迪股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2017]1807號)) from China Securities Regulatory Commission, pursuant to which the public offering of corporate bonds with a par value of not exceeding RMB10.0 billion by the Company to qualified investors has been approved. The Company has completed the issue of the 2018 first tranche of corporate bonds "18YD01" of RMB3.0 billion on 13 April 2018. The Company has completed the issue of the 2018 second tranche of corporate bonds "18YD02" of RMB1.6 billion on 24 August 2018.

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 2018, 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 2018, the Group's outstanding loans included RMB loans and foreign currency loans and approximately 73% (2017: 68%) 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 104% and 93% as at 31 December 2018 and 31 December 2017, respectively.

The Group has completed the issue of 2018 Tranche I corporate bonds on 13 April 2018. The issue price was RMB100 each for a term of 5 years. The issuance scale was RMB3,000 million and the nominal interest rate was 5.17%. The corporate bonds issued during the period were used to repay bank loans and supplement the Company's liquidity. The Group has completed the issue of 2018 Tranche II corporate bonds on 24 August 2018. The issue price was RMB100 each for a term of 5 years. The issuance scale was RMB1,600 million and the nominal interest rate was 5.75%. The corporate bonds issued during the period were used to repay bank loans and supplement the Company's liquidity.

Management Discussion and Analysis

At 31 December 2018, certain items of the Group's land and buildings with a net carrying amount of approximately RMB220,370,000 (2017: RMB73,807,000) were pledged to secure general banking facilities granted to the Group; and certain items of the Group's construction in progress with a net carrying amount of approximately RMB4,754,000 (2017: RMB9,210,000) were pledged to secure general banking facilities granted to the Group. Further, at 31 December 2018, a pledged bank deposit of RMB1,583,861,000 (2017: RMB323,249,000) was pledged for bank acceptance bills and Guarantee deposits, and restricted bank deposit was RMB317,177,000.

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 2018, the Group had approximately 221,000 employees. During the period, total staff cost accounted for approximately 17.45% 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 and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal motivation.

Share Capital

As at 31 December 2018, the share capital of the Company was as follows:

	Number of shares issued	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 2018 to 31 December 2018. 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 41 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


DRAGON FACE

Directors, Supervisors and Senior Management

Executive Director

Wang Chuan-fu

Mr. Wang Chuan-fu, aged 53, 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) ("BYD Industries", 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 South University of Science and Technology of China (南方科技大學) and a director of BYD Charity Foundation.

Mr. Wang, being a technology expert, enjoyed special allowances from the State Council. In June 2003, he was awarded Star of Asia by BusinessWeek. He was awarded with Mayor award of Shenzhen in 2004 (二零零四年深圳市市長獎), "The 2008 CCTV Man of the Year China Economy Innovation Award" (二零零八年CCTV中國經濟年度人物年度創新獎), Southern Guangdong Meritorious Service Award (南粵功勳獎) in 2011, and Zayed Future Energy Prize Lifetime Achievement Award (紮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 57, 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 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. 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 Shenzhen Manqian Network Technology Limited (深圳市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 56, 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 of 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 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 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), Shenzhen Zhengxuan Qianzhan Venture Capital Co. Ltd. (深圳市正軒前瞻創業投資有限公司) and Beijing Zhengxuan Investment Co., Ltd (北京正軒投資有限責任公司), a director of 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 Shenzhen Zhengxuan Venture Capital Co. Ltd. (深圳市正軒創業投資有限公司), chairman of Annuo Youda Gene Technology (Beijing) Co. Ltd. (安諾優達基因科技（北京）有限公司), a director of Guangdong Beizhi Cepin Network Technology Co., Ltd. (廣東倍智測聘網絡科技股份有限公司), an independent director of China Baofeng (International) Limited (formerly known as "Mastercraft International Holdings Limited") (中國寶豐國際有限公司，前稱"馬仕達國際控股有限公司"), an independent director of China Yuhua Education Corporation Limited (中國宇華教育集團有限公司), executive (managing) director of Shenzhen Zhengxuan Makerspace Technology Limited (深圳市正軒創客空間科技有限公司), 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 61, Chinese national with no right of abode overseas, bachelor's degree holder, a senior engineer and a researcher. Mr. Wang graduated from Beijing Industrial Institute (currently known as Beijing Institute of Technology) (北京工業學院（現北京理工大學)) in 1982 with a bachelor's degree in engineering. 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 non-executive director of Cangzhou Mingzhu Plastic Material Co., Ltd (滄州明珠塑料股份有限公司) and 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 46, 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 was managing director of the special investment department of China Investment Corporation (中國投資有限責任公司). He has also served in other capacities including as the former chairman of the board of Chinese Finance Association of America and 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 42, Chinese national with no right of abode overseas, doctoral degree holder and associate professor. Ms. Zhang graduated from Beijing Jiao Tong University (北京交通大學) in 2002 with a bachelor 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 has been an independent non-executive director of the Company since September 2014 and now serves as an associate professor of accounting and doctoral tutor in Guanghua School of Management of Peking University (北京大學光華管理學院), 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), an independent director of Beijing New Universal Science and Technology Co., Ltd. (北京萬向新元科技股份有限公司) 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 85, 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 research and development work in our Company. He has been a Supervisor and the chairman of the Supervisory Committee since July 2002.

Li Yong-zhao

Mr. Li Yong-zhao, aged 58, 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 deputy general manager of China North Industries Group Corporation (中國兵器西北工業集團有限公司) and the chairman 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 43, 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 language 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 a 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), a supervisor of Shenzhen Electric Power Sales Co., Ltd. (深圳市深電能售電有限公司), 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 Qinghai Salt Lake BYD Resources Development Co., Ltd. (青海鹽湖比亞迪資源開發有限公司), 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 Guang'an City Sky Rail Transportation Co., Ltd. (廣安市雲軌交通有限公司), 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 40, 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 39, 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 of Guosen Securities (國信證券廣州營業部). He has been working in Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) since August 2008, and 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 (廣東融捷供應鏈管理有限公司), the director of Shenzhen Youngy Asset Management Co., Ltd (深圳融捷資產管理有限公司) and chairman of the board of supervisors of Youngy Co., Ltd (融捷股份有限公司).

Senior Management

Wu Jing-sheng

Mr. Wu Jing-sheng, aged 56, Chinese national with no right of abode overseas, master's degree holder. Mr. Wu graduated from Anhui Normal University (安徽省師範大學), majoring in Chinese language. He took part in National Examination for Lawyers (全國律師統考) and obtained qualification as a lawyer from the Department of Justice of Anhui Province (安徽省司法廳) in 1992. Mr. Wu also passed the National Examination for Certified Public Accountants (註冊會計師全國統考) and obtained qualification as a PRC Certified Public Accountant in 1995. In July 2006, he graduated from Guanghua School of Management of the Peking University (北京大學光華管理學院) with an MBA. Mr. Wu joined the Group in September 1995 and is Vice President and Chief Financial Officer of the Company, and held various positions including a non-executive director 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), a director of Shenzhen Electric Power Sales Co., Ltd. (深圳市深電能售電有限公司) and a director of BYD Charity Foundation.

Directors, Supervisors and Senior Management

Li Ke

Ms. Li Ke, aged 49, 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 55, Chinese national with no right of abode overseas, master's degree holder, and a 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 Vice President of the Company and chief engineer of the automobile business. 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.

He Long

Mr. He Long, aged 47, 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. (西藏日喀則紮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 56, 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 53, Chinese national with no right of abode overseas, master's degree holder and a senior engineer at professor level. 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 and president of the Electric Power Research Institute. He currently is a Vice President of the Company, general manager of Division 14, general manager of Division 17, 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.

Directors, Supervisors and Senior Management

Wang Chuan-fang

Mr. Wang Chuan-fang, aged 58, 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.

Ren Lin

Mr. Ren Lin, aged 52, 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 Shanxi 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 55, 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, and a director of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司), a director of Nanjing Jiangnan Electric Car Rental Company Limited (南京江南純電動出租汽車有限公司), a director 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 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 director of Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司), 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), and 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) and a director of BYD Charity Foundation.

Li Qian

Mr. Li Qian, aged 46, 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 chief investment officer of the Company. He is also a joint company secretary of BYD Electronic (International) Company Limited (stock code: 0285), a supervisor 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 42, 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 Accountant 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) and a director of Shenzhen Qianhai Green Transportation Co., Ltd. (深圳市前海綠色交通有限公司), 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 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 Beijing Hualin Special Vehicle Co., Ltd. (北京華林特裝車有限公司), a director 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 supervisor 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	5,667
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	2,693
Yang Dong-sheng	Supervisor	Incumbent	1,996
Wu Jing-sheng	Vice president and Chief Financial Officer	Incumbent	7,382
Li Ke	Vice president	Incumbent	7,242
Lian Yu-bo	Vice president	Incumbent	7,568
He Long	Vice president	Incumbent	5,136
Liu Huan-ming	Vice president	Incumbent	5,173
Zhang Jin-tao	Vice president	Resigned (effective from 13 April 2018)	2,901
Luo Hong-bin	Vice president	Incumbent	5,109
Wang Chuan-fang	Vice president	Incumbent	5,381
Ren Lin	Vice president	Incumbent	5,008
Wang Jie	Vice president	Incumbent	5,178
Li Qian	Secretary to the Board, Company Secretary and chief investment officer	Incumbent	2,076
Zhou Ya-lin	Chief Accountant	Incumbent	2,723
Total	–	–	72,533

Corporate Governance Report

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

The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the 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 important business engagements and logistics reasons at the relevant time, not all independent non-executive Directors and non-executive Directors attended the annual general meeting of the Company held on 20 June 2018 and the extraordinary general meeting held on 9 May 2018 and 30 October 2018.

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 annual report of the Company, Ms. Zhang Ran has resigned as an independent non-executive Director of United Electronics Co., Ltd. (北京榮之聯科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002642)), since 12 October 2018; and appointed as an independent non-executive director of Sino Geophysical Co., Ltd. (潛能恒信能源技術股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300191)) on 13 November 2018.

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 page 22 to page 24 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.

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

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

The Board met twenty-six 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.

Corporate Governance Report

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 follow:

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	✓	✓

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 six meetings in 2018. The attendance of individual Director at the Board meetings as well as general meetings in 2018 is set out below:

Members of the Board	Board Meetings	Annual General Meeting	Extraordinary General Meetings
Executive Director			
WANG Chuan-fu	26/26	1/1	1/2
Non-executive Director			
LV Xiang-yang	26/26	0/1	1/2
XIA Zuo-quan	26/26	1/1	0/2
Independent Non-executive Director			
WANG Zi-dong	26/26	1/1	0/2
ZOU Fei	26/26	1/1	1/2
ZHANG Ran	26/26	1/1	0/2

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.

Corporate Governance Report

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 2018, 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 and is published on the websites of the Stock Exchange and the Company.

The Audit Committee held four meetings in 2018 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 2017, the three months ended 31 March 2018, the six months ended 30 June 2018 and the nine months ended 30 September 2018, 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%

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 2018, 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 2018 to comply with the Code.

In terms of the summary of the work of the Remuneration Committee, the Remuneration Committee held one meeting in 2018 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%

Corporate Governance Report

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 2018 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 RMB3 million	3
RMB3 million to RMB7 million	10

Nomination Committee

The Group has established the Nomination Committee. As at 31 December 2018, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lv Xiang-yang, Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran, with Mr. Wang Zi-dong as the chairman. The Nomination Committee has been delegated with the powers and authorities to review the structure, size and composition of the Board, make recommendation to the Board on selection of individuals nominated for directorships and senior management, appointment 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.

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 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 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 roles of reviewing such diverse selection policy at the nomination level and maintaining a diversified spectrum of varying perspectives, educational background and professional knowledge in the Board.

Corporate Governance Report

The Board's Diversity Policy

The Board has adopted the Board Diversity Policy, which sets out the approach to 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 education background, professional experience, skills and knowledge. All appointments of the Board will be made based on merit and objective criteria while taking into full account of the interest of Board's diversity.

The selection of candidate will be based on a range of diversity elements and measurable objectives which will be reviewed regularly. Such measurable objectives shall include, but 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 2018, 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.

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 2018, the total remuneration paid to the international auditors, Ernst & Young and the domestic auditors, Ernst & Young Hua Ming (LLP), was RMB6,898,000 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 RMB1,248,000.

Item	**2018**	2017
Review of interim results	**RMB1,050,000**	RMB1,050,000
Other non-audit services	**RMB198,000**	RMB250,000

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2018.

The statement of external auditor of the Company about his reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2018 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 2019 and Ernst & Young Hua Ming (LLP) as the domestic auditors for 2019, 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 external auditor during the year under review.

Risk Management and Internal Control

The Board confirms its responsibility for risk management and internal control, 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 functions of the Company.

Various measures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and for the reliability of financial information used within the business or for publication. The 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.

Corporate Governance Report

Risk Management and Internal Control Framework

The Company's risk management system is composed of well-established organizational structure as well as all-rounded policies and procedures. 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 system;

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

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 system 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 with 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 finding 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 risks in environment and process of the control. 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 2018, the Board reviewed the soundness and effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance control, with an 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 assessment and suggestions in the form of auditor's report. The Board considers that the Company's risk managements and internal control systems are effective and adequate.

Internal Audit

The Group has an Internal Audit Department which, equipped with 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 timely basis. Based on its consideration, the Audit Committee will provide advices to 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 enquiry 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 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 2018.

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 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 enquiries 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 enquiries 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 accounts of BYD Company Limited (the "Company") and its subsidiaries (together with the Company hereinafter collectively referred to as the "Group") for the year ended 31 December 2018.

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 2018. Further discussion and analysis of principal activities are set out in the Management Discussion and Analysis on pages 10 to 19 of the annual report.

An analysis of the Group's performance for the year ended 31 December 2018 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 2018 are set out in the consolidated financial statements and their notes on page 44 to page 165 of this annual report.

Dividend Distribution Policy

(I) The Company's profit distribution policy shall focus on providing investors with reasonable investment return 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 adopt to distribute profit 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 shareholders' 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 the dividends within two months after convening of the shareholders' 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 security provident fund) 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 audited 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.

(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 Article 95 of 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 Article 95 of the Articles of Association. The

Report of the Directors

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 (5) 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 RMB0.204 per share (including tax) for the year ended 31 December 2018 (for the year ended 31 December 2017: the payment of RMB0.141 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 of general meeting 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 2019.

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, 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 dividend, 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.

Business Review

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

Principal risks and uncertainties facing the Group

Please refer to note 46 to the financial statements for details of the main financial risks facing 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 to 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.

Report of the Directors

Regulatory compliance

BYD requires stringent compliance with laws, social norms, professional ethics and internal regulations in its worldwide operations. The Group has established a 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 2018, 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 practice equal employment opportunities and prohibit any career discrimination. The Group reviews its employees 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 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 understand and fulfil customers' demands and enhance 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 39 to the financial statements, respectively.

Donations

Charitable and other donations made by the Group during the year ended 31 December 2018 amounted to RMB22,311,000 (2017: RMB11,775,000).

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 38 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 2018, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB1,171,027,000 (2017: RMB1,574,639,000).

Bank Loans

As at 31 December 2018, details of bank loans of the Group are set out in note 34 to the financial statements.

Pre-Emptive Rights

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

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2-3 and page 166 of this annual report.

Directors

The Directors who held office during the year ended 31 December 2018 and up to the date of this report are:

— Executive director:
  Mr. Wang Chuan-fu

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

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

Report of the Directors

Directors' and Supervisors' Service Contracts

All existing Directors had signed or renewed their service contracts 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 not 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 22 to 27 of this annual report.

Directors', Supervisors' and Chief Executives' Interests

As at 31 December 2018, 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) ("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)	512,623,820 (L) *(Note 1)*	28.27%	18.79%
Lv Xiang-yang (Director)	401,910,480 (L) *(Note 2)*	22.17%	14.73%
Xia Zuo-quan (Director)	106,077,406 (L)	5.85%	3.89%

(L) – Long Position

Notes:

1. The 512,623,820 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.

Report of the Directors

H shares of RMB1.00 each

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

(L) – Long Position

Note:

1. 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 2018, none of the Directors, supervisors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the 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 2018, to the best knowledge of the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were required to be entered in the register kept by the Company pursuant to Section 336 of the SFO:

1. A shares of RMB1.00 each

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Youngy Investment *(Note 1)*	162,681,860 (L)	8.97%	5.96%

(L) – Long Position

Note:

1. Youngy Investment is owned by Mr. Lv Xiang-yang, a non-executive director of the Company, as to 89.5%. Mr. Lv is therefore deemed to be interested in the 162,681,860 A shares held by Youngy Investment under the SFO.

2. H shares

Name	Number of H shares	Approximate percentage of shareholding in total issued H shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Berkshire Hathaway Inc. *(note 1)*	225,000,000 (L)	24.59%	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%

(L) – Long Position

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, Berkshire Hathaway Energy (formerly known as MidAmerican Energy Holdings Company) for the 225,000,000 H shares directly held by it.

2. LL Group, LLC was deemed to be interested in 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.

Report of the Directors

The total issued share capital of the Company as at 31 December 2018 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.

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 2018.

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, 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 its 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 2018 attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	4.40%
– the five largest suppliers combined	14.61%
Sales	
– the largest customer	10.82%
– the five largest customers combined	28.80%

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.

Report of the Directors

Related Party Transactions and Connected Transactions

A summary of the related party transactions undertaken by the Group during the year are set out in note 45(a) 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 2018 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.

Sufficiency of Public Float

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

Confirmation of Independence

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

Auditors

Ernst & Young, the Company's international auditor, and Ernst & Young Hua Ming (LLP), the Company's domestic auditor, will retire. A resolution will be proposed at the forthcoming AGM to appoint Ernst & Young as the international auditor of the Company for 2019 and Ernst & Young Hua Ming (LLP) as the domestic auditor for 2019.

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, the PRC, 27 March 2019

Report of the Supervisory Committee

In 2018, in accordance with the principle of being accountable to all shareholders, the Supervisory Committee of the Company fully complied with the duties to supervise and ensure that the resolutions as passed in the Shareholders' General Meetings were consistently implemented, the legal interest of shareholders was protected and the duties conferred under the Articles of Association and in the Shareholders' General Meetings were completed in accordance with the Company Law, the Articles of Association and the relevant provisions, in order to facilitate a disciplined operation and sustainable development of the Company.

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

On 16 March 2018, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on the adjustment to and optimisation of the scope of investment project under the non-public issuance and introduction of new implementation entities was considered and approved accordingly.

On 27 March 2018, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2017 was considered and approved accordingly.

On 27 April 2018, the Supervisory Committee convened its meeting at the office of the Company, where the first quarterly report of the Company for 2018 was considered and approved accordingly.

On 7 June 2018, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on the adjustment to and change of use of partial proceeds from non-public issuance of shares and introduction of new implementation entities was considered and approved accordingly.

On 25 June 2018, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on utilising proceeds to provide borrowings to subsidiaries for the implementation of investment project was considered and approved accordingly.

On 7 August 2018, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on utilising idle proceeds to temporarily supplement working capital by a wholly-owned subsidiary was considered and approved accordingly.

On 14 August 2018, the Supervisory Committee convened its meeting at the office of the Company, where the resolution on reuse of idle proceeds to temporarily supplement working capital by two subsidiaries were considered and approved accordingly.

On 29 August 2018, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2018 was considered and approved accordingly.

On 29 October 2018, the Supervisory Committee convened its meeting at the office of the Company, where the third quarterly report of the Company for 2018 was considered and approved accordingly.

2. Progress of the Work of the Supervisory Committee during the Reporting Period

During the reporting period, the Supervisory Committee of the Company performed its supervisory functions in a fiduciary manner. The Supervisory Committee duly supervised and examined the Company's financial situation, the Board of Directors' execution of the resolutions passed in the Shareholders' General Meeting, operational decisions of the management, the operations of the Company in compliance with the laws, the acts of the Directors, supervisors and senior management, and the connected transactions entered into with its controlling shareholder. The Supervisory Committee considered that:

(1) The operating activities of the Company and its subsidiaries in 2018 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 2018, the directors, supervisors and senior management of the Company fulfilled their fiduciary duties by acting lawfully, regularized management, explored for innovation, with discipline to protect the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles of Association or the laws and regulations of the PRC.

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

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

Dong Jun-qing
Chairman of the Supervisory Committee

27 March 2019

Independent Auditor's Report

Ernst & Young
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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 165, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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
Revenue from Contracts with Customers	
The Group changed its accounting policy for revenue recognition upon the adoption of the new accounting standard which was effective from 1 January 2018, the new accounting policy on revenue resulted in establishing a new five-step model to regulate the revenue generated by contracts with customers. The Group has adopted the modified retrospective approach to account for the transitional adjustments. The management analyzed contracts that are not completed on 1 January 2018 and recorded the cumulative effect of the initial application as an adjustment to the opening balance as at 1 January 2018. The Group applied significant judgments to determine the amount and timing of revenue from contracts with customers, including but not limited to identifying performance obligations in the contracts, determining the timing of transfer of goods, estimating variable consideration, and considering significant financing component and warranty obligations. Due to the complexity and significant judgments and estimates involved, the adoption of HKFRS15 is considered as a key audit matter during the year. Details of revenue recognition are disclosed in notes 2.4, 3, 4 and 5 to the consolidated financial statements.	We performed the following procedures, among others, in related to revenue recognition under HKFRS 15: • Obtained an understanding of the key internal controls of revenue recognition and its design and operating effectiveness; • Reviewed the calculation process for the cumulative effect of initial application and reviewed the adequacy and completeness of related disclosure; • Assessed the management's assessment of the transitional adjustments on the new contracts during the year, and reviewed the adequacy and completeness of the financial disclosure; • On a sample basis, inspected the underlying contracts or orders, and recalculated revenue recognized is in accordance with the Company's revenue recognition policies; and • For non-standard revenue contracts, reviewed management's analysis and calculation of revenue recognition.
Impairment assessment of non-current assets	
The Group recorded non-current assets amounting to RMB79,211,583,000 as at 31 December 2018 in the consolidated financial statements (including property, plant and equipment of RMB49,484,582,000, other intangible assets of RMB10,272,067,000). The management assessed whether there were any indicators of impairment for all non-financial assets at 31 December 2018. Non-current assets with impairment indicators and development costs are tested for impairment, the management calculated recoverable amounts of the cash-generating unit in the impairment test, which involved significant the judgments and assumptions, such as revenue from future sales, gross profit margin, operational costs, terminal growth rate,discount rates, etc. As the assessment process is relatively complicated and involves significant estimates, situations which may be affected by unexpected future market and economic conditions, it is considered as a key audit matter during the year. Details of the impairment assessment are disclosed in notes 2.4, 3 and 14, 18 to the financial statements.	We performed the following audit procedures, among others, in related to impairment test of non-current assets: • Obtained an understanding of the key internal controls of impairment assessment and its design and operating effectiveness; • Assessed the appropriateness of the management's assumptions used in the valuation model; • Involved internal valuation experts to assist in evaluating the appropriateness of assumptions and parameters, including the discount rates, terminal growth rates and etc.; • Evaluated the assumptions and parameters used 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; and • Reviewed the sufficiency and completeness of disclosure included the financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables, contract assets and long-term receivables	
The Group has changed its accounting policy for financial instruments upon the adoption of new accounting standard which was effective from 1 January 2018, and recorded the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balances as at 1 January 2018. As at 31 December 2018, trade receivables amounted to RMB44,240,183,000 long-term receivables amounted to RMB2,134,405,000 and contract assets amounted to RMB6,300,286,000, which accounted for a significant amount in the consolidated financial statements. The management uses a provision matrix to calculate expected credit losses for trade receivables and contract assets. The application of provision matrix requires significant judgments and estimates, including industry index, macroeconomic indicators, customers' financial statements, existence of disputes and historic payments, and requires consideration of all reasonable and reliable information. Details of provision for expected credit losses on trade receivables and contract assets are disclosed in notes 2.4, 3 and 24, 26, to the consolidated financial statements.	We performed the following procedures, among others, in related to provision for expected credit losses: • Obtained an understanding of the key internal controls of provision for expected credit losses and its design and operating effectiveness; • Evaluated the reasonableness of the assumptions used in provision matrix through detailed analysis of aging of receivables, assessment of material overdue trade receivables and risks specific to the debtors; • Involved internal specialist to test the parameters used in the expected credit loss model; • Recalculated the management's impairment provision of trade receivables and contract assets to ensure mathematical accuracy.

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.

Independent Auditor's Report

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 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, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

- 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.

Independent Auditor's Report

- 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 TJEN, Michael.

Ernst & Young
Certified Public Accountants

Hong Kong

27 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	121,790,925	102,650,614
Cost of sales		(103,724,161)	(84,715,540)
Gross profit		18,066,764	17,935,074
Other income and gains	5	2,110,292	1,153,210
Government grants and subsidies	7	2,332,863	1,275,807
Selling and distribution expenses		(4,729,481)	(4,925,288)
Research and development costs		(4,989,360)	(3,739,491)
Administrative expenses		(3,826,379)	(3,047,734)
Impairment losses on financial and contract assets		(332,080)	–
Gain on disposal of financial assets		26,871	–
Other expenses		(568,610)	(463,645)
Finance costs	8	(3,480,516)	(2,342,770)
Share of profits and losses of:			
Joint ventures		(277,602)	(270,959)
Associates		52,878	46,437
PROFIT BEFORE TAX	6	4,385,640	5,620,641
Income tax expense	11	(829,447)	(703,705)
PROFIT FOR THE YEAR		3,556,193	4,916,936
Attributable to:			
Owners of the parent	13	2,780,194	4,066,478
Non-controlling interests		775,999	850,458
		3,556,193	4,916,936
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		RMB0.93	RMB1.40

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR		**3,556,193**	4,916,936
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**–**	376,168
Income tax effect		**–**	(94,042)
	21	**–**	282,126
Debt instruments at fair value through other comprehensive income:	25		
Changes in fair value		**(64,059)**	–
Reclassification adjustments for gain included in the consolidated income statement of profit or loss:			
Impairment losses		**5,422**	–
		(58,637)	–
Exchange differences:			
Exchange differences on translation of foreign operations		**(68,555)**	30,940
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(127,192)**	313,066
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments at fair value through other comprehensive income:			
Changes in fair value		**(1,438,200)**	–
		(1,438,200)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(1,438,200)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(1,565,392)**	313,066
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,990,801**	5,230,002
Attributable to:			
Owners of the parent		**1,219,142**	4,376,910
Non-controlling interests		**771,659**	853,092
		1,990,801	5,230,002

Consolidated Statement of Financial Position

31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**49,484,582**	47,830,718
Investment properties	15	**90,066**	66,707
Prepaid land lease payments	16	**6,277,475**	5,844,857
Goodwill	17	**65,914**	65,914
Other intangible assets	18	**10,272,067**	8,217,623
Prepayments, other receivables and other assets	25	**4,233,402**	3,372,240
Long-term receivables	27	**2,134,405**	1,049,938
Investments in joint ventures	19	**2,793,681**	2,442,867
Investments in associates	20	**767,199**	622,044
Available-for-sale investments	21	**–**	4,185,460
Equity investments at fair value through other comprehensive income	21	**1,620,969**	–
Financial assets at fair value through profit or loss		**83,509**	–
Deferred tax assets	37	**1,388,314**	1,580,032
Total non-current assets		**79,211,583**	75,278,400
CURRENT ASSETS			
Inventories	23	**26,330,345**	19,872,804
Contract assets	26	**6,300,286**	–
Trade and bills receivables	24	**44,240,183**	53,276,716
Prepayments, other receivables and other assets	25	**13,436,836**	6,211,017
Due from the joint ventures and associates	45(c)	**7,823,768**	6,609,997
Due from the related parties	45(c)	**224,854**	256,941
Completed property held for sale	22	**3,950,676**	6,689,770
Derivative financial instruments	31	**451**	1,095
Pledged deposits	28	**1,583,861**	323,249
Restricted bank deposits	28	**317,177**	643,487
Cash and cash equivalents	28	**11,151,057**	8,935,954
Total current assets		**115,359,494**	102,821,030
CURRENT LIABILITIES			
Trade and bills payables	29	**45,222,321**	39,527,332
Other payables and accruals	30	**13,012,545**	11,942,702
Derivative financial instruments	31	**8,559**	119,261
Advances from customers		**2,300**	4,700,280
Contract liabilities	32	**3,469,114**	–
Deferred income	33	**615,367**	512,900
Interest-bearing bank and other borrowings	34	**50,768,422**	45,648,670
Due to joint ventures and associates	45(c)	**1,308,349**	615,659
Due to related parties	45(c)	**79,286**	130,608
Tax payable		**228,085**	328,013
Provision	35	**1,854,627**	1,471,511
Total current liabilities		**116,568,975**	104,996,936
NET CURRENT ASSETS/(LIABILITIES)		**(1,209,481)**	(2,175,906)

continued/...

Consolidated Statement of Financial Position

31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**78,002,102**	73,102,494
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**13,924,380**	10,862,346
Deferred tax liabilities	37	**66,308**	610,005
Deferred income	33	**1,921,949**	1,672,402
Other liabilities	36	**1,395,486**	254
Total non-current liabilities		**17,308,123**	13,145,007
Net assets		**60,693,979**	59,957,487
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**2,728,143**	2,728,143
Reserves	39	**48,574,346**	48,380,251
Perpetual loans	40	**3,895,800**	3,895,800
		55,198,289	55,004,194
Non-controlling interests		**5,495,690**	4,953,293
Total equity		**60,693,979**	59,957,487

Director
Wang Chuan-fu

Director
Lv Xiang-yang

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent									
	Share capital RMB'000 (note 38)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 39)	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 2017	2,728,143	19,980,490*	5,602,363*	3,073,373*	(161,200)*	16,236,960*	3,795,800	51,255,929	4,153,434	55,409,363
Profit for the year	–	–	–	–	–	4,066,478	–	4,066,478	850,458	4,916,936
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	–	–	282,126	–	–	–	–	282,126	–	282,126
Exchange differences on translation of foreign operations	–	–	–	–	28,306	–	–	28,306	2,634	30,940
Total comprehensive income for the year	–	–	282,126	–	28,306	4,066,478	–	4,376,910	853,092	5,230,002
Issue of shares (note 38)	–	–	–	–	–	–	–	–	–	–
Issue of a perpetual loan (note 40)	–	–	–	–	–	–	3,300,000	3,300,000	–	3,300,000
Repay of a perpetual loan (note 40)	–	–	–	–	–	–	(3,200,000)	(3,200,000)	–	(3,200,000)
Perpetual loan interest paid (note 12)	–	–	–	–	–	(243,036)	–	(243,036)	–	(243,036)
Final 2016 dividend declared	–	–	–	–	–	(485,609)	–	(485,609)	(53,233)	(538,842)
Government subsidies designated to increase the capital reserve	–	–	2,480	–	–	(2,480)	–	–	–	–
Appropriation to statutory surplus reserve fund	–	–	–	337,589	–	(337,589)	–	–	–	–
At 31 December 2017	2,728,143	19,980,490*	5,886,969*	3,410,962*	(132,894)*	19,234,724*	3,895,800	55,004,194	4,953,293	59,957,487

continued/...

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Attributable to owners of the parent										
	Share capital RMB'000 (note 38)	Share premium account RMB'000	Capital reserve RMB'000	Fair value reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 39)	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 31 December 2017	2,728,143	19,980,490*	4,626,697*	1,260,272*	3,410,962*	(132,894)*	19,234,724*	3,895,800	55,004,194	4,953,293	59,957,487
Effect of adoption of HKFRS9				10,034	(11,796)		(449,439)		(451,201)		(451,201)
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
Change in fair value of debt instruments at fair value through other comprehensive income	–	–	–	(58,637)	–	–	–	–	(58,637)	–	(58,637)
Other comprehensive income for the year:											
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 for the year	–	–	–	(1,496,837)	–	(64,215)	2,780,194	–	1,219,142	771,659	1,990,801
Issue of shares (note 38)											
Issue of a perpetual loan (note 40)											
Perpetual loan interest paid (note 12)	–	–	–	–	–	–	(238,400)	–	(238,400)	–	(238,400)
Final 2017 dividend declared	–	–	–	–	–	–	(384,668)	–	(384,668)	(202,505)	(587,173)
Appropriation to statutory surplus reserve fund	–	–	–	–	444,450	–	(444,450)	–	–	–	–
Government subsidies designated to increase the capital reserve	–	-	928	–	–	–	(928)	–	–	–	–
Changes in interests in a subsidiary without loss of control	–	–	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

* These reserve accounts comprise the consolidated reserves of RMB48,574,346,000 (2017: RMB48,380,251,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,385,640	5,620,641
Adjustments for:			
Finance costs	8	3,480,516	2,342,770
Share of profits and losses of joint ventures and associates		224,724	224,522
Bank interest income	5	(187,230)	(95,783)
Dividend income from equity investments at fair value through other comprehensive income/available-for-sale investments	5	(13,615)	(17,532)
Government grants and subsidies		(373,888)	(244,728)
Loss on disposal of items of non-current assets	6	18,526	55,150
(Gain)/loss on disposal of subsidiaries	6	(403,868)	3,068
Fair value losses/(gains), net:			
Derivative financial instruments		5,470	118,166
Financial guarantee		18,855	–
Gain on disposal of finance products		(27,709)	(3,966)
Gain on disposal of an investment in a jointly-controlled entity		(1,073)	(39)
Gain on disposal of financial instruments		(26,871)	–
Depreciation	14	7,615,308	5,759,409
Amortisation of other intangible assets	18	1,666,288	1,203,686
Impairment of inventories	6	227,854	232,250
Amortization of an investment property		1,865	–
Impairment of property, plant and equipment		458,564	–
Impairment of trade receivables		512,700	88,203
Impairment losses of trade receivables reversed	24	(120,913)	(76,563)
Impairment of prepayments, deposits and other receivables, net	6	5,709	(6,304)
Impairment of due from the joint ventures and associates		55,405	–
Impairment losses of due from the joint ventures and associates reversed		(7,469)	–
Impairment of due from the related parties, net		2,628	–
Impairment of a long term receivable		31,901	–
Impairment of contract assets reversed		(62,716)	–
Impairment of available-for-sale investments	21	–	5,000
Recognition of prepaid land lease payments	16	143,059	129,400
		17,629,660	15,337,350
Increase in inventories		(6,584,924)	(2,726,616)
Decrease in restricted bank deposits		518,209	–
Increase in trade receivables		(5,828,480)	(7,555,578)
Decrease/(Increase) in prepayments, other receivables and other assets		261,772	(706,960)
Decrease in contract assets		10,472	–
Increase in amounts due from joint ventures and associates		(1,261,707)	(3,987,405)
Decrease in amounts due from related parties		29,466	–
Increase in long-term receivables		(1,150,703)	(796,270)
Decrease in properties under development		–	907,810
Decrease/(Increase) in a completed property held for sale		2,739,094	(6,676,198)
Increase in advances from customers		2,300	2,849,488
Increase in trade and bills payables		6,022,603	4,192,952
Decrease in other payables and accruals		158,085	6,022,087
Increase in accruals and deferred income		633,542	284,976
Decrease in a non-current prepayment		–	(61,785)
Increase in amounts due to joint ventures and associates		862,035	203,229
Decrease in contract liabilities		(1,231,166)	–

Continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	**2018 RMB'000**	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Decrease)/increase in amounts due to related parties		**(51,322)**	13,984
Increase in provision for warranties		**383,115**	178,845
Cash generated from operations		**13,142,051**	7,479,909
Interest received		**187,230**	95,783
Taxes paid		**(806,372)**	(1,207,805)
Net cash flows from operating activities		**12,522,909**	6,367,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(10,631,294)**	(7,436,202)
Increase in non-current prepayments		**(3,012,775)**	(3,917,342)
Increase in prepaid land lease payments		**(588,808)**	(814,483)
Withdrawal of short-term deposits		**–**	247,360
Receipt of government grants		**–**	166,211
Disposal of subsidiaries		**459,784**	–
Disposal of a jointly-controlled entity		**10,598**	–
Disposal of associates		**–**	800
Increase in derivative financial instruments		**(26,377)**	–
Additions to other intangible assets		**(3,618,923)**	(2,625,034)
Dividend received from equity investments		**45,515**	17,532
Dividend received from jointly-controlled entities and associate		**–**	19,368
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		**3,936,074**	213,815
Decrease of equity investments at fair value through other comprehensive income		**23,922**	13,907
Acquisition of subsidiaries		**(26,872)**	–
Receipt of disposal of financial product		**27,709**	3,966
Capital contributions to associates		**–**	(201,260)
Capital contributions to joint ventures		**(788,528)**	(808,760)
Increase of equity investments at fair value through other comprehensive income		**(40,785)**	(596,602)
Net cash flows used in investing activities		**(14,230,760)**	(15,716,724)

Continued/...

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of perpetual loans		–	3,300,000
Repayment of perpetual loans		–	(3,200,000)
Proceeds from issue of corporate bonds		5,600,000	4,500,000
Corporate bond issue expenses		(21,132)	(8,632)
Proceeds from the issue of super short-term debentures		8,500,000	–
Super short-term debentures issue expenses		(8,267)	–
Repayment of super short-term debentures		(3,000,000)	–
Borrowing from other institution		1,376,550	–
New bank loans		51,588,427	46,032,851
Repayment of borrowings		(50,057,196)	(36,249,367)
Repayment of corporate bond		(4,500,000)	–
Interest paid		(3,294,620)	(2,419,438)
Perpetual loan interests paid		(238,400)	(243,036)
Dividends paid to non-controlling shareholders		(202,505)	(53,233)
Dividends paid to owners of the parent		(384,668)	(485,609)
Increase in pledged deposits		(1,452,513)	(5,712)
Receipt of absorbing investments		10,835	–
Net cash flows from financing activities		3,916,511	11,167,824
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,208,660	1,818,987
Cash and cash equivalents at beginning of year		8,935,954	7,111,234
Effect of foreign exchange rate changes, net		6,443	5,733
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,151,057	8,935,954

Notes to Financial Statements

31 December 2018

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 Province, the PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, manufacture and sale of rechargeable batteries and photovoltaic business, 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 Direct	Indirect	Principal activities
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%	10.00%	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

Continued/...

Notes to Financial Statements

31 December 2018

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 Direct	Indirect	Principal activities
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 (Wuhan) Electronic Co., Ltd. ("Wuhan Electronic")****^	PRC/ Mainland China	RMB10,000,000	–	65.76%	Manufacture and sale of mobile handset components
BYD Auto Sales Co., Ltd. ("BYD Auto Sales")**	PRC/ Mainland China	RMB 1,050,000,000	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	RMB 1,000,000,000	–	99.88%	Research and development of automobiles and components
BYD (Shangluo) Industrial Company Limited ("Shangluo BYD")***	PRC/ Mainland China	RMB 2,600,000,000	38.5%	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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, a long-term receivable, bills receivable 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.

Despite the Group's net current liabilities of approximately RMB1,209,481,000 as at 31 December 2018, the consolidated financial statements have been prepared on a going concern basis as it is the directors' opinion that the Group has sufficient cash flows and credit facilities in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

Notes to Financial Statements

31 December 2018

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. 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.

2.2 Changes in accounting policies and disclosures

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

Except for the amendments to HKFRS 4 and Annual Improvements 2014-2016 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 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the any transition adjustments against the applicable opening balances in of equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(b) Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS39 measurement Category	HKAS39 measurement Amounts RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	HKFRS9 measurement Amounts RMB'000	HKFRS9 measurement Category
Financial Assets								
Equity investments designated at fair value through other comprehensive income		N/A		3,582,554			3,582,554	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			3,582,554				
Available-for-sale investments		AFS[2]	4,185,460	(4,185,460)			–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			3,582,554				
To: Financial assets at fair value through profit or loss	(ii)			602,906				
Long-term receivables		L&R[3]	1,049,938		(3,193)	–	1,046,745	AC[4]
Trade and bills receivables	(iii)	L&R[3]	53,276,716	(53,276,716)			–	N/A
To: Bills receivable including prepayments,other receivables and other assets	(v)			6,973,003				
To: Trade receivables				39,898,385				
To: Contract assets				6,405,328				
Other receivables including prepayments,other receivables and other assets		L&R[3]	301,567		(302)		301,265	AC[4]
Due from joint ventures and associates		L&R[3]	6,609,997		(47,836)		6,562,161	AC[4]
Due from related parties		L&R[3]	256,941		(873)	–	256,068	AC[4]
Trade receivables		L&R[3]		39,898,385	(241,711)		39,656,674	AC[4]
Bills receivable including prepayments, other receivables and other assets		L&R[3]		6,973,003	(10,034)	10,034	6,973,003	FVOCI[1]
From: Trade and bills receivables				46,871,388				
Financial assets at fair value through profit or loss		FVPL[5]	1,095	602,906	–	–	604,001	FVPL[5]
From: Available-for-sale investments	(ii)			602,906				

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(b) Classification and measurement (continued)

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amounts RMB'000	Re-classification RMB'000	ECL RMB'000	Other RMB'000	HKFRS 9 measurement Amounts RMB'000	HKFRS 9 measurement Category
Financial assets								
Pledged deposits		L&R[2]	323,249	–	–	–	323,249	AC[4]
Restricted bank deposits		L&R[2]	643,487	–	–	–	643,487	AC[4]
Cash and cash equivalents		L&R[2]	8,935,954	–	–	–	8,935,954	AC[4]
Other assets								
Contract assets	(iii)			6,405,328	(157,286)		6,248,042	
From: Trade and bills receivables				**6,405,328**				
Total assets			75,584,404		(461,235)	10,034	75,133,203	
Financial liabilities								
Trade and bills payables		AC[4]	39,527,332				39,527,332	AC[4]
Financial liabilities included in other payables and accruals	(iv)	AC[4]	11,942,702				11,942,702	AC[4]
Derivative financial instruments		AC[4]	119,261				119,261	AC[4]
Interest-bearing bank and other borrowings		AC[4]	56,511,016				56,511,016	AC[4]
Due to joint ventures and associates		AC[4]	615,659				615,659	AC[4]
Due to related parties		AC[4]	130,608				130,608	AC[4]
Other liabilities		AC[4]	254				254	AC[4]
Total liabilities			108,846,832	–	–	–	108,846,832	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(b) Classification and measurement (continued)

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

(iv) As of 1 January 2018, the Group has assessed its liquidity portfolio of bills receivable which had previously been classified as trade and bills receivable at amortised cost. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these bills receivables are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as prepayments, other receivables and other assets measured at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 24, 25, 26 and 27 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	**ECL allowances under HKFRS 9 at 1 January 2018 RMB'000**
Trade receivables	494,258	241,711	**735,969**
Contract assets	–	157,286	**157,286**
Due from joint ventures and associates	2,819	47,836	**50,655**
Due from related parties		873	**873**
Bills receivable included in prepayments, other receivables and other assets	–	10,034	**10,034**
Financial assets included in prepayments, other receivables and other assets	143,174	302	**143,476**
Long-term receivables	–	3,193	**3,193**
Total	640,251	461,235	**1,101,486**

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(b) Classification and measurement (continued)

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Fair value reserve under HKFRS 9 (bills receivables revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	1,260,272
Changes in fair value of debt instruments at fair value through other comprehensive income under HKFRS 9	10,034
Balance as at 1 January 2018 under HKFRS 9	1,270,306
Retained profits	
Balance as at 31 December 2017 under HKAS 39	19,234,724
Recognition of expected credit losses for trade receivables under HKFRS 9	(241,711)
Recognition of expected credit losses for contract assets under HKFRS 9	(157,286)
Recognition of expected credit losses for due from joint ventures and associates under HKFRS 9	(47,836)
Recognition of expected credit losses for due from related parties under HKFRS 9	(873)
Recognition of expected credit losses for bills receivable under HKFRS 9	(10,034)
Recognition of expected credit losses for long-term receivables under HKFRS 9	(3,193)
Recognition of expected credit losses for prepayments, other receivables and other assets under HKFRS 9	(302)
Reserve of the statutory surplus reserve	11,796
Balance as at 1 January 2018 under HKFRS 9	18,785,285

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/(decrease)** RMB'000
Liabilities		
Contract liabilities	32	4,700,280
Advance from customer		(4,700,280)
Total liabilities		–
Assets		
Contract assets	26	6,405,328
Trade and bills receivables	24	(6,405,328)
Total liabilities		–

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
	Notes	**HKFRS 15**	**Previous HKFRS**	**Increase/ (decrease)**
		RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS				
Revenue	(i)	121,790,925	122,372,530	(581,605)
Cost of sales	(i)	(103,724,161)	(103,226,356)	(497,805)
Gross profit		18,066,764	19,146,174	(1,079,410)
Selling and distribution costs	(i)	(4,729,481)	(5,808,891)	1,079,410
Profit before tax from continuing operations		4,385,640	4,385,640	–
Income tax credit		(829,447)	(829,447)	–
Profit for the year from continuing operations		3,556,193	3,556,193	–
Profit for the year		3,556,193	3,556,193	–
Attributable to:				
Owners of the parent				
Non-controlling interests		775,999	775,999	–
Earnings per share attributable to ordinary equity holders of the parent		0.93	0.93	–
Basic and diluted				
– For profit for the year		0.93	0.93	–
– For profit for the year		0.93	0.93	–

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under		
		HKFRS 15	Previous HKFRS	Increase/ (decrease)
		RMB'000	RMB'000	RMB'000
Trade receivables	(ii)	44,240,183	50,540,469	(6,300,286)
Contract assets		6,300,286	–	6,300,286
Total assets		194,571,077	194,571,077	–
Contract liabilities	(iii)	3,469,114	–	3,469,114
Advances from customers		2,300	3,471,414	(3,469,114)
Total liabilities		133,877,098	133,877,098	–
Net assets		60,693,979	60,693,979	–
Retained profits				
Non-controlling interests		5,495,690	5,495,690	–
Total equity		60,693,979	60,693,979	–

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Sale of industrial products with contract performance costs

Before the adoption of HKFRS 15, transportation costs were treated as selling and distribution expenses. Under HKFRS 15, the amount is classified to cost of goods sold and other service as it constitutes contract cost to fulfill the performance obligations of sale of industrial products to customers or revenue from other sources.

Therefore, upon adoption of HKFRS 15 has resulted in a decrease of RMB1,079,410,000 in selling expense and an increase of RMB497,805,000 in cost of goods sold and a decrease of RMB581,605,000 in sales revenue for the year ended 31 December 2018.

(ii) Contract assets

Before the adoption of HKFRS 15, the Group recognise receivables upon the completion of the transfer of goods or services to customers. Under HKFRS 15, contract assets were recognised when the Group transferred goods or services to customers and was entitled to obtain conditional, which is dependent on factors other than passage of time.

Therefore, upon adoption of HKFRS 15, the Group reclassified its assets of RMB6,300,286,000 as contract assets as of 31 December 2018. The application of HKFRS 15 has resulted in a decrease of RMB6,300,286,000 in receivables and an increase of RMB6,300,286,000 in contract assets.

Notes to Financial Statements

31 December 2018

2.2 Changes in accounting policies and disclosures (continued)

(c) (continued)

(iii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB4,700,280,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB3,469,114,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of industrial products and properties.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 No mandatory effective date yet determined but available for adoption

Notes to Financial Statements

31 December 2018

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 describe 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.

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.

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 recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be 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 the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB605,831,000 and lease liabilities of RMB569,077,000 will be recognised at 1 January 2019.

Notes to Financial Statements

31 December 2018

2.3 Issued but not yet effective Hong Kong financial reporting standards (continued)

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.

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 expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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.

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

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.

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, a completed property held-for-sale, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Notes to Financial Statements

31 December 2018

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 2018

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 10 years	5%
Motor vehicles	5 years	5%
Office equipment and fixtures	5 years and below	5%

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

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.

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

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

Research and development costs

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

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

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

Industrial proprietary rights

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

Know-how

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

Software

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

Leases

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

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

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

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

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

Sale and leaseback

When a sale and leaseback transaction results in a finance lease, the transaction in substance is a 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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018)

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 (applicable from 1 January 2018)" 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.

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.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, 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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018) (continued)

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 designated 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 designated 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 include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

Initial recognition and measurement

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

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

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These 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.

Loans and receivables

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

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (policies under HKFRS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

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

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

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

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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

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

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

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

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for 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 bills receivable measured at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the bills receivables 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 bills receivable. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are past due.

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.

Bills receivables measured at fair value through other comprehensive income 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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

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 fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

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

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

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

Loans and borrowings

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

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

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

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

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

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Inventories

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

Cash and cash equivalents

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

For the purpose of the 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 industrial products 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 2018

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

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

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

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

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Revenue recognition (applicable from 1 January 2018)

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 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.

(a) Sale of industrial products

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

Some contracts for the sale of industrial products 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.

(b) 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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Contract assets (applicable from 1 January 2018)

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 liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 January 2018)

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 of 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.

Revenue recognition (applicable before 1 January 2018)

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

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

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services (applicable before 1 January 2018)" below;

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

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

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

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

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Construction contracts (applicable before 1 January 2018)

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

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

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

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services (applicable before 1 January 2018)

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

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

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Employees' leave entitlements

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

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.

Notes to Financial Statements

31 December 2018

2.4 Summary of significant accounting policies (continued)

Employee benefits (continued)

Housing fund – Mainland China

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

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.63% and 6.05% 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.

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

31 December 2018

3. Significant accounting judgements and estimates

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

Judgements

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

Lease classification

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

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

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.

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 34 to the financial statements.

Estimation uncertainty

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

Notes to Financial Statements

31 December 2018

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

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 characteristic. The most likely amount may be an appropriate estimate of the amount of variable consideration 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 recognized. At the end of each reporting period, the entity would be required to revaluate variable consideration, including constrains on variable consideration to reflect any changes during 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 2018 was RMB65,914,000 (2017: RMB65,914,000). Further details are given in note 17 to the 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 invoice date for groupings of various customer segments that have similar loss patterns 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 customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the financial statements, respectively.

Notes to Financial Statements

31 December 2018

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 2018 was RMB97,634,000 (2017: RMB200,749,000). The amount of unrecognised tax losses at 31 December 2018 was RMB2,266,882,000 (2017: RMB1,585,833,000). Further details are contained in note 37 to the financial statements.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2018, the best estimate of the carrying amount of capitalised development costs was RMB9,953,100,000 (2017: RMB7,963,163,000). Further details are contained in note 18 to the financial statements.

Warranty provisions

Provisions for product warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Management reviews and adjusts the provision to recognise the best estimate at the end of the each reporting period. Further details are contained in note 35 to the 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.

Notes to Financial Statements

31 December 2018

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 business 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 pack), 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, keypads and the provision of assembly services; and

(c) the automobiles and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components and automobiles leasing and after sales service, also including “Skyrail” 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 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, available-for-sale investments, equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, 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, equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, interest-bearing bank and other borrowings, derivative financial instruments, interest payable, dividend payable, other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements

31 December 2018

4. Operating segment information (continued)

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

Year ended 31 December 2018	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	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					3,265,296
Corporate and other unallocated expenses					(926,406)
Finance costs					(3,480,516)
Profit before tax					4,385,640

Notes to Financial Statements

31 December 2018

4. Operating segment information (continued)

Year ended 31 December 2018	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment assets	30,687,006	29,668,125	126,343,092	–	186,698,223
Reconciliation:					
Elimination of intersegment receivables					(3,103,897)
Elimination unrealised profit of 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
Credit losses recognised in the statement of profit or loss	(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

Notes to Financial Statements

31 December 2018

4. Operating segment information (continued)

Year ended 31 December 2017	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	8,442,131	39,707,908	54,500,575	–	102,650,614
Intersegment sales	9,358,166	1,118,762	1,191,317	–	11,668,245
Others including other gross income from sales of properties and raw materials and disposal of scrap materials	270,890	595,945	1,018,385	49,391	1,934,611
Taxes and surcharges	53,600	169,367	1,105,381	1,129	1,329,477
	18,124,787	41,591,982	57,815,658	50,520	117,582,947
Reconciliation:					
Elimination of intersegment sales					(11,668,245)
Elimination of other gross income					(1,934,611)
Elimination of taxes and surcharges					(1,329,477)
Revenue – sales to external customers					102,650,614
Segment results	1,152,553	3,141,410	3,479,743	6,136	7,779,842
Reconciliation:					
Elimination of intersegment results					(366,788)
Interest income					95,783
Dividend income and unallocated gains					1,427,874
Corporate and other unallocated expenses					(973,300)
Finance costs					(2,342,770)
Profit before tax					5,620,641

Notes to Financial Statements

31 December 2018

4. Operating segment information (continued)

Year ended 31 December 2017	Rechargeable batteries and photovoltaic business RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Corporate and others RMB'000	Total RMB'000
Segment assets	24,913,277	28,681,229	109,140,422	–	162,734,928
Reconciliation:					
Elimination of intersegment receivables					(1,703,533)
Elimination unrealised profit of intersegment sales					(526,943)
Corporate and other unallocated assets					17,594,978
Total assets					178,099,430
Segment liabilities	9,292,776	14,310,370	31,325,151	–	54,928,297
Reconciliation:					
Elimination of intersegment payables					(1,703,533)
Corporate and other unallocated liabilities					64,917,179
Total liabilities					118,141,943
Other segment information:					
Share of (profits)/losses of:					
Joint ventures	(2,711)	–	273,670	–	270,959
Associates	(18,889)	–	(27,548)	–	(46,437)
Impairment losses recognised in the statement of profit or loss	115,636	74,409	52,541	–	242,586
Depreciation and amortisation	1,380,967	1,962,996	3,748,532	–	7,092,495
Investments in joint ventures	284,694	–	2,158,173	–	2,442,867
Investments in associates	394,660	–	227,384	–	622,044
Capital expenditure	1,874,120	2,909,978	9,407,850	–	14,191,948

Notes to Financial Statements

31 December 2018

4. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2018 RMB'000	2017 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	106,473,578	89,238,458
Asia Pacific (excluding PRC)	8,360,910	8,488,581
United States of America	2,336,466	1,679,304
Others	4,619,971	3,244,271
	121,790,925	102,650,614

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

(b) Non-current assets

	2018 RMB'000	2017 RMB'000
PRC (including Hong Kong, Macau and Taiwan)	72,852,308	67,496,720
United States of America	516,302	410,073
Others	549,862	490,263
	73,918,472	68,397,056

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 RMB13,177,651,000 (2017: RMB13,825,218,000) 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.

Notes to Financial Statements

31 December 2018

5. Revenue, other income and gains

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers		
Sale of goods	121,734,100	102,601,532
Rendering of services	56,825	49,082
	121,790,925	102,650,614

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Rechargeable batteries and photovoltaic business 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 services	–	–	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 (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				
Goods transferred at a point in time	8,681,073	41,341,000	71,712,027	121,734,100
Services transferred over time	–	–	56,825	56,825
Total revenue from contracts with customers	8,681,073	41,341,000	71,768,852	121,790,925

Notes to Financial Statements

31 December 2018

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 with the amounts disclosed in the segment information:

Year ended 31 December 2018

Segment	Rechargeable batteries and photovoltaic business 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

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:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of goods	4,017,333
Revenue recognised from performance obligations satisfied in previous periods:	
Sale of goods not previously recognised due to constraints on variable consideration	–

(ii) Performance obligations

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

Sale of industrial products

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

Rendering of services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

Notes to Financial Statements

31 December 2018

5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	Price including tax RMB'000
Within one year	3,469,114
More than one year	–
	3,469,114

	2018 RMB'000	2017 RMB'000
Other income		
Bank interest income	187,230	95,783
Gross service income	282,889	182,388
Foreign exchange gain, net	233,769	–
Penalty from suppliers	111,163	112,115
Gross rental income	62,617	53,418
Dividend income from equity investments at fair value through other comprehensive income/available-for-sale investments	13,615	17,532
Others	123,130	163,543
	1,014,413	624,779

	2018 RMB'000	2017 RMB'000
Gains		
Gain on disposal of scrap and materials	653,819	522,255
Gain on disposal of a subsidiary	403,868	–
Gain on sales of properties	37,119	6,136
Gain on disposal of joint ventures	1,073	40
	1,095,879	528,431

Notes to Financial Statements

31 December 2018

6. Profit before tax

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

	Notes	**2018 RMB'000**	2017 RMB'000
Cost of inventories sold		**103,431,316**	63,473,140
Cost of services provided		**64,991**	21,010,150
Depreciation	14	**7,617,173**	5,759,409
Impairment of property, plant and equipment****	14	**458,564**	-
Amortisation of other intangible assets other than development costs***	18	**109,680**	78,672
Research and development costs:			
Deferred expenditure amortised	18	**1,556,608**	1,125,014
Current year expenditure		**4,989,360**	3,739,491
		6,545,968	4,864,505
Minimum lease payments under operating leases		**769,457**	604,099
Auditors' remuneration		**6,898**	7,150
Employee benefit expense (excluding directors', supervisors' and senior executive officers' remuneration (note 45 (d)):			
Wages and salaries		**18,149,942**	14,644,554
Welfare		**150,237**	116,217
Pension scheme contributions		**1,338,602**	1,130,736
		19,638,781	15,891,507
Recognition of prepaid land lease payments	16	**143,059**	129,400
Loss on disposal of items of non-current assets		**18,526**	55,150
Foreign exchange differences, net*****		**(233,769)**	207,978
Impairment of trade receivables*		**570,733**	88,203
Impairment of long-term receivables*		**31,901**	-
Impairment of bills receivables included in prepayments, other receivables and other assets*		**5,625**	-
Impairment losses of trade receivables reversed*		**(128,380)**	(76,563)
Impairment of contract assets reversed*		**(62,716)**	-
Impairment of bills receivables included in prepayments, other receivables and other assets reversed		**(203)**	-
Impairment of financial guarantee contracts*		**18,855**	-
Gain on disposal of derivative Financial instruments*		**(26,871)**	-
Impairment of inventories***		**227,854**	232,250
(Gain)/Loss on disposal of subsidiaries**		**(403,868)**	3,068
Fair value losses, net:			
Derivative instruments	31	**5,470**	118,166
Additional product warranty provision	35	**1,137,480**	918,088

* The impairment of trade receivables, impairment of long-term receivables, impairment losses of trade receivables reversed, Impairment of bills receivables included in prepayments, other receivables and other assets, Impairment of financial assets receivables included in prepayments, Impairment of financial assets receivables included in prepayments, other receivables and other assets reversed,other receivables and other assets, impairment of contract assets reversed and impairment of financial guarantee contracts are included in "Impairment losses on financial and contract assets" in the consolidated statement of profit or loss.

** Loss on disposal of subsidiaries are included in "Loss on disposal of financial assets" in the consolidated statement of profit or loss.

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

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

**** Impairment of property, plant and equipment for the year are included in "Other expenses" in the consolidated statement of profit or loss.

***** The foreign exchange differences are included in "other income and gains" or "other expenses" in the consolidated statement of profit or loss for the current year and the prior year respectively.

Notes to Financial Statements

31 December 2018

7. Government grants and subsidies

	2018 RMB'000	2017 RMB'000
Related to assets		
Subsidies on industry development fund for Changsha Automobile Zone (note (a))	72,647	73,055
Subsidies on research and development for batteries of electronic vehicle (note (b))	42,632	41,113
Full hybrid engine system of plug-in vehicle project (note (c))	27,386	993
Others	231,223	129,567
Related to income		
Subsidies on marketing incentives for new energy automobiles (notes (d))	600,000	–
R&D subsidy Taiyuan car battery project (note (e))	267,459	–
Support fund for industrial co-construction (notes (f))	144,990	–
Electricity cost reduction (notes (g))	115,210	–
Subsidies on employee stability (note (h))	37,595	51,146
Incentive subsidy on Shanwei BYD Industrial projects (note (i))	14,695	135,305
Others	779,026	844,628
	2,332,863	1,275,807

Notes:

(a) In 2010 and 2012, Changsha BYD Auto Co., Ltd. ("Changsha Auto"), a subsidiary of the Company, received government grants with an aggregate amount of RMB874,184,000 provided by the Changsha Yuhua District Development Zone Committee (長沙雨花經濟開發區管理委員會) to support the industry development for the Changsha Automobile Zone. The amount recognised in the statement of profit or loss for the year ended 31 December 2018 was RMB72,647,000 (2017: RMB73,055,000).

(b) In 2014 and 2018, BYD Lithium Batteries Co., Ltd., a subsidiary of the Company, received government grants with an aggregate amount of RMB150,000,000 from the National Development and Reform Commission (發改委) and the Ministry of Industry and Information Technology of PRC (工信部) for the research and development for batteries of electronic vehicles (鐵動力鋰離子項目). The amount recognised in the statement of profit or loss for the year ended 31 December 2018 was RMB42,632,000 (2017: RMB41,113,000).

(c) In 2015 and 2017, the auto industry received a grant totalling RMB152,180,000 from Finance Commission of Shenzhen Municipality for the purpose of subsidising the auto industry, as well as the civil engineering and equipment purchase of the full hybrid engine system and construction of plug-in electric vehicle project in Huizhou. During the Year, an amount of RMB27,386,000 was recognised as government grants income (for the year ended 31 December 2017: RMB993,000).

(d) In 2018, BYD Auto Co., Ltd. received the marketing incentives for new energy vehicles in the amount of RMB600,000,000 from the management committee of Xi'an Hi-tech Industries Development Zone (西安高新技術產業開發區), which was used to support BYD's expansion in its sales of new energy vehicle products. The amount of RMB600,000,000 was recognised as revenue from government subsidies for the year.

(e) In 2018, Taiyuan Automobile (太原汽車) received the industry development fund from the management committee of Shanxi Transition and Comprehensive Reform Demonstration District (山西轉型綜改示範區) in the amount of RMB362,988,000, which was used as the expenses in support of basic research for the technology and production of power batteries. The amount of RMB267,459,000 was recognized as revenue from government subsidies for the year.

(f) In 2018, BYD (Shaoguan) Co., Ltd., Shanwei BYD Auto Company Limited (汕尾比亞迪汽車有限公司), BYD (Shanwei) Co., Ltd. and BYD (Shantou) Co., Ltd. (汕頭比亞迪實業有限公司) received a support fund in the amount of RMB272,199,000 for industrial co-construction in Pearl River Delta as well as eastern, western and northern Guangdong regions, for the use of manufacturing and operating expenses. During the Year, an amount of RMB144,990,000 was recognised as government grants income (2017: Nil).

(g) In 2018, BYD Company Limited and BYD Auto Industry Co., Ltd. received an electricity bill subsidy of RMB115,210,000 from the Economy, Trade and Information Commission and Finance Commission of Shenzhen Municipality for the purpose of reducing electricity cost. During the year, an amount of RMB115,210,000 was recognised as government grants income (2017: Nil).

(h) In 2018, the BYD group received government grants with an aggregate amount of RMB37,595,000 as subsidies on employee stability (2017: RMB51,146,000). Since related expenditure has incurred, RMB37,595,000 has been fully recognised as government grant income for the year ended 31 December 2018 (2017: RMB51,146,000).

(i) In 2016, BYD (Shanwei) Industrial Co., Ltd., a subsidiary of the Company, received government grants with an amount of RMB150,000,000 from local government to support research and development activities in that area. Since related research expenditure has incurred, RMB14,695,000 has been recognised as government grant income for the year ended 31 December 2018 (2017: RMB135,305,000).

Notes to Financial Statements

31 December 2018

8. Finance costs

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	2,962,957	2,265,514
Bank charges for discounted notes	388,803	159,357
Losses arising from the derecognition of financial assets measured at amortised cost	361,765	–
	3,713,525	2,424,871
Less: Interest capitalised	233,009	82,101
	3,480,516	2,342,770

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.34% (2017: 4.38%).

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:

	2018 RMB'000	2017 RMB'000
Fees	1,000	850
Other emoluments:		
Salaries, allowances and benefits in kind	10,583	9,927
Pension scheme contributions	73	75
	10,656	10,002
	11,656	10,852

There was no discretionary bonuses for directors and supervisors during the year (2017: Nil).

Notes to Financial Statements

31 December 2018

9. Directors' and supervisors' remuneration (continued)

(a) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
Mr. Zhang Ran	200	170
Mr. Wang Zi-dong	200	170
Mr. Zou Fei	200	170
	600	510

There was no other emolument payable to the independent non-executive directors during the year (2017: Nil).

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

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 was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

Notes to Financial Statements

31 December 2018

9. Directors' and supervisors' remuneration (continued)

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

2017	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	–	5,761	24	5,785
Non-executive directors:				
Mr. Lv Xiang-yang	170	–	–	170
Mr. Xia Zuo-quan	170	–	–	170
Supervisors:				
Ms. Yan Chen*	–	1,312	18	1,330
Ms. Wang Zhen	–	2,135	26	2,161
Mr. Dong Jun-qing	–	70	–	70
Mr. Yang Dong-sheng**	–	509	7	516
Mr. Li Yong-zhao	–	70	–	70
Mr. Huang Jiang-feng	–	70	–	70
	340	9,927	75	10,342

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

* Ms. Yan Chen resigned as the supervisor on 7 September 2017. Her remuneration of 2017 covered the period from January to August.

** Mr. Yang Dong-sheng was appointed as the supervisor on 8 September 2017. His remuneration of 2017 covered the period from September to December.

Notes to Financial Statements

31 December 2018

10. Five highest paid employees

The five highest paid employees during the year included zero (2017:Two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining five (2017: Three) non-director and highest paid employees are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	39,489	20,712
Pension scheme contributions	123	72
	39,612	20,784

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

	Number of employees	
	2018	2017
RMB6,000,001 to RMB6,500,000	–	1
RMB6,500,001 to RMB7,000,000	–	1
RMB7,000,001 to RMB7,500,000	2	–
RMB7,500,001 to RMB8,000,000	2	1
RMB8,000,001 to RMB8,500,000	–	–
RMB8,500,001 to RMB9,000,000	–	–
RMB9,000,001 to RMB9,500,000	–	–
RMB9,500,001 to RMB10,000,000	1	–
	5	3

11. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

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

Notes to Financial Statements

31 December 2018

11. Income tax (continued)

Certain subsidiaries operating in Mainland China were entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year pursuant to the Western Development Policy. These subsidiaries retained for future reference information pursuant to the State Taxation Administration for every year so as to be entitled to the reduced rate of 15%.

	2018 RMB'000	2017 RMB'000
Current – Hong Kong		
Charge for the year	547	–
Current – Mainland China		
Charge for the year	686,981	862,098
Current – Elsewhere		
Charge for the year	29,510	7,317
Deferred	112,409	(165,710)
Total tax charge for the year	829,447	703,705

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

	2018 RMB'000	%	2017 RMB'000	%
Profit before tax	4,385,640		5,620,641	
Tax at the statutory tax rate	1,096,744	25.0	1,405,161	25.0
Lower tax rate for specific provinces or enacted by local authority	(453,901)	(10.4)	(657,465)	(11.7)
Losses attributable to joint ventures and associates	20,469	0.5	24,670	0.4
Expenses not deductible for tax	92,559	2.1	76,236	1.3
Tax losses and deductible temporary differences not recognised	658,485	15.0	199,653	3.6
Tax losses utilised from previous periods	(155,034)	(3.5)	(98,076)	(1.7)
Super-deduction of research and development costs	(429,875)	(9.8)	(246,474)	(4.4)
Tax charge at the Group's effective rate	829,447	18.9	703,705	12.5

Notes to Financial Statements

31 December 2018

12. Perpetual loan interest paid

The interest paid on perpetual loans in 2018 was RMB238,400,000 (2017:RMB243,036,000). The Group's perpetual loans are disclosed in note 40 to the 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 the profit for the year attributable to ordinary equity holders of the parent adjusted for interest paid or payable for the perpetual loans, and the weighted average number of ordinary shares of 2,728,142,855 (2017: 2,728,142,855) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 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:

	2018 **RMB'000**	2017 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**2,780,194**	4,066,478
Interest paid for the perpetual loans for the year	**(206,263)**	(211,911)
Accumulated unpaid interest attributable to the perpetual loans for the year	**(32,202)**	(32,138)
Profit used in the basic earnings per share calculation	**2,541,729**	3,822,429

	Number of shares	
	2018	2017
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

Notes to Financial Statements

31 December 2018

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 2018							
At 31 December 2017 and at 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

During the year, the Group recognised an impairment loss of RMB458,564,000 on fixed assets, which was mainly attributable to impairment provision on the part of long-term photovoltaic assets of rechargeable battery and photovoltaic segment arising from production technology upgrade.

As at 31 December 2018, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB3,573,965,000 (2017: RMB3,878,277,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

As at 31 December 2018, certain items of the Group's land and buildings with a net carrying amount of approximately RMB220,370,000 (2017: RMB73,807,000) were pledged to secure general banking facilities granted to the Group; and certain items of the Group's construction in progress with a net carrying amount of approximately RMB4,754,000 (2017: RMB9,210,000) were pledged to secure general banking facilities granted to the Group (note 34(a)).

Notes to Financial Statements

31 December 2018

14. Property, plant and equipment (continued)

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. (note 34 (i)).

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 2017							
At 31 December 2016 and at 1 January 2017:							
Cost	15,110,077	17,824	38,393,523	823,025	6,487,784	4,565,424	65,397,657
Accumulated depreciation and impairment	(2,225,002)	(11,008)	(17,204,825)	(248,298)	(3,659,889)	–	(23,349,022)
Net carrying amount	12,885,075	6,816	21,188,698	574,727	2,827,895	4,565,424	42,048,635
At 1 January 2017, net of accumulated depreciation and impairment	12,885,075	6,816	21,188,698	574,727	2,827,895	4,565,424	42,048,635
Additions	199,268	81,504	5,292,765	218,751	1,225,178	4,866,040	11,883,506
Disposals	(4,441)	–	(130,986)	(100,259)	(17,645)	(6,564)	(259,895)
Depreciation provided during the year	(459,365)	(8,457)	(4,433,363)	(148,821)	(709,403)	–	(5,759,409)
Transfer to investment properties	(66,707)	–	–	–	–	–	(66,707)
Transfers	2,398,284	(6,816)	2,996,038	46,104	(521,566)	(4,912,044)	–
Exchange realignment	(5,322)	–	(574)	(9,034)	(482)	–	(15,412)
At 31 December 2017, 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
At 31 December 2017:							
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

Notes to Financial Statements

31 December 2018

15. Investment properties

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount at 1 January	66,707	–
Transfer from property, plant and equipment	25,224	66,707
Depreciation provided during the year/period	(1,865)	–
Carrying amount at 31 December	90,066	66,707

16. Prepaid land lease payments

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	5,981,496	5,296,460
Additions	588,809	814,483
Recognised during the year (note 6)	(143,059)	(129,400)
Exchange realignment	(852)	(47)
Carrying amount at 31 December	6,426,394	5,981,496
Current portion included in prepayments, other receivables and other assets	(148,919)	(136,639)
Non-current portion	6,277,475	5,844,857

As at 31 December 2018, the Group was still in the process of obtaining the land use right certificates for certain parcels of leasehold land with a carrying amount of RMB160,541,000 (2017: RMB58,634,000). In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.

Notes to Financial Statements

31 December 2018

17. Goodwill

	RMB'000
At 1 January 2017:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2017, net of accumulated impairment	65,914
Impairment during the year	–
Cost and net carrying amount at 31 December 2017	65,914
At 31 December 2017:	
Cost	**75,585**
Accumulated impairment	**(9,671)**
Net carrying amount	**65,914**
Cost at 1 January 2018, net of accumulated impairment	**65,914**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2018	**65,914**
At 31 December 2018:	
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% (2017: 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% (2017: 3%), which is less than the long term average growth rate of the automobile industry.

Notes to Financial Statements

31 December 2018

17. Goodwill (continued)

Impairment testing of goodwill (continued)

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

	Automobiles and related products	
	2018 RMB'000	2017 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 2018 and 31 December 2017. 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.

Notes to Financial Statements

31 December 2018

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 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
31 December 2017					
Cost at 1 January 2017, net of accumulated amortisation and impairment	6,561,350	1,643	1,985	194,133	6,759,111
Additions – internal development	2,526,828	–	–	–	2,526,828
Additions – acquired	–	–	–	135,599	135,599
Disposal	–	–	(192)	–	(192)
Amortisation provided during the year	(1,125,015)	(780)	(604)	(77,288)	(1,203,687)
Exchange realignment	–	–	–	(36)	(36)
At 31 December 2017	7,963,163	863	1,189	252,408	8,217,623
At 31 December 2017:					
Cost	13,283,674	43,115	3,715	602,330	13,932,834
Accumulated amortisation and impairment	(5,320,511)	(42,252)	(2,526)	(349,922)	(5,715,211)
Net carrying amount at 31 December 2017	7,963,163	863	1,189	252,408	8,217,623

* No impairment provision (2017: Nil) was made to development costs related to the reportable segment of automobiles and related products in the year ended 31 December 2018.

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

Notes to Financial Statements

31 December 2018

19. Investments in joint ventures

	2018 RMB'000	2017 RMB'000
Shares of net assets	2,793,681	2,442,867

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

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

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Shenzhen Denza New Energy Automotive Co., Ltd. ("DENZA")	RMB4,160,000,000	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
Nanjing Jiangnan Electric Car Rental Company Limited ("Jiangnan Chuzu")	RMB20,000,000	PRC/Mainland China	60%*	60%	60%	Taxi business and rental of electric vehicles
Shenzhen BYD Electric Car Investment Co., Ltd. ("BYD Electric Car")	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 ")	RMB859,770,000	PRC/Mainland China	40%	40%	40%	Electric car and fuel car rental and sale, taxi business
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

Notes to Financial Statements

31 December 2018

19. Investments in joint ventures (continued)

Name	Particulars of registered capital held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
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
Xi'an Infrastructure Yadi Automobile service Co., Ltd. ("Xi'an Infrastructure")	RMB10,000,000	PRC/Mainland China	40%	40%	40%	Automobile and part sale and automobile maintenance
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
Qinghai Salt Lake BYD Resources Development Co., Ltd	RMB500,000,000	PRC/Mainland China	49%	40%	49%	Development of lithium resources in Salt Lake and the production and sale of lithium carbonate
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, 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

* According to the articles of association of these investees, a board resolution requires unanimous consent of two-thirds 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%.

Notes to Financial Statements

31 December 2018

19. Investments in joint ventures (continued)

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.

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.

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	427,029	887,335
Other current assets	1,403,544	982,508
Current assets	1,830,573	1,869,843
Non-current assets, excluding goodwill	1,108,514	1,674,662
Financial liabilities, excluding trade and other payables and provisions	270,000	430,000
Other current liabilities	989,921	1,327,755
Current liabilities	1,259,921	1,757,755
Non-current financial liabilities, excluding trade and other payables	1,210,001	1,230,000
Net assets	469,166	556,750
Net assets, excluding goodwill	469,166	556,750
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	234,583	278,375
Unrealised gain arising from transactions with the Group	(41,893)	(10,681)
Carrying amount of the investment	192,690	267,694
Revenue	471,433	975,082
Other expense	560,633	41,107
Interest income	10,917	8,691
Depreciation and amortisation	160,807	101,663
Interest expenses	82,944	89,472
Total comprehensive loss for the year	887,584	477,451

Notes to Financial Statements

31 December 2018

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:

	2018 RMB'000	2017 RMB'000
Share of joint ventures' profit for the year	181,373	22,799
Share of the joint ventures' total comprehensive income	181,373	22,799
Elimination of unrealised loss	(143,555)	(7,580)
Aggregate carrying amount of the Group's investments in the joint ventures	2,600,991	2,175,173

20. Investments in associates

	2018 RMB'000	2017 RMB'000
Shares of net assets	636,984	491,829
Goodwill on acquisition	131,238	131,238
	768,222	623,067
Provision for impairment	(1,023)	(1,023)
	767,199	622,044

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
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

Notes to Financial Statements

31 December 2018

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 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	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 specialized contracting
Shenzhen Faurecia Auto Parts Co. Ltd	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 provide after-sales service and technical development service

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

	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	32,261	48,809
Share of the associates' total comprehensive income	32,261	48,809
Elimination of unrealised profit	(116)	(2,221)
Aggregate carrying amount of the Group's investments in the associates	767,199	622,044

Notes to Financial Statements

31 December 2018

21. Equity investments designated at fair value through other comprehensive income/available-for-sale investments

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Holitech Technology Co., Ltd.	1,620,969	–
Available-for-sale investments		
Listed equity investments, at fair value	–	3,582,554
Unlisted equity investments, at cost	–	607,906
Provision for impairment	–	(5,000)
	1,620,969	4,185,460

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

As the accumulative net profit of Shenzhen BYD Electronic Components Co., Ltd. during the profit compensation period did not reach the profit guarantee figures, the counterparty of the transaction, namely BYD, was required to provide compensations for the listed company, Holitech Technology Co., Ltd, in accordance with the profit compensation agreement. Other equity instrument investments of RMB57,272,000 were disposed by the Group.

Notes to Financial Statements

31 December 2018

22. Completed property held for sale

	2018 RMB'000	2017 RMB'000
Land in Mainland China held under medium term leases, at cost:		
At the beginning of year	–	684,950
Transfer to completed property held for sale	–	(684,950)
At 31 December	–	–
Development expenditure, at cost:		
At the beginning of year	–	236,293
Additions	–	–
Transfer to completed property held for sale	–	(236,293)
At 31 December	–	–
	–	–
Property under development expected to be recovered:		
After more than one year *	–	–

	2018 RMB'000	2017 RMB'000
Completed property held for sale, at cost:		
At the beginning of year	6,689,770	33,840
Additions	–	6,684,675
Other transfers	–	(20,268)
Recognised in the statement of profit or loss	(2,739,094)	(8,477)
At 31 December	3,950,676	6,689,770

* The construction of Yadi Sancun has been completed in 2017, and RMB921,243,000 has been fully transfer to completed property held for sale for the year ended 31 December 2017 .

23. Inventories

	2018 RMB'000	2017 RMB'000
Raw materials	5,127,866	4,372,410
Work in progress	11,747,481	8,995,702
Finished goods	8,589,749	5,790,946
Moulds held for production	865,249	713,746
	26,330,345	19,872,804

Notes to Financial Statements

31 December 2018

24. Trade and bills receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	45,338,100	46,797,971
Bills receivable	–	6,973,003
Impairment	(1,097,917)	(494,258)
	44,240,183	53,276,716

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 payment 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 6% (2017: 5%) and 20% (2017: 19%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2018 RMB'000	2017 RMB'000
Within three months	23,875,422	22,874,693
Four to six months	8,876,074	8,081,877
Seven months to one year	6,571,079	9,129,260
Over one year	4,917,608	13,190,886
	44,240,183	53,276,716

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

Notes to Financial Statements

31 December 2018

24. Trade and bills receivables (continued)

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

	2018 RMB'000	2017 RMB'000
At beginning of year	494,258	505,556
Effect of adoption of HKFRS 9	241,711	
At beginning of year (restated)	735,969	
Impairment losses, net	512,700	85,384
Impairment losses reversed (note 6)	(120,913)	(76,563)
Amount written off as uncollectible	(30,455)	(20,325)
Exchange realignments	616	206
At end of year	1,097,917	494,258

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates of provision matrix are based on 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.

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 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	

Notes to Financial Statements

31 December 2018

24. Trade and bills receivables (continued)

Impairment under HKFRS 9 for the year ended 31 December 2018 (continued)

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

New energy business

	Ageing as at 31 December 2018				
	Within three months	Three to six months	Six 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

The trade receivables contain the subsidy to new energy automobiles products.

Non-new energy business

	Ageing as at 31 December 2018				
	Within three months	Three to six months	Six 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

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017, was a provision for individually impaired trade receivables of RMB494,258,000 with a carrying amount before provision of RMB703,639,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	51,096,267
Less than one year past due	1,705,935
One to two years past due	265,133
	53,067,335

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been any significant change in credit quality and the balances were still considered fully recoverable.

Notes to Financial Statements

31 December 2018

25. Prepayments and other receivables and other assets

	2018 RMB'000	2017 RMB'000
Non-current portion		
Prepayment for items of property, plant and equipment	4,233,402	3,372,240
Current portion		
Deposits and other receivables	5,227,825	5,235,348
Impairment *	(143,763)	(143,174)
	5,084,062	5,092,174
Bills receivable	7,837,083	–
Other comprehensive income	(64,058)	–
	7,773,025	–
Prepayments	507,741	985,449
Loans to employees	72,008	133,394
	13,436,836	6,211,017

* At 31 December 2018, an impairment loss of RMB143,763,000 (2017: RMB143,174,000) has been provided, including deposits of RMB143,174,000 paid to two suppliers (2017: RMB143,174,000).

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

As at 31 December 2018, bill receivable of RMB7,773,025,000 whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under HKFRS 9.

26. Contract assets

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:			
Sale of goods	6,394,856	6,405,328	–
Impairment	(94,570)	(157,286)	–
	6,300,286	6,248,042	–

Notes to Financial Statements

31 December 2018

26. Contract assets (continued)

The increase in the carrying amount of contract assets in 2018 was the result of the increase in the ongoing sale of industrial products at the end of the year. During the year ended 31 December 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 financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	2018 RMB'000
Within one year	6,394,856
	6,394,856

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

	2018 RMB'000
At beginning of year	–
Effect of adoption of HKFRS 9	157,286
At beginning of year (restated)	157,286
Impairment losses, net (note 6)	(62,716)
At end of year	94,570

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

Notes to Financial Statements

31 December 2018

26. Contract assets (continued)

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

As at 31 December 2018

Expected credit loss rate	1.48%
	RMB'000
Gross carrying amount	6,394,856
Expected credit losses	(94,570)

27. Long-term receivables

	2018 RMB'000	2017 RMB'000
Goods sold by installments	2,134,405	1,049,938

As at 31 December 2018, the unrealised finance income of the above long-term receivables was RMB308,681,000.

During the year, the discount rate used for recognizing goods sold by installments ranged from 4.75% to 4.90%.

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

	2018 RMB'000
At beginning of year	–
Effect of adoption of HKFRS 9	3,193
At beginning of year (restated)	3,193
Impairment losses, net	31,902
Exchange realignments	–
At end of year	35,095

Notes to Financial Statements

31 December 2018

27. Long-term receivables (continued)

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 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	

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

	Notes	**2018 RMB'000**	2017 RMB'000
Cash and bank balances		**10,907,057**	8,750,954
Time deposits		**2,145,038**	1,151,736
		13,052,095	9,902,690
Less:			
Pledged deposit	(i)	**(1,583,861)**	(323,249)
Restricted bank deposit	(ii)	**(317,177)**	(643,487)
Cash and cash equivalents	(iii)	**11,151,057**	8,935,954

Notes:

(i) At 31 December 2018, a bank deposit of RMB1,583,861,000 (2017: RMB323,249,000) was pledged for bank acceptance bills and letters of credit.

(ii) The balance of a restricted bank deposit as at 31 December 2018 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 RMB7,285,948,000 (2017: RMB5,725,975,000). 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 and pledged deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

31 December 2018

29. 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:

	2018 **RMB'000**	2017 RMB'000
Within three months	**32,087,999**	29,126,364
Three to six months	**11,162,123**	9,081,522
Six months to one year	**775,458**	486,529
One to two years	**593,879**	739,176
Two to three years	**533,789**	39,089
Over three years	**69,073**	54,652
	45,222,321	39,527,332

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

30. Other payables and accruals

	2018 **RMB'000**	2017 RMB'000
Other payables	**9,156,891**	8,762,765
Accrued payroll	**3,855,654**	3,179,937
	13,012,545	11,942,702

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

31. Derivative financial instruments

	2018		2017	
	Assets **RMB'000**	**Liabilities** **RMB'000**	Assets RMB'000	Liabilities RMB'000
Forward currency contracts	**451**	**8,559**	1,095	12,929
Cross currency swap	**–**	**–**	–	4,672
Interest rate swap	**–**	**–**	–	1,318
Others (note)	**–**	**–**	–	100,342
	451	**8,559**	1,095	119,261

Notes to Financial Statements

31 December 2018

31. Derivative financial instruments (continued)

Non-hedging derivatives:

The Group has entered into various forward currency contracts, cross currency swap and interest rate swaps to manage its exchange rate exposures and interest rate exposures, respectively, which did not meet the criteria for hedge accounting. Gains on changes in the fair value of non-hedging derivatives amounting to approximately RMB1,951,000 were charged to the consolidated statement of profit or loss during the year (2017: loss of approximately RMB17,824,000). The maturity of derivative financial instruments is within one year.

Note:

The Company and Holitech Technology Co., Ltd. ("Holitech") (the "Transferee") entered into a strategic cooperation and asset transfer in consideration of Non-public Offering shares and cash consideration asset transport framework agreement (戰略合作暨非公開發行股份及支付現金購買資產框架協議) on 3 April 2015, pursuant to which, the Company sold to the Transferee a 100% equity interest in Electronic Components, a subsidiary of the Company. On 30 September 2015, the transfer of the 100% equity interest in Electronic Components has been duly registered with the industrial and commercial authorities.

Pursuant to the profit compensation agreement and its supplemental agreement entered into between the Company and Holitech in respect of Electronic Components, the terms of profit compensation mainly comprise of three parts:

(i) The Company guaranteed that the three-year accumulated profits for 2015, 2016 and 2017 of Electronic Components shall not be less than RMB714,066,600. Any shortfall of the three-year accumulated profit shall be compensated by the shares of Holitech held by the Company with any shortfall being compensated by cash; and

(ii) After the expiry of the profit compensation periods of 2015, 2016 and 2017 as agreed in the agreement, Holitech shall conduct impairment tests on the target assets. Where the impairment amount of the target assets as at the end of the profit compensation period exceeds the total amount of compensation, the Company shall provide further compensation.

(iii) As the accumulative net profit of Shenzhen BYD Electronic Components Co., Ltd. during the profit compensation period did not reach the profit guarantee figures, the counterparty of the transaction, namely BYD, was required to provide compensations for the listed company, Holitech in accordance with the profit compensation agreement. The company delivered 11,894,456 shares to Holitech as compensation and the profit compensation agreement ended.Gains on changes in the fair value of equity investment to approximately RMB41,346,000(2017: loss of approximately RMB100,342,000).

32. Contract liabilities

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

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

Contract liability mainly represents the 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 3 months upon receipt of payment in advance from customers.

Notes to Financial Statements

31 December 2018

33. Deferred income

	2018 RMB'000	2017 RMB'000
Government grants and subsidies	2,410,994	2,080,437
Others	126,322	104,865
	2,537,316	2,185,302
Current portion		
Government grants and subsidies	(489,045)	(408,035)
Others	(126,322)	(104,865)
	(615,367)	(512,900)
	1,921,949	1,672,402

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

	2018 RMB'000	2017 RMB'000
At 1 January	2,080,437	1,873,978
Received during the year	2,625,825	1,376,120
Released to the statement of profit or loss	(2,295,268)	(1,169,661)
At 31 December	2,410,994	2,080,437
Less: Portion classified as current liabilities	(489,045)	(408,035)
Non-current portion	1,921,949	1,672,402

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 statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to Financial Statements

31 December 2018

34. Interest-bearing bank and other borrowings

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	–	–	–			
Bank loans – unsecured	0.99-5.66	2019	35,576,025	0.99-5.66	2018	34,215,815
	LIBOR+110bps-225bps	2019	2,212,952	LIBOR+90bps-225bps	2018	1,559,101
Current portion of long term bank loans – secured	3.00-3.85	2019	3,040,179	3.00-3.85	2018	40,469
Current portion of long term bank loans – unsecured	2.65-4.89	2019	1,379,000	2.65-5.08	2018	4,507,210
Current portion of other borrowings – secured	5.94	2019	63,750	4.04-4.28	(i)	830,344
			42,271,906			41,152,939
Super short-term debentures	4.08-5.80	(j)	5,496,811			–
Corporate bonds – unsecured	4.94	(d)	2,999,705	4.10-6.35		4,495,731
			50,768,422			45,648,670
Non-current						
Bank loans – secured	4.90	2030	27,166	4.90	2030	26,731
	3.00-4.75	2022	134,839	3.00	2022	16,688
Bank loans – unsecured	3.69-5.80	2020	5,821,999	2.65-5.46	2020	6,270,000
Other borrowings – secured	5.94		863,599	4.28	(i)	55,818
			6,847,603			6,369,237
Corporate bonds – unsecured	4.87-5.75	(e) & (f) & (g) & (h)	7,076,777	4.87-4.94	(d) & (e)	4,493,109
			13,924,380			10,862,346
			64,692,802			56,511,016

Notes to Financial Statements

31 December 2018

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

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	42,271,906	41,152,939
In the second year	4,844,081	4,866,758
In the third to fifth years, inclusive	1,871,354	1,489,128
Beyond five years	132,168	13,351
	49,119,509	47,522,176
Corporate bonds		
Within one year (note (d))	2,999,705	4,495,731
In the second year	–	2,998,290
In the third to fifth years (notes (e), (f), (g) and (h))	7,076,777	1,494,819
	10,076,482	8,988,840
Super short-term debentures		
Within one year (notes (j))	5,496,811	–
	5,496,811	–
	64,692,802	56,511,016

Notes:

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

(i) mortgages over certain of the Group's land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB220,370,000 (2017: RMB73,807,000) (note 14); and

(ii) mortgages over certain of the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB4,754,000 (2017: RMB9,210,000) (note 14);

In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB36,616,393,000 (2017: RMB36,021,358,000) 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 RMB2,326,603,000 (2017:RMB1,725,338,000) which are denominated in United States dollars and RMB21,188,000 (2017: RMB163,658,000) in Euro, all borrowings are in RMB.

(d) The Company completed the 2017 first tranche of debt financing plan of Beijing Financial Assets Exchange on 17 March 2017. The bond product was simplistically described as "17 Yue BYD ZR001", with an actual listing amount of RMB3,000,000,000 and a listing price of 4.94%, for a term of two years. The interest payment shall be made once every three months (it will be postponed to the next working day should it be a statutory festival or holiday in the PRC), without compound interest, and the principal will be repaid on one-off basis upon maturity and the last interest payment shall be made together with the principal repayment. The interest accrued period commenced on 17 March 2017, and the date for the first interest payment was 17 June 2017.

(e) On 15 June 2017, the Company issued 1,500,000,000 RMB corporate bonds. The bonds have a maturity of five years due in 2022, and bear a fixed interest rate of 4.87% per annum from and including 15 June 2017 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (15 June 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 14 July 2017.

Notes to Financial Statements

31 December 2018

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

Notes: (continued)

(f) On 12 April 2018, the Company issued 3,000,000,000 RMB corporate bonds. The bonds have a maturity of five years due in 2022, and bear a fixed interest rate of 5.17% per annum from and including 12 April 2018 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (12 April 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 4 June 2018.

(g) On 22 August 2018, the Company issued 1,600,000,000 RMB corporate bonds. The bonds have a maturity of four years due in 2022, and bear a fixed interest rate of 5.75% per annum from and including 22 August 2018 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (22 August 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 25 September 2018.

(h) On 21 December 2018, the Company issued 1,000,000,000 RMB corporate bonds. The bonds have a maturity of five years due in 2022, and bear a fixed interest rate of 4.98% per annum from and including 21 December 2018 payable annually. Investors have the right to sell back all or part of their bonds at par value to the Company on the third interest payment date (21 December 2020), or release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 29 January 2019.

(i) 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 asset 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 is recorded as a current liability and RMB863,599,000 is recorded as a non-current liability on the Group's consolidated statement of financial position.

(j) On 15 June 2018, the Company issued the Second Tranche Super Short-term Debentures in 2018, with an aggregate amount of RMB2.0 billion and an interest rate of 5.80%, valid within 270 days; on 15 August 2018, the Company issued the Third Tranche Super Short-term Debenture in 2018, with an aggregate amount of RMB1.5 billion and an interest rate of 4.75%, valid within 270 days; on 19 November 2018, the Company issued the Fifth Tranche of Super Short-term Debenture in 2018, with an aggregate amount of RMB2.0 billion and an interest rate of 4.08%, valid within 270 days.

35. Provision

	Warranties	
Group	**RMB'000 2018**	RMB'000 2017
At 1 January	**1,471,511**	1,292,666
Additional provision	**1,137,481**	918,089
Amounts utilised during the year	**(754,365)**	(739,244)
At 31 December	**1,854,627**	1,471,511

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.

Notes to Financial Statements

31 December 2018

36. Other liabilities

	2018 RMB'000	2017 RMB'000
Long-term payables	81	254
Financial guarantee contracts	18,855	–
Others	1,376,550	–
	1,395,486	254

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 ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the financial institutions for a credit loss that it incurs less any amounts that the Group expects to receive from the certain customers. The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. Upon transition to HKFRS9, the carrying amount of the financial guarantees was remeasured at 18,855,000 (2017: Nil) as further detailed in note 2.2(b) to the financial statements.

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

Notes to Financial Statements

31 December 2018

37. Deferred tax

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

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Fair value adjustments arising from available-for-sale investments RMB'000	Fair value adjustments of financial assets at fair value through profit and 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 2018	–	464,388	–	–	25,912	119,705	610,005
Effect of adoption of HKFRS 9	464,388	(464,388)	–	–	–	–	–
At 1 January 2018 (restated)	464,388	–	–	–	25,912	119,705	610,005
Deferred tax charged to the statement of profit or loss during the year	–	–	68	330,659	18,736	(107,364)	242,099
Deferred tax charged to other comprehensive income during the year	(464,388)	–	–	–	–	–	(464,388)
Gross deferred tax liabilities At 31 December 2018	–	–	68	330,659	44,648	12,341	387,716
At 1 January 2017	–	370,346	–	–	–	179,557	549,903
Deferred tax charged to the statement of profit or loss during the year	–	–	–	–	25,912	(59,852)	(33,940)
Deferred tax charged to other comprehensive income during the year	–	94,042	–	–	–	–	94,042
Gross deferred tax liabilities At 31 December 2017	–	464,388	–	–	25,912	119,705	610,005

Notes to Financial Statements

31 December 2018

37. Deferred tax (continued)

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 RMB'000	Fair value adjustments arising from derivative financial instruments RMB'000	Total RMB'000
At 1 January 2018	621,690	57,271	190,073	138,036	345,091	200,749	–	27,122	1,580,032
Effect of adoption of HKFRS 9	–	–	–	–	–	–	27,122	(27,122)	–
At 1 January 2018 (restated)	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
At 1 January 2017	532,275	51,181	209,505	263,214	342,740	49,347	–	–	1,448,262
Deferred tax credited/(charged) to the statement of profit or loss during the year	89,415	6,090	(19,432)	(125,178)	2,351	151,402	–	27,122	131,770
At 31 December 2017	621,690	57,271	190,073	138,036	345,091	200,749	–	27,122	1,580,032

For presentation purposes, certain deferred tax assets and liabilities have been offset with an amount of RMB321,408,000 (2017: Nil) in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,388,314
Net deferred tax liabilities recognised in the consolidated statement of financial position	66,308

The Group has recognised the deferred tax assets related to tax losses arising in Mainland China of RMB556,944,000 (2017: RMB1,178,351,000) 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 RMB2,151,326,000 (2017: RMB1,466,013,000) that will expire in one to five years for offsetting against future taxable profits. The Group has a tax loss of RMB115,556,000 (2017: RMB119,820,000) 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.

Notes to Financial Statements

31 December 2018

37. Deferred tax (continued)

Deferred tax assets (continued)

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

	2018 RMB'000	2017 RMB'000
Tax losses	2,266,882	1,585,833
Deductible temporary differences	4,176,639	2,345,492
	6,443,521	3,931,325

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. 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 2018, the Group recognised the relevant deferred tax liabilities of RMB44,648,000 (2017: RMB25,912,000) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. No withholding tax had been provided for the earnings of approximately RMB13,745,944,000 (2017: RMB11,394,110,000) 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.

38. Share capital

Shares	2018 RMB'000	2017 RMB'000
Authorised, issued and fully paid: 2,728,142,855 (2017: 2,728,142,855) ordinary shares of RMB1 each	2,728,143	2,728,143

39. 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 as to use. When the balance of the reserve fund reaches 50% of the Group's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of capital after this usage.

Notes to Financial Statements

31 December 2018

40. 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 at the time provided in the abovementioned terms of redemption rights, the issuer shall publish the Announcement of Early Redemption through media designated by the competent department according to related provisions 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 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.

(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 that the last effective interest rate plus 300 basis points per annum. Thereafter, the interest rate for each year will be reset to that period benchmark interest rate plus 300 basis points per annum until the interest rate is 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 interests will be charged to the deferred interests 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.

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 2018 was RMB238,400,000 (2017: RMB243,036,000)

Notes to Financial Statements

31 December 2018

41. 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 Group (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 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same grounds in the June 2007 Action. 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.

Resolved arbitration of Delta Dragon Import SA

Delta Dragon Import SA ("DDI"), the arbitration applicant, made an arbitration application to International Court of Arbitration of the International Chamber of Commerce on 12 October 2016, and alleged that the respondent, BYD Auto Industry Co., Ltd. ("BYD Auto Industry"), a subsidiary of the Company, has breached the automobile distribution agreement ("Distribution Agreement") entered with it on 7 October 2014. DDI claimed that BYD Auto Industry was liable for the alleged loss of CHF1,271,000 (equivalent to approximately RMB8,488,000) incurred from the performance of Distribution Agreement and the alleged loss of expected net earnings of CHF177,917,000 (equivalent to approximately RMB1,188,112,000) calculated from profit forecast made based on an updated and adjusted (Strategic) Business Plan. The total amount claimed by DDI (including alleged expense incurred by DDI) is approximately CHF179,188,000 (equivalent to RMB1,196,600,000).

Meanwhile, DDI requested the arbitration court to declare that DDI was entitled to terminate the agreement by reason of substantial breach by BYD Auto Industry and claimed that BYD Auto Industry should be liable for the related fees incurred for the application of property preservation and arbitration.

BYD Auto Industry submitted answer to International Court of Arbitration of the International Chamber of Commerce on 28 December 2016, which denied DDI's allegation against BYD Auto Industry with respect to failing to perform various obligations in accordance with contracts as the allegation was unsubstantiated; meanwhile, it made the following responses to DDI's claims: 1) DDI's claim that BYD Auto Industry shall bear the loss from the termination of contracts due to substantial breach, shall be rejected as it was not supported by evidence; and 2) DDI's claim with respect to loss of expected net earning calculated by profit forecast based on an updated and adjusted (Strategic) Business Plan, shall be rejected as it was not supported by the contract, laws and facts.

In February 2018, the International Court of Arbitration of the International Chamber of Commerce has commenced the first court trial on this case. The final decision was made on 20 July 2018, pursuant to which BYD Auto Industry was arbitrated to pay DDI what it claimed were costs related to Geneva Motor Show, which amounted to CHF46,752.00 and interest of CHF1,372.03. The rest of the claims by DDI were dismissed. DDI was ordered to pay BYD Auto Industry for all its costs incurred from this arbitration as of 24 May 2018, which amounted to EUR1,254,814.04 and RMB46,597.88. DDI needs to pay the interest as of the actual payment date in the case of overdue payment. DDI was arbitrated to bear all the fees incurred by the International Chamber of Commerce and the Sole Arbitrator.

Notes to Financial Statements

31 December 2018

41. Contingent liabilities (continued)

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

	2018 **RMB'000**	2017 RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**87,211,760**	83,205,050

As at 31 December 2018, 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 RMB36,616,393,000 (2017:RMB36,021,358,000) and RMB4,245,000,000 (2017: RMB3,593,000,000) respectively.

(c) Repurchase obligation

The Group entered into tri-lateral finance cooperation contracts ("the Cooperation Contract") with certain customers and third-parties or related financial institutions ("Financial Institutions"). Pursuant to the arrangement under the Cooperation Contract, 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 rights and interests. At the same time, the Company is required to make payment to Financial Institutions for the outstanding payments due from customer,and has the right to take the recovery and sale of new energy vehicles and other relief measures by itself to pay the remaining arrears of the customer to the financing institution. 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 2018, the Group's maximum exposure to these obligations was RMB11,478,920,000 (2017: RMB11,991,848,000). For the year ended 31 December 2018, there was no default of payments from customers which required the Group to make payments to Financial Institution.

42. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

In 2018 and 2017, the Group did not enter into major non-cash transactions.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Other liabilities
At 1 January 2018	56,511,016	0
Changes from financing cash flows	4,986,953	1,376,550
Finance costs	2,884,982	0
Interest capitalised	233,009	0
Foreign exchange movement	76,842	0
At 31 December 2018	64,692,802	1,376,550

Notes to Financial Statements

31 December 2018

43. Operating lease arrangements

(a) As lessor

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

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

	2018 RMB'000	2017 RMB'000
Within one year	69,500	92,027
In the second to fifth years, inclusive	164,512	147,739
After five years	66,250	4,557
	300,262	244,323

(b) As lessee

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

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

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

	2018 RMB'000	2017 RMB'000
Within one year	213,440	261,470
In the second to fifth years, inclusive	423,271	427,065
After five years	107,285	92,650
	743,996	781,185

Notes to Financial Statements

31 December 2018

44. Commitments

In addition to the operating lease commitments detailed in note 43 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Land and buildings	**2,020,477**	1,088,040
Plant and machinery	**6,266,393**	2,986,739
Capital contribution in respect of investments	**89,757**	785,160
	8,376,627	4,859,939
Authorised but not contracted for	**120,650**	313,429
	8,497,277	5,173,368

Note:

Long-term purchase commitments for polysilicon materials

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

In December 2012, Shangluo BYD entered into a supplemental agreement I to the Supply Contract with LDKPV and LDK Solar. The supplemental agreement I provides that the performance period under the Supply Contract will be extended for a period of one year to 31 December 2013. In February 2015, Shangluo BYD, BYD Lithium Batteries Co., Ltd ("BYD Lithium Batteries") and BYD Supply Chain Management Co., Ltd. ("BYD Supply Chain Management") entered into a supplemental agreement II to the Supply Contract with LDKPV and LDK Solar ("the Vendors"). The supplemental agreement II provides that the contracting parties agree to extend the performance period under the original Supply Contract for a period of five years to 31 December 2018; the parties of the Supply Contract were expanded as follows: the Purchasers include Shangluo BYD, BYD Lithium Batteries and BYD Supply Chain Management, the Vendors include LDKPV and LDK Solar; the original deposits payable by Shangluo BYD under the Supply Contract (namely RMB97,500,000) will be changed to prepayments payable by all Purchasers to all Vendors, and when the Purchasers buy from the Vendors, the payables to the Vendors could be deducted from the prepayment already paid by Shangluo BYD. According to both supplemental agreement I and the supplemental agreement II, the Purchaser shall not pursue a claim against the Vendors for unfulfilled and unfinished delivery obligations and the Vendors shall not pursue a claim against the Purchaser for unfinished purchases or payment obligations during the term of the agreement.

In November 2015, LDK PV and LDK Solar commenced restructuring procedures and the Company has filed claims under the restructuring procedures of the two companies in accordance with law.

On 30 September 2016, the Intermediate People's Court of Xinyu City, Jiangxi Province, approved the composition plan for LDKPV. According to the composition plan, the settlement percentage of Shangluo BYD's debt as one of LDKPV's ordinary creditors amounted to 11.49% by way of conversion of debts into equity. As at 31 December 2017, LDKPV has completed the registration of changes in ownership information and the amount of contribution from Shangluo BYD reached USD725,163, accounting for 0.1480%. On 10 January 2018, the Intermediate People's Court of Xinyu City, Jiangxi Province, approved the composition plan for LDK Solar, and the settlement percentage of Shangluo BYD's debt as one of LDK Solar's ordinary creditors amounting to 2.2975% by way of the installment payment in cash or preferred share, which amounted to RMB1,115,622.13. As at the reporting date, the prepayment of the Purchaser under the Supply Contract had converted to the debt of the Vendors, which would be compensated according to the composition plans.

Notes to Financial Statements

31 December 2018

44. Commitments (continued)

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

	2018 RMB'000	2017 RMB'000
Capital contribution payable to joint ventures	47,116	79,340

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	2018 RMB'000	2017 RMB'000
Joint ventures and associates:			
Sales of products	(i)	9,428,692	4,413,928
Sales of machinery and equipment	(ii)	176,151	–
Service income	(iii)	99,717	68,824
Rental expense	(iv)	327,272	286,531
Purchases of products and service	(v)	5,476,778	201,718
Sales of products and service to Nanjing Zhongbei Didi New Energy Vehicle Rental Service Co., Ltd. ("Zhongbei Didi")	(vi)	0	173
Sales of products and service to Shenzhen Saidi New Energy Logistics Co., Ltd. ("Saidi New Energy")	(vii)	–	5
Sales of products and service to Yinchuan Sky Rail Operation Co., Ltd. ("Yinchuan Operation")	(viii)	1,197	452,850
Sales of products and service to Union Brother Technology Co., Ltd ("UBTECH")	(ix)	6,063	–
Sales of products and service to Shenzhen Pengcheng Electrically-Powered Car Rental Co., Ltd. ("Pengcheng Chuzu")	(x)	7,966	0
Purchases of products and service from Xi'an Northern Qinchuan Company Ltd. ("Northern Qinchuan")	(xi)	184	104
Purchases of products and service from Beijing Easpring Material Technology Co., Ltd. ("Easpring Technology")	(xii)	110,456	42
Purchases of products and service from Saidi New Energy	(xiii)	16,203	25,583
Purchases of products and service from Cangzhou Mingzhu Plastic Co., Ltd. ("Mingzhu Plastics")	(xiv)	117,360	157,773
Purchases of products and service from Shenzhen UniFortune Supply Chain Service Co., Ltd. ("UniFortune")	(xv)	4,008	1,862
Purchase of products and service from Shenzhen Yinghe Technology Co., Ltd. ("Yinghe Tech")	(xvi)	585	–

Notes to Financial Statements

31 December 2018

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 the 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 the joint ventures and associates were charged at prices mutually agreed between the Group and the associate;

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

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

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

(vi) During this period, no products have been sold to Zhongbei Didi, a company of which an executive of the Company is the chairman of the board;

(vii) No sale of products to Saidi New Energy during this period. As of 3 March, 2018, Saidi New Energy is no longer a related party due to the resignation of the chairman of its board, who is a non- executive director of the Company;

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

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

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

(xi) 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;

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

(xiii) 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;

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

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

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

Notes to Financial Statements

31 December 2018

45. Related party transactions (continued)

(b) Guarantees provided to related parties:

Loan guarantees

(i) As at 31 December 2018, the Company provided a guarantee to the bank for the borrowing of DENZA amounting to RMB615,000,000 (31 December 2017: RMB705,000,000).

(ii) As at 31 December 2018, the Company provided a guarantee to the bank for the borrowing of BYD Auto Finance amounting to RMB3,630,000,000 (31 December 2017: RMB2,888,000,000).

Repurchase obligation

The Group entered into tri-lateral finance cooperation contracts (the "Cooperation Contract") with certain customers and third-parties or related financial institutions ("Financial Institutions"). Pursuant to the arrangement under the Cooperation Contract, the Company bears repurchase obligations to Financial Institutions that in the event of related parties default or other specific conditions, the Company inherits all the creditor's rights and related rights and interests. At the same time, the Company is required to make payment to Financial Institutions for the outstanding payments due from customer, and has the right to take the recovery and sale of new energy vehicles and other relief measures by itself to pay the remaining arrears of the customer to the financing institution. 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 of 31 December 2018, there was no default of payments from related parties which required the Group to make any payment.

(i) As at 31 December 2018, the Group's maximum exposure of obligation to Shenzhen Didi and its subsidiary was RMB1,307,181,000 (31 December 2017: RMB386,864,000).

(ii) As at 31 December 2018, the Group's maximum exposure of obligation to Jiangnan Chuzu was RMB18,403,000 (31 December 2017: RMB32,140,000).

Notes to Financial Statements

31 December 2018

45. Related party transactions (continued)

(c) Outstanding balances with related parties:

	2018 RMB'000	2017 RMB'000
The amounts due from joint ventures and associates:		
DENZA	48,082	600,310
Tianjin BYD	1,044,993	465,634
Pengcheng Chuzu	–	28,621
Jiangnan Chuzu	1,361	1,273
Shan Mei Ling Qiu Bi Xing	–	10,000
International Financial Lease and its subsidiary	1,775,136	472,679
Qianhai Green Transportation	3	18
BYD Auto Finance	1,129	1,174
Hangzhou BYD Xihu Auto	28,052	87,591
Guang Qi BYD	3,078,613	2,665,511
Shenzhen Didi and its subsidiary	136,037	35,423
Beijing Hualin	147	1,001
Shenzhen Electric Power Sales and its subsidiary	–	1,551
Xi'an Infrastructure	1,582,353	2,199,000
BYD Electric Car	21,868	–
Faurecia	105,994	–
Hubei Energy Storage	–	40,211
	7,823,768	6,609,997

	2018 RMB'000	2017 RMB'000
The amounts due from other related parties:		
Yinghe Technology	–	249
UBTECH	2,607	–
Yinchuan Operation	222,247	256,692
Zhongbei Didi	0	–
	224,854	256,941

Notes to Financial Statements

31 December 2018

45. Related party transactions (continued)

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

	2018 RMB'000	2017 RMB'000
The amounts due to joint ventures and associates:		
DENZA	282,820	464,366
International Financial Lease	62,655	4,985
Tianjin BYD	62,863	60,857
Hangzhou BYD Xihu Auto	13,627	738
Guang Qi BYD	19,627	10,883
Shenzhen Electric Power Sales and its subsidiary	19,929	29,474
Chongdian Easy	255	1
BYD Auto Finance	–	755
Faurecia	455,008	–
BYD Electric Car	482	–
Shenzhen Didi and its subsidiary	391,083	43,600
	1,308,349	615,659

	2018 RMB'000	2017 RMB'000
The amounts due to other related parties:		
Saidi New Energy	–	23,912
Northern Qinchuan	35	–
Mingzhu Plastics	63,477	106,696
Easpring Technology	15,774	–
	79,286	130,608

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

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

	2018 RMB'000	2017 RMB'000
Short term employee benefits	72,148	65,716
Pension scheme contributions	385	401
	72,533	66,117

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

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

Notes to Financial Statements

31 December 2018

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:

2018 Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss Designated as such upon initial recognition RMB'000	Financial assets at fair value through profit or loss Held for trading RMB'000	Financial assets at fair value through through other comprehensive income Debt investments RMB'000	Financial assets at fair value through through other comprehensive income Equity investments RMB'000	Total RMB'000
Long-term receivable	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 related parties	224,854	–	–	–	–	224,854
Financial assets included in prepayments, other receivables and other assets	319,807	–	–	7,773,025	–	8,092,832
Financial assets	–	–	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
	67,795,112	83,509	451	7,773,025	1,620,969	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 related parties	–	79,286	79,286
Derivative financial instruments	8,559	–	8,559
Financial liabilities included in other payables	–	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

31 December 2018

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):

2017 Financial assets	Loans and receivables RMB'000	Financial assets at fair value through profit or loss RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Long-term receivable	1,049,938	–	–	1,049,938
Available-for-sale investments	–	–	4,185,460	4,185,460
Derivative financial instruments	–	1,095	–	1,095
Trade and bills receivables	53,276,716	–	–	53,276,716
Due from joint ventures and associates	6,609,997	–	–	6,609,997
Due from related parties	256,941	–	–	256,941
Financial assets included in prepayments, other receivables and other assets	301,567	–	–	301,567
Pledged deposits	323,249	–	–	323,249
Restricted bank deposits	643,487	–	–	643,487
Cash and cash equivalents	8,935,954	–	–	8,935,954
	71,397,849	1,095	4,185,460	75,584,404

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	–	39,527,332	39,527,332
Due to joint ventures and associates	–	615,659	615,659
Due to related parties	–	130,608	130,608
Derivative financial instruments	119,261	–	119,261
Financial liabilities included in other payables	–	8,136,986	8,136,986
Interest-bearing bank and other borrowings	–	56,511,016	56,511,016
	119,261	104,921,601	105,040,862

Notes to Financial Statements

31 December 2018

47. Fair value and fair value hierarchy of financial instruments

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

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial assets				
Long-term receivable	2,134,405	1,049,938	2,134,405	1,049,938
Equity investments designated at fair value through other comprehensive income	1,620,969	–	1,620,969	–
Bills receivable included in prepayments, other receivables and other assets	7,773,025	–	7,773,025	–
Financial assets	451	–	451	–
Other non-current financial assets	83,509	–	83,509	–
Derivative financial instruments	–	1,095	–	1,095
Available-for-sale investments – listed equity investments	–	3,582,554	–	3,582,554
	11,612,359	4,633,587	11,612,359	4,633,587

	Carrying amounts		Fair values	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial liabilities				
Derivative financial instruments	8,559	119,261	8,559	119,261
Interest-bearing bank and other borrowings	64,692,802	56,511,016	64,692,802	56,511,016
Other liabilities	1,395,486		1,395,486	
	66,096,847	56,630,277	66,096,847	56,630,277

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

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

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

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

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

Notes to Financial Statements

31 December 2018

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

The Group enters into derivative financial instruments with various counterparties. The carrying amount of this derivative financial instruments is the same as its fair value. The derivative financial instruments, including forward currency contracts, cross currency swap, and interest rate swap, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of those derivative financial instruments are the same as their fair values.

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 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 designated at fair value through other comprehensive income	1,620,969	–		1,620,969
Bills receivables at fair value through other comprehensive income	–	7,773,025	–	7,773,025
Other non-current assets	6,702	76,807	–	83,509
Financial instruments assets	–	451	–	451
	1,627,671	7,850,283	–	9,477,954

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments – listed equity investments	3,582,554	–	–	3,582,554
Derivative financial instruments	–	1,095	–	1,095
	3,582,554	1,095	–	3,583,649

Notes to Financial Statements

31 December 2018

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

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

As at 31 December 2017

	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
Derivative financial instruments	–	119,261	–	119,261

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 (2017: Nil).

Notes to Financial Statements

31 December 2018

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 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 receivable	–	2,134,405	–	2,134,405

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Long-term receivable	–	1,049,938	–	1,049,938

Liabilities for which fair values are disclosed:

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

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	56,511,016	–	56,511,016

Notes to Financial Statements

31 December 2018

48. Financial risk management objectives and policies

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

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

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. At 31 December 2018, approximately 73% (2017: 68%) 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 and the Company's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018			
RMB	25	(5,364)	–
RMB	(25)	5,364	–
2017			
RMB	25	(20,671)	–
RMB	(25)	20,671	–

* Excluding retained profits and exchange fluctuation reserve

Notes to Financial Statements

31 December 2018

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 in USD and RMB and a certain portion of the bank loans is denominated in USD. The Group takes rolling forecast on foreign currency revenue and expenses and matches the currency and amount incurred, so as to alleviate the impact on business due to exchange rate fluctuation.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange 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
2018			
If RMB weakens against US$	5	131,205	
If RMB strengthens against US$	(5)	(131,205)	
2017			
If RMB weakens against US$	5	152,202	–
If RMB strengthens against US$	(5)	(152,202)	–

* 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.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows 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 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

Notes to Financial Statements

31 December 2018

48. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018 (continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Long term receivable	–	–	–	2,169,500	2,169,500
Contract assets	–	–	–	6,394,856	6,394,856
Trade receivables*	–	–	446,125	44,891,975	45,338,100
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,157,481	–	–	–	8,157,481
– Doubtful**	–	–	143,174	–	143,174
Due from the joint ventures and associates*	–	–	–	7,922,388	7,922,388
Due from the 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 financial leasing companies					
– Not yet past due	11,478,920	–	–	–	11,478,920
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– More than 3 months past due	–	–	–	–	–
	32,688,496	–	589,299	61,607,046	94,884,841

* For trade receivables, due from the joint ventures and associates and due from the 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 financial statement.

** 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 2018

48. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure as at 31 December 2017

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 6% (2017: 5%) and 20% (2017: 19%) the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

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

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

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

Financial liabilities

	2018					
	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	–	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 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 guarantee issued						
Maximum amount guaranteed	11,478,920	–	–	–	–	11,478,920

Notes to Financial Statements

31 December 2018

48. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Financial liabilities (continued)

	2017					
	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	–	8,704,431	38,416,377	11,355,826	1,299	58,477,933
Trade and bills payables	832,916	29,126,365	10,314,318	–	–	40,273,599
Due to joint ventures	–	615,659	–	–	–	615,659
Due to related parties	–	130,608	–	–	–	130,608
Other payables	818,498	6,751,307	567,181	–	–	8,136,986
	1,651,414	45,328,370	49,297,876	11,355,826	1,299	107,634,785
Financial guarantee issued						
Maximum amount guaranteed	15,584,848	–	–	–	–	15,584,848

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 2018 and 31 December 2017.

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

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	**64,692,802**	56,511,016
Less: Cash and cash equivalents	**(11,151,057)**	(8,935,954)
Net debt	**53,541,745**	47,575,062
Equity attributable to owners of the parent	**51,302,489***	51,108,394*
Gearing ratio	**104%**	93%

* Equity attributable to owners of the parent excluded the amount of perpetual loans of RMB3,895,800,000 (2017: RMB3,895,800,000)

Notes to Financial Statements

31 December 2018

49. Dividends

	2018 RMB'000	2017 RMB'000
Interim nil (2017: Nil) per ordinary share	–	–
Proposed final RMB0.204 (2017: RMB0.141) per ordinary share	556,541	384,668
	556,541	384,668

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

50. Transfers of financial assets

Financial assets that are not derecognised in their entirety

At 31 December 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB26,425,000 (2017: RMB5,346,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group 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 RMB26,425,000 (2017: RMB5,346,000) as at 31 December 2018.

Financial assets that are derecognised in their entirety

At 31 December 2018, the Group endorsed certain bills receivable accepted by certain banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of 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 PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills 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 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

Notes to Financial Statements

31 December 2018

50. Transfers of financial assets (continued)

Financial assets that are derecognised in their entirety (continued)

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 “Receivable Factoring”). 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 receivable, and all risks and rewards related to the ownership of the receivables are transferred. The definition of termination of financial assets is met. Therefore, the Group derecognised the receivables under the factoring agreements at carrying amount. As at 31 December 2018, the carrying amount of transferred and undue receivables under relevant factoring agreements amounted to RMB13,240,987,000 (31 December 2017: RMB14,802,801,000), and the loss related to derecognition amounted to RMB361,765,000 (31 December 2017: RMB42,972,000).

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

51. Events after the reporting period

(1) The proposed profit distribution plan in 2018 was approved at the 26th meeting of the sixth session of the Board of the Company dated 27 March 2019. Based on the total share capital of 2,728,142,855 Shares as at 27 March 2019, a cash dividend of RMB556,541,000 (i.e. a cash dividend of RMB0.204 per Share (tax inclusive)) will be distributed. The dividend distribution plan is subject to consideration and approval by the general meeting.

(2) The Resolution on the Authorization to the Board of the Company to Determine on the Issuance of Debt Financing Instrument(s) (《關於授權公司董事會決定發行債務融資工具的議案》) was considered and passed at the 2016 Annual General Meeting of BYD Company Limited held on 6 June 2017. In September 2017, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration (Zhong Shi Xie Zhu [2017] No. SCP301) (《接受註冊通知書》(中市協注[2017]SCP301號)), agreeing to accept the registration of issuance of super short-term debentures by the Company with a registered amount of RMB10 billion. From 5 March 2019 to 6 March 2019, the Company issued the First Tranche Super Short-term Debentures of 2019, with an actual total issuance amount of RMB2.0 billion and an issuance price of RMB100, valid within 270 days. The value date is 7 March 2019, and the redemption date is 2 December 2019. The interest rate is 3.89%. On 25 March, the Company issued the Second Tranche Super Short-term Debentures of 2019, with an actual total issuance amount of RMB1.0 billion and an issuance price of RMB100, valid within 30 days. The value date is 26 March 2019, and the redemption date is 25 April 2019. The interest rate is 2.80%. The Company has applied RMB3.0 billion of the whole proceeds from the issuance of the super short-term debentures for replenishment of working capital.

(3) BYD Company Limited was permitted to publicly offer corporate bonds with a total par value not exceeding RMB10 billion (hereinafter referred to as the “Current Bonds”) to qualified investors as approved by the “ZJXK 2017 No.1807” document from China Securities Regulatory Commission. The Current Bonds were issued in tranches. The corporate bonds publicly offered to qualified investors by BYD Company Limited (the first tranche) in 2019 were the third tranche of issue. The issue has been completed on 25 February 2019, and details are as follows: the issue price is RMB100 each. The actual issuance size of type 1 is RMB2.5 billion with the final coupon rate of 4.60%, while type 2 has no actual issuance size.

Notes to Financial Statements

31 December 2018

51. Events after the reporting period (continued)

(4) 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 24th meeting of the sixth session of the Board held on 1 February 2019, pursuant to which the increase of RMB200 million in the share capital of Denza New Energy, a joint venture, by BYD Auto Industry Co., Ltd., a holding subsidiary of the Company, to be entirely used as registered capital was agreed. Upon the increase in the share capital of Denza New Energy by BYD Auto Industry Co., Ltd., shareholdings in Denza New Energy by the Company through BYD Auto Industry Co., Ltd., a holding subsidiary of the Company, maintained at 50%.

(5) The Resolution on Increasing the Share Capital of Joint Venture Shenzhen Didi New Energy Vehicle Technology Co., Ltd. (深圳市迪滴新能源汽車科技有限公司) (《關於擬對參股公司深圳市迪滴新能源汽車科技有限公司增資的議案》) was passed at the 24th meeting of the sixth session of the Board held on 1 February 2019, pursuant to which the increase of RMB22,338,520 in the share capital of Shenzhen Didi New Energy Vehicle Technology Co., Ltd. (referred to as "Didi"), a joint venture, by BYD Auto Industry Co., Ltd., a holding subsidiary of the Company, was agreed. Upon the increase in the share capital of Didi by BYD Auto Industry Co., Ltd., shareholdings in Didi by the Company through BYD Auto Industry Co., Ltd., a holding subsidiary, maintained at 40%.

52. 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:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**1,416,220**	1,576,338
Investment properties	**60,387**	61,996
Investments in subsidiaries	**17,770,045**	17,695,945
Investments in joint ventures	**1,598,000**	1,598,000
Investments in associates	**533,478**	468,601
Prepaid land lease payments	**22,161**	22,843
Other intangible assets	**156,238**	175,166
Non-current prepayments	**18,124**	40,433
Deferred tax assets	**–**	145,403
Equity investments at fair value through other comprehensive income	**1,620,969**	–
Available-for-sale investments	**–**	3,644,058
Other non-current financial asset	**1,503**	–
Total non-current assets	**23,197,125**	25,428,783
CURRENT ASSETS		
Inventories	**89,017**	81,846
Trade and bills receivables	**187,731**	383,631
Prepayments, other receivables and other assets	**713,633**	137,793
Due from subsidiaries	**35,570,162**	31,021,225
Due from the jointly-controlled entities	**284,709**	57,858
Cash and cash equivalents	**595,227**	668,625
Total current assets	**37,440,479**	32,350,978

Notes to Financial Statements

31 December 2018

52. Statement of financial position of the company (continued)

	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES		
Trade and bills payables	2,657,235	650,459
Other payables	544,066	296,525
Derivative financial instruments	–	100,342
Advances from customers	–	18,542
Contract liabilities	48,764	–
Interest-bearing bank and other borrowings	17,098,884	13,339,941
Due to the jointly-controlled entities	32,399	4,962
Due to subsidiaries	2,354,130	6,523,773
Tax payable	1,425	1,425
Total current liabilities	22,736,903	20,935,969
NET CURRENT ASSETS	14,703,576	11,415,009
TOTAL ASSETS LESS CURRENT LIABILITIES	37,900,701	36,843,792
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	9,956,777	6,313,109
Deferred tax liabilities	–	584,093
Deferred income	12,152	13,550
Total non-current liabilities	9,968,929	6,910,752
Net assets	27,931,772	29,933,040
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	2,728,143	2,728,143
Reserves	21,307,829	23,309,097
Perpetual loans	3,895,800	3,895,800
	27,931,772	29,933,040

Notes to Financial Statements

31 December 2018

52. Statement of financial position of the company (continued)

Note:

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

	Share premium account RMB'000	Fair value reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Perpetual loans RMB'000	Total RMB'000
At 1 January 2017	19,980,490	1,111,040	(225,407)	624,334	2,104,902	3,795,800	27,391,159
Total comprehensive income/(loss) for the year	–	282,126		–	(568,388)	100,000	(186,262)
Appropriate to statutory surplus reserve fund	–		–	27,894	(27,894)	–	–
At 31 December 2017	19,980,490	1,393,166	(225,407)	652,228	1,508,620	3,895,800	27,204,897
Effect of adoption of HKFRS 9		286		(2,392)	(21,529)		(23,635)
At 1 January 2018	19,980,490	1,393,452	(225,407)	649,836	1,487,091	3,895,800	27,181,262
Profit for the year					84,150		84,150
Other comprehensive income for the year:							
Change in fair value of available-for-sale investments, net of tax		(515)					(515)
Issue of perpetual loans (note 40)							
Repay of perpetual loans (note 40)							
Issue of shares							
Share issue expenses							
Perpetual loan interest paid (note 12)					(238,400)		(238,400)
Changes in fair value of equity investments at fair value through other comprehensive income		(1,438,200)					(1,438,200)
Interim 2018 dividend					(384,668)		(384,668)
Total comprehensive income for the year		(1,438,715)			(538,918)		(1,977,633)
Appropriate to statutory surplus reserve fund				26,783	(26,783)		–
At 31 December 2018	19,980,490	(45,263)	(225,407)	676,619	921,390	3,895,800	25,203,629

53. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

Five Year Financial Summary

As 31 December 2018

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.

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
REVENUE	**121,790,925**	102,650,614	100,207,703	77,611,985	55,366,384
Cost of sales	**(103,724,161)**	(84,715,540)	(81,189,440)	(65,752,741)	(47,742,926)
Gross profit	**18,066,764**	17,935,074	19,018,263	11,859,244	7,623,458
Other income and gains	**2,110,292**	1,153,210	926,216	1,991,326	922,648
Government grants and subsidies	**2,332,863**	1,275,807	710,939	581,177	798,446
Selling and distribution costs	**(4,729,481)**	(4,925,288)	(4,196,339)	(2,867,992)	(2,228,758)
Research and development costs	**(4,989,360)**	(3,739,491)	(3,171,694)	(1,998,499)	(1,864,695)
Administrative expenses	**(3,826,379)**	(3,047,734)	(3,690,339)	(3,428,963)	(2,600,600)
Impairment losses on financial and contract assets	**(332,080)**	N/A	N/A	N/A	N/A
Gain/loss on disposal of financial assets	**26,871**	N/A	N/A	N/A	N/A
Other expenses	**(568,610)**	(463,645)	(629,203)	(581,505)	(257,330)
Finance costs	**(3,480,516)**	(2,342,770)	(1,799,609)	(1,517,003)	(1,396,828)
Share of profits and losses of:					
Joint ventures	**(277,602)**	(270,959)	(619,528)	(245,802)	(121,276)
Associates	**52,878**	46,437	19,704	3,003	(1,113)
PROFIT BEFORE TAX	**4,385,640**	5,620,641	6,568,410	3,794,986	873,952
Income tax expense	**(829,447)**	(703,705)	(1,088,398)	(656,790)	(134,082)
PROFIT FOR THE YEAR	**3,556,193**	4,916,936	5,480,012	3,138,196	739,870
Attributable to:					
Equity holders of the parent	**2,780,194**	4,066,478	5,052,154	2,823,441	433,525
Minority interests	**775,999**	850,458	427,858	314,755	306,345
	3,556,193	4,916,936	5,480,012	3,138,196	739,870
TOTAL ASSETS	**194,571,077**	178,099,430	145,070,778	115,485,755	94,008,855
TOTAL LIABILITIES	**(133,877,098)**	(118,141,943)	(89,661,415)	(79,456,514)	(65,114,418)
NON-CONTROLLING INTERESTS	**(5,495,690)**	(4,953,293)	(4,153,434)	(3,734,837)	(3,528,840)
NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)	**55,198,289**	55,004,194	51,255,929	32,294,404	25,365,597

比亞迪股份有限公司
BYD COMPANY LIMITED