Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

BYD COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1211)

Website: http://www.byd.com.cn

2012 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of the Company (the "Board") is pleased to announce the audited results of the Company and its subsidiaries for the twelve months period ended 31 December 2012. This announcement, containing the full text of the 2012 Annual Report of the Company, is prepared with reference to the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. Printed version of the Company's 2012 Annual Report will be delivered to the Company's shareholders and is also be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkex.com.hk and of the Company at http://www.byd.com.cn.

By order of the Board of
BYD Company Limited
Wang Chuan-fu
Chairman

COMPANY PROFILE 公司簡介

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

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

As one of the world's most competitive suppliers for handset components and assembly operations, the Group can provide customers with vertically integrated one-stop services, design and production of cases, key-pads, LCD screens, camera modules, flexible printed circuit boards, chargers and other handset and computer components, and can provide design and assembly service, but the Group does not produce its own brand of handsets and computers. Main customers of the business include Nokia, Apple, HTC, Motorola, Huawei, Asus, Toshiba and other smart mobile terminal leaders.

Since tapping into the automobile business in 2003, by leveraging on its advanced technology and cost advantages and international quality products, the Group has achieved remarkable growth in automobile business and has rapidly grown into a leading brand of automobile production enterprise in China with domestic self-owned brand. To date the Group has manufactured and sold over 1 million units of sedans, thus establishing its leading position among domestic independent automobile brands.

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

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

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

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

作為全球最具競爭能力的手機部件及組裝業務的供應商之一，本集團可以為客戶提供垂直整合的一站式服務，設計並生產外殼、鍵盤、液晶顯示模組、攝像頭、柔性線路板、充電器等手機及電腦部件，並提供整機設計及組裝服務，但不生產自有品牌的手機及電腦。該業務的主要客戶包括諾基亞、蘋果、HTC、摩托羅拉、華為、華碩、東芝等智能移動終瑞領導廠商。

自二零零三年拓展汽車業務以來，憑藉集團產品領先的技術及成本優勢及具備國際標準的卓越質量，集團的汽車業務一直高速增長，迅速成長為中國自主品牌汽車生產企業的領先品牌。目前，集團累計產銷超過兩百萬輛轎車，奠定了比亞迪作為國內自主品牌領導者的地位。

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

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

CONTENTS

FINANCIAL HIGHLIGHTS

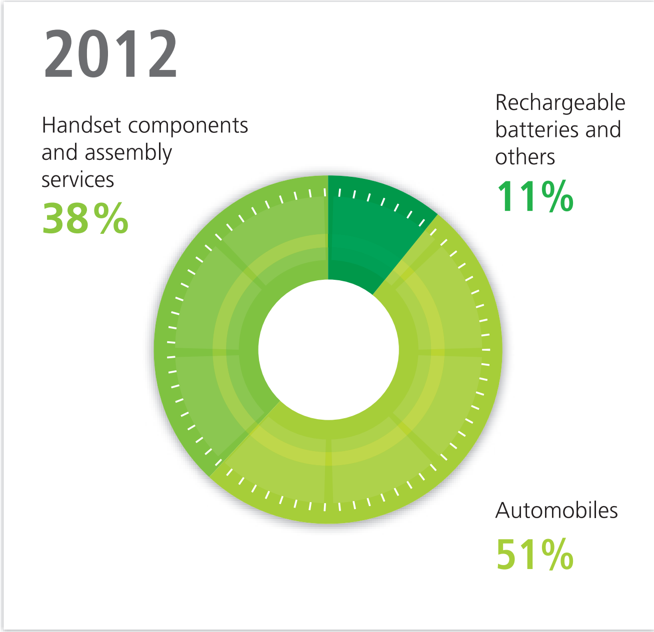
FIVE-YEAR COMPARISON OF KEY FINANCIAL FIGURES

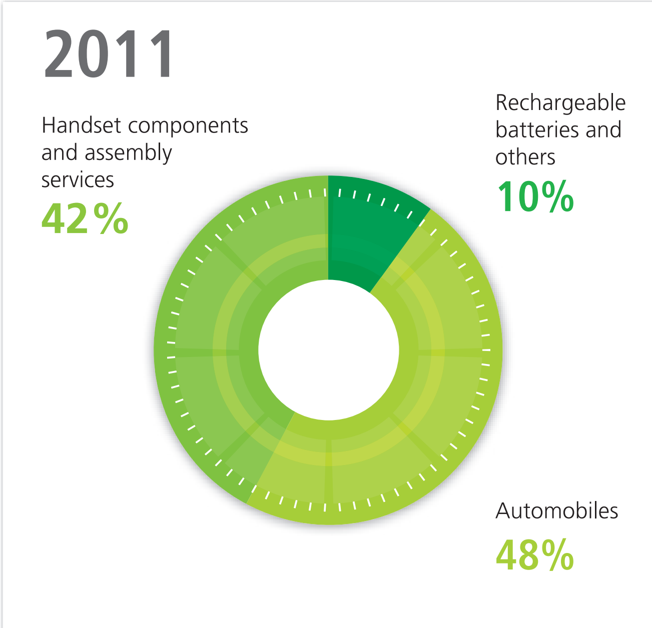
	For the year ended 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	**44,380,858**	46,312,282	46,685,349	39,469,454	26,788,253
Gross profit	**5,126,328**	6,867,025	8,264,374	8,564,731	5,218,836
Gross profit margin (%)	**12**	15	18	22	19
Profit attributable to equity holders of the parent	**81,377**	1,384,625	2,523,414	3,793,576	1,021,249
Net profit margin (%)	**0.2**	3	5	10	4

	As at 31 December				
	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
Net assets (less minority interests)	**21,196,984**	21,124,517	18,460,319	16,682,357	11,285,568
Total assets	**70,007,807**	66,881,036	53,874,663	40,735,597	32,891,145
Gearing ratio (%) (Note)	**71**	70	65	8	66
Current ratio (times)	**0.63**	0.66	0.65	0.94	1.04
Trade and bills receivables turnover (days)	**83**	71	71	73	77
Inventory turnover (days)	**67**	62	54	70	100

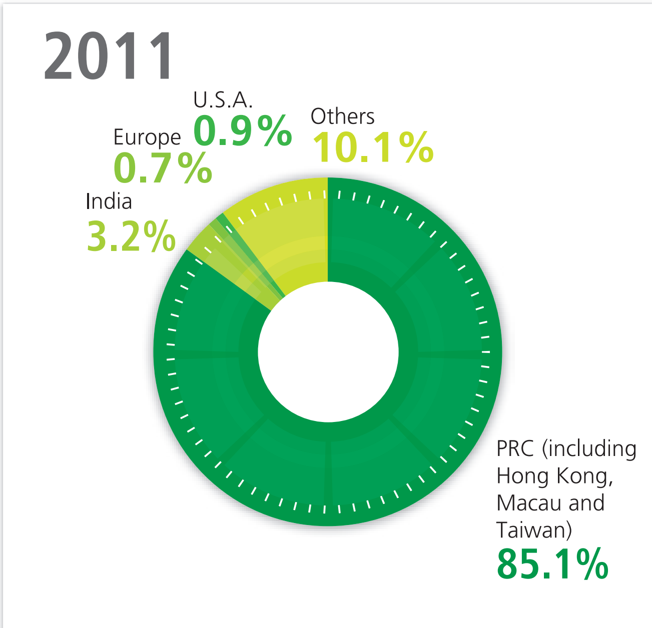
Note: Gearing ratio = Total borrowings net of cash and cash equivalents/net assets (less minority interests)

TURNOVER BREAKDOWN BY PRODUCT CATEGORIES





TURNOVER BREAKDOWN BY LOCATIONS OF CUSTOMERS



CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Wang Chuan-fu

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang
Xia Zuo-quan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Dong
Wu Chang-qi
Li Lian-he

SUPERVISORS

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

COMPANY SECRETARY

Li Qian

AUDIT COMMITTEE

Lu Xiang-yang
Li Dong (Chairman)
Wu Chang-qi
Li Lian-he

REMUNERATION COMMITTEE

Wang Chuan-fu
Xia Zuo-quan
Li Dong
Wu Chang-qi (Chairman)
Li Lian-he

NOMINATION COMMITTEE

Wang Chuan-fu
Lu Xiang-yang
Li Dong
Wu Chang-qi
Li Lian-he (Chairman)

STRATEGY COMMITTEE

Wang Chuan-fu (Chairman)
Lu Xiang-yang
Xia Zuo-quan
Wu Chang-qi
Li Lian-he

AUTHORIZED REPRESENTATIVES

Wang Chuan-fu
Li Qian

LEGAL ADDRESS

Yan An Road
Kuichong
Longgang District
Shenzhen
Guangdong Province
The PRC

INTERNATIONAL AUDITORS

Ernst & Young

DOMESTIC AUDITORS

Ernst & Young Hua Ming (LLP)

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
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INVESTOR AND MEDIA RELATIONS CONSULTANT

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

WEBSITE

www.byd.com.cn

STOCK CODE

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

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors (the "Board") of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively, the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2012 (the "reporting period").

Year 2012 was the Tenth Anniversary of the Group's initial listing and brought special meaning to the Group. On review over the past ten years, the Group experienced periods of highly rapid growth as well as challenging periods with lackluster results. For a technological company founded on the development philosophy of "Technology-Based and Innovation-oriented", we have all along been pursuing for innovative technologies persistently. However, beyond technology, the Group also summed up past experience continuously to pursue sustainable growth. BYD entered into an adjustment period lasting for three years since 2010. Through our endeavors during these three years, the Group made a series of breakthroughs in the areas of electric vehicle technology, automobile powertrain and automobile electronics, and achieved all-round improvements in the fields of quality control, sales channel and brand image. During this 3-year adjustment period, the Group insisted to pursue growth under its national self-owned brand focusing on "technology, quality and responsibility" with unwavering determination.

Reviewing 2012, the global economy was shadowed by uncertainties, while various industries were faced with challenges. Under the impact of slower economic growth, the automobile industry in the PRC remains weak. However, the Group still managed to generate slight growth in revenue from the automobile business during the year through continuous improvements in product mix. The handset components and assembly business, which was affected by the decline in sales of the major customer, intensive market competition and rising costs, would still be facing a challenging environment during the year. Nevertheless, the Group still continued to optimize customer structure to attrack orders from new customers actively. For rechargeable battery operations, the businesses of traditional batteries was relatively stable, while the solar energy business was under great pressure due to the sluggish photovoltaic industry, resulting in considerable adverse effect on the overall results of the Group.

During the year under review, turnover of the Group reduced by 4.17% to RMB44,381 million. Profit attributable to owners of the parent was RMB81 million with earnings per share at RMB0.03. The Board of Directors did not recommend the distribution of final dividend for the year ended 31 December 2012.

The accumulation of technologies and stabilization of quality by the Group over the years created classic models for BYD automobiles again. Apart from the popular first SUV model S6 and two sedan models G6 and L3, the Group launched "Speed" (速銳), the world's first car model equipped with remote control driving technology, during the year and received popular response from consumers with excellent sales results of over 10,000 per month after being launched for three months. In addition to traditional automobile business, the Group's new energy automobile business also made encouraging progress during the year. With the success of turning Shenzhen into a world leading city in the electric powered public transport sector, the Group's purely electric powered bus model K9 and the purely electric powered taxi model e6 demonstrated their operations in the cities of Changsha, Xi'an, Shaoguan and Baoji for penetrating into the nationwide urban market gradually. The environmental friendly, economical and stable characteristics of the Group's electric automobiles were beyond doubt. E6 was even selected as the pilot model for the pilot demonstration project of new energy powered official automobiles used by central government authorities and drove into Zhongnanhai, and its quality was highly recognized by the State government.

For handset components and assembly business, the major customer of the Group required some time for its transformation. While providing support to the major customer, the Group was also actively identifying new customers among other emerging smart phone handset manufacturers and supplied new products. Meanwhile, by leveraging on the long-term accumulation of technologies in the areas of handset components and assembly, the Group expanded actively into the markets for tablet and notebook computers, with a view to broaden the sources of income and bring new forces of growth to the Group.

In 2012, the operating environment of the photovoltaic industry was extremely difficult. European and U.S. markets both implemented anti-subsidy and anti-dumping investigations into photovoltaic enterprises of the PRC. The global photovoltaic market was in serious imbalance in supply and demand, with product prices kept on falling, losses were incurred in general across the industry. Therefore, the solar energy business of the Group was under great pressure during the year. But fortunately, losses were narrowed down gradually after the Group increased its market expansion efforts and adopted appropriate cost control measures.

2013 will be the year of beginning the "Second Take-off" of BYD. By relying on the comprehensive improvements in the areas of technology, quality, channels and branding, we believe BYD will be heading for continuous soaring growth. In 2013, the Speed model will continue hot sales and a number of new models, including the middle class model "Sirui" (思銳), the dual mode electric automobile model "Qin" (秦) and the modified S6 model, will be launched into the markets consecutively. Moreover, with rising demand for environmental protection and increasing supportive efforts on policies, as well as the gradual promotion of the "Zero dollar car purchase, zero cost and zero emission" proposal between the Group and China Development Bank, the Group is expected to achieve explosive growth in the pure electric powered automobile market of the public transport sector.

For handset components and assembly business, facing the enormous opportunities from market transformation, the Group will strive to secure more orders from smart phones and related high-end consumer electronics to increase the market share in smart mobile terminals for further expanding the sources of income.

For rechargeable battery business, the PRC government has launched supporting policies for the solar energy business. The Group expects that prices of photovoltaic products will be gradually stabilized under rebounding demand and consumption of inventories, and the most difficult moment of the photovoltaic industry will be over soon. The Group will continue to increase the market expansion efforts and adhere to the cost control measures in order to minimize losses incurred by the solar energy business and capture further opportunities from the consolidation and recovery of the photovoltaic market in future.

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

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

Wang Chuan-fu
Chairman
Shenzhen, the PRC, 22 March 2013

INDUSTRY ANALYSIS AND REVIEW

Automobile Business

2012 was a challenging year for the global economy. China was inevitably affected by the complicated and harsh global economy and posted a gross domestic product growth of 7.8% in 2012, the lowest since 1999.

Reflecting the impact of the macro economy, China's automobile production grew by merely 4.6% to 19.27 million units, while the sales volumes increased by only 4.3% to 19.30 million units. The growths were below 5% for the second consecutive year. China produced more than 18.00 million automobiles for three consecutive years and ranked first in the world for four consecutive years by production volume. The country's automobile industry has entered a phase of steady development with high output volume. In the fourth quarter of 2012, benefit from the economic recovery, strong demand

from the medium to low-end automobile market segments drove the rapid recovery of the passenger vehicle market in China and maintained a persistent growth trend. In 2012, the sales volume of domestic branded passenger vehicles increased by approximately 6.1% to 6.48 million units, accounting for approximately 41.9% of the country's total sales volume of passenger vehicles.

In the past three years, new energy automobiles developed rapidly with the support of central and local governments. With continuous accumulation of new energy automobile technologies and maturing auxiliary facilities in the sector, new energy automobiles were getting much closer to conventional automobiles in the aspects of power, performance and user-friendliness.

Handset Components and Assembly Business

According to statistics of Gartner, a market research institution, the global output of handsets in 2012 was approximately 1.75 billion units, representing a decrease of 1.7%, the first decline since 2009. While the output of traditional handsets declined significantly, the output of smartphones continued to grow rapidly and offset the decrease in output of traditional handsets to a large extent. With the improving performance and declining price of smartphones, and the introduction of more attractive purchase subsidies and preferential tariff packages by operators, smartphones is becoming the best choice for more and more potential handset purchasers.

Rechargeable Batteries and New Energy Business

In 2012, the demand in the handset market shrank. The lithium-ion battery industry underwent consolidation, with some Japanese manufacturers considering disposing of their businesses. The economic slump in European and American countries continued to affect the international demand for electric toys and power tools. As a result, the upstream nickel battery manufacturers were hard-hit.

2012 was an extraordinarily difficult year for China's photovoltaic industry. For instances, the European and U.S. authorities investigated Chinese photovoltaic enterprises to prevent dumping and counter export subsidies; oversupply and overcapacity in the global photovoltaic market deteriorated; there were imbalance between supply and demand, and persistent decline in product prices. The country's photovoltaic industry generally reported a loss. Some domestic photovoltaic

enterprises suffered substantial losses and were on the verge of bankruptcy, and the photovoltaic industry was mired in a crisis. Recently, with the gradual introduction of policies supporting the photovoltaic industry by the Chinese government, the domestic market started to take off. The overseas markets saw a rebound in demand. The photovoltaic industry is gradually leaving the worst period.

BUSINESS REVIEW

BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in automobile business (including traditional fuel-powered vehicles and new energy vehicles), handset components and assembly services and rechargeable battery and new energy business. During the reporting period, the Group recorded total revenue of approximately RMB44,381 million, representing a decrease of 4.17%. Revenue from the automobile business amounted to approximately RMB22,551 million, representing an increase of 1.88%. Revenue from the handset components and assembly business amounted to approximately RMB17,155 million, representing a decrease of 12.28%. Revenue from the rechargeable battery and new energy business amounted to approximately RMB4,675 million, representing an increase of 1.18%.

Automobile Business

In 2012, the slow growth rate of the national economy posed challenges to the domestic automobile market and had an impact on the Group's automobile business. During the reporting period, the Group sold approximately 420,000 automobile and some vehicle components products, representing a slight decrease as compared to the previous year. Revenue from the automobile business increased by approximately 1.88% to approximately RMB22,551 million. During the reporting period, the Group's automobile product mix continued to improve. Sales of S6, G6 and Speed increased significantly, while sales of low-end model F0 continued to decline. Because the Group experienced certain increases in production costs due to its increased commitment to enhancing the quality of its automobile products, as well as intense competition, the overall gross profit margin of the automobile business during the reporting period decreased. The Group's increased commitment to product quality may lead to increase in cost in the near-term but, in the long run, is conducive to the enhancement of the competitiveness of the Group's automobile products and the reputation of its automobile's brand, thus ensuring the continuous growth of the Group's automobile business in the long term.

2012 was the last year of BYD's three-year adjustment. During the past three years, the Group made a series of breakthroughs in the technological research and development area and achieved all-round improvements in the fields of quality control, sales channel and brand image. In respect of powertrain, the Group successfully launched the world-leading TID technology (turbo charged direct injection engine plus DCT gearbox) and gradually commenced mass production, signifying BYD's substantial breakthrough in the core automobile technology of power trains. In respect of automobile electronics, the Group adopted its leading IT technology in automobile electronics and set the trend of "electronic and intelligent vehicle" by leveraging its expertise in IT components developed over the years. In respect of electric vehicle, the Group successfully developed the second generation of the dual mode technology and the bi-directional inverter technology, which constituted leading technologies in the world, thereby further consolidating the Group's leading position in the global new energy vehicle industry. As for automobile quality, BYD achieved the IQS10 level for all of its car series and was thus able to rival the brands of the domestic-foreign joint ventures. In April 2012, it offered the extra long-term warranty of "4 years or 100,000 km" covering all existing series of car models. In respect of sales channel, the Group endeavored to improve the profitability of its dealers and promote their healthy development by decreasing the number of dealers as well as integrating their networks to consolidate and strengthen the long-term win-win partnership relationship with dealers. In respect of branding, the Group gradually changed its positioning from an economical brand to that of leading technology and continued to improve its brand image by launching a series of medium-to-high-end car models. After three years of adjustments and accumulation of experiences, BYD developed itself into an independent domestic brand focusing on "technology, quality and responsibility".

In respect of products, BYD re-developed classic car models with cumulated technologies and quality improvement for the past several years. S6, the Group's first SUV model launched in May 2011, which met the C-NCAP five-star safety standards and ranked first among domestic branded SUVs in the J.D. Power automobile ratings, was well received by the market. G6 and L3, two of our sedan models, became the top choices among vehicle models of the same level due to their high-end installations and quality advantage. In particular, L3 recorded consecutive monthly sales of over 10,000 units. In August 2012, the Group successfully launched "Speed"(速銳), the first model equipped with remote-control driving function in the world. The remote-control driving function greatly enhanced the fun of driving. As a result, this model was very popular with consumers and recorded impressive sales volume of more than 10,000 units after the three months following its launch.

In June 2012, the central government promulgated the "Energy Saving and New Energy Automobile Industry Development Plan

(2012-2020)", which defined pure electric vehicle and plug-in hybrid vehicle as new energy vehicles. The government fostered and subsidized the development and use of such new energy vehicles, and made them a priority in the future development of China's automobile industry. Promotion campaigns for the new energy vehicles were rapidly implemented in the country on the back of stronger policy support from the central government, the promulgation plans and subsidy policies for new energy vehicles by the local governments, the construction of ancillary charging facilities and the commencement of mass operation of new energy vehicles in many regions.

BYD continued to lead the global competition in the field of new energy vehicle. Up to now, more than 200 units of K9 pure electric buses and 800 units of e6 pure electric taxis produced by BYD are running on the roads of Shenzhen, which are widely recognized by bus companies and the general public for their environmental-friendliness, economic efficiency and stability. Besides Shenzhen, BYD also put K9 and e6 into trial operation in Changsha, Xi'an, Shaoguan and Baoji, with an aim to establish its presence in all cities of the country. In September 2012, e6 was selected by Zhongnanhai in the "Central National Authorities' New-energy Electric Official Cars Experimental and Demonstration Project" and won more than 50% of the orders for trial models. In addition, the Group actively planned its new energy vehicle production bases nationwide and accelerated the preparatory work for the construction of its new energy vehicle plants, so as to secure more orders from municipal bus operators and to facilitate the promotion of new energy vehicles.

In overseas markets, the K9 model was put into trial operation in Spain, Hungary, Austria, Belgium, the Netherlands and the United States. It won orders from the Netherlands, Israel, Uruguay, Columbia and Canada. In January 2013, BYD officially obtained the EU's Whole Vehicle Type Approval (WVTA) for K9 and a right to sell its electric buses without any restriction in EU countries.

During the reporting period, Shenzhen BYD Daimler New Technology Co., Ltd. ("BYD Daimler"), the joint venture between the Group and Daimler, officially launched its electric vehicle brand "DENZA (騰勢)". DENZA's first concept vehicle model was exhibited in the 12th Beijing International Automotive Exhibition held in April 2012, and it attracted strong interest and received unanimous recognition from the market.

In order to mitigate the financial pressure on taxi and public transport companies procuring electric vehicles in one go, the Group launched the "zero dollar car purchase, zero cost and zero emission" solution in November 2012, allowing such companies to procure vehicles at "Zero Down Payment" and incur "Zero Costs" or even make profit on subsequent monthly installment payments by benefiting from the cost-saving effect of the difference between fuel and electricity costs. BYD and financial institutions, such as China Development Bank, officially signed a strategic cooperation agreement, pursuant to which China Development Bank agreed to grant credit facilities in the amount of RMB30 billion to provide credit support for BYD's solution aimed at promoting new energy vehicles. By relieving the buyers of the heavier financial burden incurred by higher initial purchase price of new energy vehicles than that of conventional vehicles, this solution removed one of the major obstacles to the promotion of new energy vehicles.

Handset Components and Assembly Business

For handset components and assembly business, the Group provides customers with vertically integrated one-stop services, which include design and production of handset components such as cases, keyboards, LCD modules, lens, flexible circuit boards and chargers, etc., as well as handset design and assembly. Currently, the Group is one of the most competitive suppliers of handset components and assembly services in the world. Its major customers include Nokia, Huawei, Apple, Motorola, HTC, Asus, Toshiba and other leading global manufacturers of electronic products.

In 2012, due to poor sales performance of our major customer, sales revenue of the Group's handset components and assembly business decreased by 12.28% to approximately RMB17,155 million. As a result of a decrease in sales to major customers, intense market competition and rising costs, our gross profit margin for the period fell by 2.66 percentage points to 9.34%.

During the reporting period, the Group's major customer of handset components and assembly business gradually transformed its business from traditional handsets to smart phones, which showed a preliminary effect in the second half of 2012. However, while its new smart phone products were still in initial stage, its market share and sales volume still depend on the test of market. On the other hand, the Group continued to optimize its customer mix by actively identifying other emerging intelligent terminal manufacturers as new customers for supply of new products during the period, with an aim to increase the Group's market share. With its long-established expertise in the handset components and assembly business, the Group is actively expanding into the tablet and notebook computer markets in the hope that new products can further broaden its revenue source and bring new growth momentums to the Group.

Rechargeable Battery and New Energy Business

The Group's rechargeable batteries mainly include lithium-ion batteries and nickel batteries which are widely used in portable electronic devices including mobile phones, digital cameras, electric tools and electric toys. The Group is also actively researching and developing lithium ferrous phosphate batteries (ferrous batteries) and solar battery products, and is committed to applying such products in areas like new energy vehicles, energy storage stations, photovoltaic power plants and etc.

During the reporting period, the Group's rechargeable battery and new energy business realized sales revenue of approximately RMB4,675 million. During the period, the Group's nickel battery business experienced a downturn due to sluggish global economy, while the lithium-ion battery business achieved stable growth thanks to the Group's leading position. During the reporting period, the Group won battery orders for high end model of the global biggest smart phone manufacturer, and bring new growth to the lithium-ion battery business.

As for the solar business, the continuous slump in the photovoltaic industry severely pressurized the Group's solar business. Although the Group paid extra efforts in market expansion and adopted appropriate cost control initiatives to gradually narrow its losses, the Group's overall results were still dragged down to a large extent.

ISSUE OF CORPORATE BONDS

On 23 December 2011, the China Securities Regulatory Commission issued a regulatory permit for securities [2011] No. 2081, approving the Group to issue corporate bonds of total par value not exceeding RMB6 billion (inclusive) to the public. On 19 June 2012, the Company issued the first tranche of corporate bonds at par value in an aggregate amount of RMB3 billion ("current period bonds"), with coupon rate at 5.25% for a term of 5 years, together with an option for the issuer to increase the coupon rate at the end of the third year and a sell-back option for investors. The current issue of corporate bonds was intended to be used for repayment of bank loans, adjusting corporate debt structure and enhancing liquid capital of the Company. With consent from the Shenzhen Stock Exchange under the document Shen Zheng Shang [2012] No. 222, the current period bonds were listed for dealing on the Shenzhen Stock Exchange on 16 July 2012. For further details, please refer to the "Offering Document for the Public Issue of Corporate Bonds 2011 (First Tranche)" disclosed at the cninfo website (http://www.cninfo.com.cn) on 15 June 2012 and the "Announcement on the Listing of Corporate Bonds 2011 (First Tranche)" made by the Company on 13 July 2012 in the China Securities Journal, Securities Times, Shanghai Securities News and cninfo website, as well as the relevant overseas regulatory announcements disclosed on the Hong Kong Stock Exchange.

FUTURE PROSPECTS AND STRATEGIES

In view of the continuous fluctuation risk of the global economy, the Group expects the business environment to be full of challenges in 2013. However, the Chinese economy, the drivers for global economic recovery, improved in the fourth quarter in 2012, the Chinese economy gradually tended to bottom out, and is expected to pull global economy to steady growth in 2013.

The end of the three-year adjustment period marks the start of a "Second Take-off" for BYD. The Company has experienced both rapid growth and disappointing results since its listing in 2002, and the adjustment makes the Group more prudent, solid and mature. Looking into 2013, the management of the Group will actively respond to changes in the macro-economic environment both at home and abroad, and will continue to shift its corporate priority from growth rate to quality improvement, branding and channel expansion, in an effort to improve its technology standards, accelerate the development and promotion of new energy-related businesses and consolidate the Group's leading position in the new energy vehicle industry.

Automobile Business

In 2013, external restraints such as the purchase restriction order will continue to exist, but the downturn in the automobile industry for the past two years had accumulated many pent-up consumption demands. These demands began to release in the fourth quarter of 2012 and would drive the automobile market back to continuous growth in 2013. Currently, the overall penetration of the Chinese automobile market is still significantly lower than that of European and American countries. The Group anticipates that despite the saturation in the first-tier cities, the domestic automobile industry still has a great room for further development because the growth potential in the second-, third- and fourth-tier cities remains tremendous.

For the business of conventional automobiles, the Group expects that the highly popular models of S6, G6, L3 and Speed will continue to enjoy impressive sales and consolidate the Group's market position. In 2013, the Group will launch a number of new models as scheduled, including Sirui (思銳), a medium to high end sedan model that is equipped with more electronic devices, and the S6 variant equipped with stronger power system. The Group believes that the launch of new models will accelerate the recovery of the Group's conventional automobile business and add stronger momentum to the Group's "Second Take-off".

As the global automobile industry enters into the period of "low-carbon emission", it is increasingly important to manage the coordination between automobile industry and resources as well as environment and society. New energy vehicle becomes the definite development orientation of the global automobile industry, and there is a clearer trend that new energy vehicle will replace conventional vehicle in spite of the inevitable obstacles in the process of transformation. In June 2012, the State Council published the "Energy Saving and New Energy Automobile Industry Development Plan (2012-2020)", setting out the targeted total production and sales volumes of new energy vehicles in China at 500,000 units by 2015 and 5 million units by 2020.

With the strong support of government policies, the Group will continue to speed up the commercialization of new energy automobiles in 2013 by promoting new energy automobiles in all pilot cities. In respect of new product development, the Group will launch the eye-catching second generation of the dual mode electric automobile model "Qin" (秦) in 2013. Equipped with the second generation of the dual mode technology and the bi-directional inverter technology, "Qin" was significantly upgraded from the first generation of model in terms of both exterior design and new technology application. With stronger market competitiveness, "Qin" will surely assist the Group in further expanding its presence in the new energy vehicle market. Additionally, the DENZA, a brand of BYD Daimler electric automobiles is well positioned for the market.

As a pioneer in new energy vehicle, the Group is always committed to achieving breakthrough and innovation in the new energy vehicle technology. In 2013, the Group will launch various environmental friendly and integrated technologies including "green hybrid (綠混)" and "green clean (綠淨)". Not only can these technologies reduce the fuel consumption of the whole vehicle for 100 km by more than 1 liter, they can also lower the PM2.5 levels from more than 150 outdoors to approximately 12 inside the car to rapidly and effectively clean the air therein. Relevant technologies will hopefully be applied to the Group's various models by the end of 2013. In general, the Group will strive to become the leader of the global new energy automobile industry by capitalizing on its strong battery technology, automobile research and development capability and excellent vertical integration capability.

Handset Components and Assembly Business

Gartner expects global sales volume of handsets to reach 1.9 billion units in 2013. While smart phone sales will account for a substantial majority of total sales, feature phone sales will continue to decrease. The "Certain Opinions of the State Council on Further Promoting Information Technology Development and Protecting the Safety of Information Effectively " (國務院關於大力推進信息化發展和切實保障信息安全的若干意見) released by the State Council in June 2012 confirmed the coverage of the 3G network over both urban and rural areas by the end of the "12th Five-Year Plan" Period. In face of the booming development of smart phones, tablets and mobile Internet, the Group will make active adjustments to capture the enormous opportunities of the industry development. The Group will strengthen its cooperation with global intelligent terminal manufacturers, and secure more new customers and orders for related high-end consumer electronic products, so as to increase its market shares in the smart phone market and other mobile terminal markets for further expanding its income sources.

Rechargeable Battery and New Energy Business

Due to the influence of the global macroeconomic environment, it is expected that the demand for batteries for handsets, electrical tools and electronic toys will remain weak in 2013. The Group will actively develop new application areas for rechargeable battery products (such as lithium-ion batteries for high-end intelligent mobile terminals) to enrich the portfolio of products, expand sales channels, maintain market shares, consolidate and strengthen its leadership position in the rechargeable battery market.

The whole photovoltaic industry stayed in crisis in 2012. To help the industry overcome difficulties, the Chinese government introduced a series of supporting policies. The introduction of these policies will hopefully help China's PV industry overcome the difficulties. With rebounded demand and gradual consumption of inventories, the Group expects the price of photovoltaic products to be stabilized gradually and expects the hardest period for the PV industry to end in no time. In December 2012, the Group reached an agreement with the Yulin Municipal People's Government in Shanxi Province in relation to Yulin's 500MW PV power station project, which will commence construction in 2013. The Group expects that this project will effectively improve the Group's capacity utilization rate in 2013 and help the Group revive its solar business. Going forward, the Group will continue to increase its efforts in market expansion and adopt cost control measures, so as to minimize the losses incurred by the solar business and capture further opportunities resulting from the market integration and rebound in the PV industry in the future.

The Group will further expand the research and development and commercialization efforts on lithium ferrous phosphate batteries, in order to further lower its production cost for wide scope applications in electric automobiles, energy storage stations, etc. Meanwhile, the Group will also continue to advance its energy storage station related business to provide a greater driving force for the ultimate realization of its Silicon-Iron Strategy.

Forecast operating results for January to March 2013

<table>
<tr><td rowspan="2">Forecast operating results for January to March 2013</td><td colspan="4">Profit attributable to equity holders of the parent</td></tr>
<tr><td colspan="4">Increased by over 50% year-on-year</td></tr>
<tr><td>Forecast range of year-on-year change of net profit for January to March 2013</td><td>Increase in net profit attributable to equity holders of the parent over the same period of the previous year:</td><td>269.83%</td><td>to</td><td>417.76%</td></tr>
<tr><td>Operating results of January to March 2012</td><td>Profit attributable to equity holders of the parent</td><td colspan="3">27,040,000</td></tr>
<tr><td>Reasons for change in performance</td><td colspan="4">From January to March 2013, the sales of the Group's automobile business increased significantly as compared to the same period last year, leading to higher profits generated from the results of the Group's automobile business. In addition, losses incurred by the solar energy business was lower as compared to the same period last year.</td></tr>
</table>

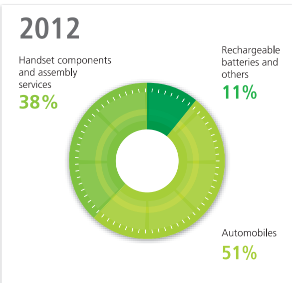
FINANCIAL REVIEW

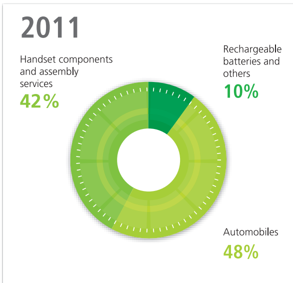
Turnover and Profit attributable to owners of the Parent Company

During the Year, turnover decreased by 4.17% as compared to that of 2011, mainly due to decline in handset components and assembly business. Profit attributable to equity holders of the parent company decreased by almost 94% as compared to the same period of the previous year, mainly attributable to the dampening of the handset components and assembly business and solar business due to the weak European and American markets.

Segmental Information

The table below sets out comparisons of the Group's turnover by product category for the years ended 31 December 2012 and 2011:





During the Year, the handset components and assembly businesses of the Group decreased, accordingly, the proportion of the business decline a little compare to that of last year.

Gross Profit and Margin

During the Year, the Group's gross profit decreased by approximately 25.35% to approximately RMB5,126 million. Gross profit margin decreased from approximately 14.83% in 2011 to approximately 11.55% during the Year. The decrease in gross profit margin was due to the dampening of the handset components and assembly business and solar business due to the weak European and American market.

Liquidity and Financial Resources

During the Year, BYD generated operating cash inflow of approximately RMB5,555 million, compared with approximately RMB5,984 million in 2011. Total borrowings as at 31 December 2012, including all bank loans, were approximately RMB18,629 million, compared with approximately RMB18,421 million as at 31 December 2011. The maturity profile of the bank loans thereof spread over a period of ten years, with approximately RMB11,288 million repayable within one year and approximately RMB3,502 million in the second year, approximately RMB3,669 million within three to five years and approximately RMB170 million over five years. The total borrowings kept stable in the period. The Group maintained adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

For the year ended 31 December 2012, turnover period of accounts and bills receivables was approximately 83 days, as compared to approximately 71 days for the same period in 2011. The lengthened turnover period was mainly attributable to the decrease in sales as compared to the same period last year, the average balance of accounts and bills receivables increased as compared to the same period last year. The inventory turnover period increased from approximately 62 days for the year ended 31 December 2011 to approximately 67 days for the year ended 31 December 2012. The lengthened turnover period was mainly attributable to a considerable increase in the average inventory balance as compared to the same period last year, whereas cost of sales decreased slightly as compared to the same period last year.

Capital Structure

The Group's Financial Division is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 31 December 2012, borrowings were primarily settled in Renminbi, while cash and cash equivalents were primarily held in Renminbi and US dollar. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the period. The loans remaining outstanding as at 31 December 2012 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

Exposure to Foreign Exchange Risk

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

Employment, Training and Development

As at 31 December 2012, the Group had over 166,000 employees. During the period, total staff cost accounted for approximately 17% of the Group's turnover. Employees' remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal development.

Share Capital

As at 31 December 2012, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
Domestic shares	1,561,000,000	66.31
H shares	793,100,000	33.69
Total	2,354,100,000	100.00

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period from 1 January 2012 to 31 December 2012. During the period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

CAPITAL COMMITMENT

Please refer to note 37 to the financial statements for details of capital commitments.

CONTINGENT LIABILITIES

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

ENVIRONMENTAL PROTECTION

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

EXECUTIVE DIRECTOR

Wang Chuan-fu

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

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

NON-EXECUTIVE DIRECTORS

Lu Xiang-yang

Mr. Lu Xiang-yang, born in 1962, Chinese national with no right of abode overseas, bachelor degree holder, economist. Mr. Lu worked at Chaohu Centre Branch of the People's Bank of China (中國人民銀行巢湖中心分行). In February 1995, he founded Shenzhen BYD Battery Company Limited with Mr. Wang Chuan-fu. He is the Vice Chairman and a Non-Executive Director of the Company and also the chairman of Guangzhou Youngy Investment & Management Group Company Limited (廣州融捷投資管理集團有限公司) ("Guangzhou Youngy"), Guangzhou Mingyue Real Estate Development Company Limited (廣州明粵房地產開發有限公司), and Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), Executive Director and general manager of Shenzhen Youngy Guarantee Company Limited (深圳融捷擔保有限公司), Executive Director and manager of Guangdong Youngy Financing Guarantee Company Limited (廣東融捷融資擔保有限公司), Director of Ganzi Rongda Lithium Industry Co., Ltd. (甘孜州融達鋰業有限公司), Executive Director of Guangdong Youngy Financing Renting Company Limited (廣東融捷融資租賃有限公司) and Vice Chairman of BYD Charity Foundation.

Xia Zuo-quan

Mr. Xia Zuo-quan, born in 1963, Chinese national with no right of abode overseas, master degree holder. Mr. Xia studied computer science in Beijing Institute of Iron and Steel Engineering (北京鋼鐵學院) (now known as University of Science & Technology of Beijing (北京科技大學)) from 1985 to1987 and he graduated from Guanghua School of Management of Peking University with an MBA in 2007. Mr. Xia worked in the Hubei branch of The People's Insurance Company (中國人民保險公司) and joined Shenzhen BYD Battery Company Limited in 1997 and held positions as an Executive Director and a Vice President of the Company. He is a Non-Executive Director of the Company and the Chairman of Shenzhen Zhengxuan Investment (Holdings) Co., Ltd (深圳市正軒投資有限公司) and Beijing Zhengxuan Zhongteng Investment Co., Ltd (北京正軒中騰投資有限責任公司), an Executive Director of Zhangjiagang Applica Technology Co., Ltd (張家港雅普利華生物科技有限公司), the director of Shenzhen UniFortune Supply Chain Service Co.,Ltd. (深圳市聯合利豐供應鏈管理有限公司), the Chairman of Shenzhen Zhengxuan Asset Management Co. Ltd. (深圳市正軒資產管理有限公司), the director of Annuo Youda Gene Technology (Beijing) Co. Ltd. (安諾優達基因科技(北京)有限公司) and the Vice-chairman of BYD Charity Foundation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Dong

Ms. Li Dong, born in 1964, Chinese national with no right of abode overseas, bachelor degree holder, registered accountant and registered assets appraiser in the PRC. Ms. Li graduated from the department of finance and politics of the Beijing Finance and Trade Academy (北京財貿學院) (now known as Capital University of Economics and Business (首都經濟貿易大學)) in 1986 with a bachelor degree in economics. She worked in the Joint Venture Office of the Beijing Municipal Bureau of Finance and held positions as the manager of the Appraisal Department and then as manager of the audit department of Beijing Xinghua Accounting Firm Co., Ltd. She is an Independent Non-Executive Director of the Company and the senior manager of Beijing Xinghua Accounting Firm Co., Ltd.

Wu Chang-qi

Mr. Wu Chang-qi, born in 1955, Chinese national, permanent resident of the Hong Kong Special Administrative Region, doctorate degree holder, professor. Mr. Wu graduated from Shandong University with a bachelor degree in economics in 1982. He graduated from Katholieke Universiteit Leuven in Belgium in 1990 and obtained an MBA degree and a doctorate degree in applied economics. Mr. Wu held positions as assistant professor and associate professor at the Department of Economics of the School of Business and Management at The Hong Kong University of Science and Technology, deputy director of Shui On Center for China Business and Management, professor and the president of the Faculty of Strategic Management of the Guanghua School of Management of Peking University, deputy dean of the Guanghua School of Management of Peking University and president of the EMBA degree programme Centre. He is an Independent Non-Executive Director of the Company, professor and tutor of doctorate students of the Guanghua School of Management of Peking University, and an Independent Director of Beijing Media Corporation Limited, an Independent Director of Tianjin Keyvia Electric Co., Ltd. (天津凱發電氣股份有限公司) and Beijing Electronic Zone Investment and Development Co., Ltd. (北京電子城投資開發股份有限公司).

Li Lian-he

Mr. Li Lian-he, born in 1947, Chinese national with no right of abode overseas, bachelor degree holder, and a senior engineer in the PRC. Mr. Li graduated from the Wuhan Water Conservancy Electric Power Institute (武漢水利電力學院) with a bachelor degree in Electricity Generation in 1970. He was the general manager and secretary of the branch of the Party Committee of Hubei Zhushan Water Electricity Company Limited, the deputy director of the water electricity bureau of Zhushan County in Hubei Province, the deputy secretary and deputy county magistrate of Zhushan County in Hubei Province, a committee member and head of the organization department of the Yunyang Region Party Committee of Hubei Province, the deputy director of Ministry of Science and Technology of Hubei Province, the director and secretary of the Party Committee of Hubei Technology Human Resources Bureau, the vice chairman of general affairs and secretary of the disciplinary commission of Technology Association of Hubei Province, the deputy dean and secretary of the Party Committee of the China Academy of Science and Technology Development, director and secretary of the Party Committee of the Shenzhen Technology Bureau (the Intellectual Property Bureau). He was the chairman of the Technology Association of Shenzhen City and the vice chairman of the Standing Committee of the Political Consultative Conference of Shenzhen City. Mr. Li retired in June 2007 and is now an independent non-executive director of the Company and the Independent Director of Shenzhen Huaqiang Industry Co.,Ltd. (深圳華強實業股份有限公司), part-time professor at Wuhan University, Harbin Industrial University (哈爾濱工業大學), Huazhong Technology University (華中科技大學), Electronic Technology University (電子科技大學), as well as a consultant to the Technology Committee of the Macau Special Administrative Region.

SUPERVISORS

Dong Jun-qing

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

Li Yong-zhao

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

Zhang Hui-bin

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

Wang Zhen

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

Yan Chen

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

SENIOR MANAGEMENT

Wu Jing-sheng

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

Wang Nian-qiang

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

Mao De-he

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

Lian Yu-bo

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

He Long

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

Liu Huan-ming

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

Zhang Jin-tao

Mr. Zhang Jin-tao, born in 1958, Chinese national with no right of abode overseas, bachelor's degree holder, and a senior engineer. Mr. Liu graduated from Wuhan Wuhan Institute of Technology (武漢工學院) (currently known as "Wuhan University of Technology") in 1982, majoring in casting process and equipment, with a bachelor's degree in engineering. From April 1997 to February 1998, he went to Fukushima High-tech Center in Japan for further study. Mr. Zhang worked for several companies, including state-owned Factory 612, Factory 446 and Monkey King Group Company (猴王集團公司), and was a member of National Welding Committee for Standardization and Welding Slice Technology Committee, and the vice-chairman of Hubei Province Machinery Manufacturing Technology Association. Mr. Zhang joined the Company in February 2000, holding posts such as manager of engineering department, manager of electric vehicle project department, general manager of Division 14 and Division 8. He currently is vice-president of the Company and general manager of Division 17.

Luo Hong-bin

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

Li Qian

Mr. Li Qian, born in 1973, Chinese national with no right of abode overseas, bachelor's degree holder. Mr. Li graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1997, with a bachelor's degree in economics. Mr. Li was the auditor and business adviser of PwC China and Arthur Andersen, respectively, and the business representative of ZTE Corporation. Mr. Li joined the Company in August 2005 and is the company secretary of the Company (HK: 01211). He is also a joint company secretary of BYD Electronic (International) Company Limited (HK: 0285) and a supervisor of Tibet Shigatse Zhabuye Lithium High-Tech Co., Ltd.

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

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

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

BOARD OF DIRECTORS

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

THE DIRECTORS

As of the date of this report, the Board comprises six Directors. There are one Executive Director who is the President, two Non-Executive Directors and three Independent Non-Executive Directors. Detailed biographies outlining each individual Director's range of specialist experience and suitability of the successful long-term running of the Group are set out on page 19 and page 20 of this annual report.

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

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

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

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

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

In accordance with the Company's Articles of Association and related Board resolutions, each Board member and each member of the Supervisory Committee is appointed for a term of 3 years, being the period from 11 June 2011 to 10 June 2014, but the appointment period for Mr. Li Lian-he is from 9 September 2011 to 10 June 2014.

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 ten meetings in 2012. The attendance of individual Director at the Board meetings is set out below:

Members of the Board	Number of Board Meetings Attended	Attendance Rate
Executive Director		
WANG Chuan-fu	10	100%
Non-executive Directors		
LU Xiang-yang	10	100%
XIA Zuo-quan	10	100%
Independent Non-executive Directors		
LI Dong	10	100%
WU Chang-qi	10	100%
LI Lian-he	10	100%

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

– the Audit Committee;

– the Remuneration Committee;

– the Nomination Committee; and

– the Strategy Committee.

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

AUDIT COMMITTEE

One of the primary duties of the Audit Committee is to review the financial reporting process of the Group. As at 31 December 2012, Audit Committee consists of three independent non-executive Directors, namely Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, and a non-executive Director, Mr. Lu Xiang-yang, with Ms. Li Dong as the Chairman. Meetings were convened by the Company's Audit Committee and the Company's auditors to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters before recommending them to the Board for approval.

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

The Audit Committee held eight meetings in 2012 to review the internal and external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters including financial statements for the year ended 31 December 2011, the six months ended 30 June 2012 and the nine months ended 30 September 2012, before recommending them to the Board for approval. The individual attendance of its members of the meetings is set out as follows:

Member of the Audit Committee	Number of Committee Meetings Attended	Attendance Rate
LU Xiang-yang	8	100%
LI Dong	8	100%
WU Chang-qi	8	100%
LI Lian-he	8	100%

REMUNERATION COMMITTEE

Pursuant to code provision B.1.1 of the Code, the Board of Directors established a Remuneration Committee on 27 June 2005. The primary role of the Remuneration Committee is to regularly review human resource management policies, make recommendations on the compensation and benefit plans of Directors and senior management, as well as setting performance goals for senior management of the Group. As at 31 December 2012, the Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Wu Chang-qi as the Chairman.

The Remuneration Committee has reviewed its terms of reference in 2012 to comply with the Code.

Remuneration Policy for Directors

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

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

Directors do not participate in decisions on their own remuneration.

Directors do not participate in decisions on their own remuneration.

The emoluments paid to each Director of the Company for the year ended 31 December 2012 are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

Pursuant to the relevant provision of the Code, the Group established the Nomination Committee. As at 31 December 2012, the Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Li Lian-he as the Chairman. The Nomination Committee has performed such duties as set out in the Code.

STRATEGY COMMITTEE

The Group established the Strategy Committee on 20 March 2008 in accordance with the relevant provisions of the Code of Corporate Governance for Listed Companies (上市公司治理準則). As at 31 December 2012, the Strategy Committee comprised Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Mr. Xia Zuo-quan, Mr. Wu Chang-qi and Mr. Li Lian-he, with Mr. Wang Chuan-fu as the Chairman. The main duty of the Strategy Committee is to consider and make recommendations on the Company's long-term development strategy and major investment decisions.

INDEPENDENT AUDITORS AND THEIR REMUNERATION

For the year ended 31 December 2012, the total remuneration paid to the international auditors, Ernst & Young and the domestic auditors, Ernst & Young Hua Ming (LLP), was RMB3,360,000 for audit services provided for the Company. The audit fee was approved by the Board.

The Board has proposed to re-appoint Ernst & Young as the international auditor of the Company for 2013 and Ernst & Young Hua Ming (LLP) as the domestic auditors for 2013, which is subject to approval by shareholders at the forthcoming annual general meeting.

INTERNAL CONTROL

Internal Control System

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

Internal Audit

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Model Code. No incident of non-compliance was noted by the Company in 2012.

SHAREHOLDERS' RIGHTS

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

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

INVESTOR RELATIONS

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

The directors of the Company ("Directors") submit their report together with the audited consolidated accounts of BYD Company Limited (the "Company") and its subsidiaries (together with the Company hereinafter collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group are rechargeable battery and new energy business, handset components and assembley business as well as automobile business (including traditional fuel-powered vehicles and new energy vehicles). The activities of the Company's subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities for the year ended 31 December 2012.

An analysis of the Group's performance for the year ended 31 December 2012 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 2012 and the financial position of the Group and the Company as at the date are set out in the consolidated financial statements and their notes on page 34 to page 115 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

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 34 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2012 amounted to approximately RMB14,214,000 (2011: RMB14,208,000).

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 33 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2012, calculated under the relevant legislation applicable in the PRC, the Company's place of incorporation, amounted to approximately RMB2,244,071,000 (2011: RMB2,165,936,000).

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2 and page 116 of this annual report.

DIRECTORS

The Directors who held office during the year ended 31 December 2012 and up to the date of this report are:

— Executive director:
  Mr. Wang Chuan-fu

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

— Independent non-executive directors:
  Ms. Li Dong
  Mr. Wu Chang-qi
  Mr. Li Lian-he

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All existing Directors had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2011, but the contract period for Mr. Li Lian-he is from 9 September 2011 to 10 June 2014.

All existing Supervisors, had signed or renewed their service contracts with the Company for a term of three years commencing on 11 June 2011.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS REMUNERATIONS

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management of the Company are set out on pages 19 to 22.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2012, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) were as follows:-

A shares

Name	Number of A shares	Approximate percentage of shareholding in total issued A shares (%)	Approximate percentage of shareholding in total issued share capital (%)
Mr. Wang Chuan-fu (Director)	570,642,580 (L)	36.56%	24.24%
Mr. Lu Xiang-yang (Director)	401,810,480 (L) *(Note 1)*	25.74%	17.07%
Mr. Xia Zuo-quan (Director)	124,977,060 (L)	8.01%	5.31%
Zhang Hui-bin (Supervisor)	1,482,400(L) *(Note 2)*	0.09%	0.06%

(L) – Long Position

Notes:

1. Out of these 401,810,480 A shares, 239,228,620 A shares were held by Mr. Lu in his personal capacity and 162,581,860 A shares were held by Guangzhou Youngy. Guangzhou Youngy is in turn held by Mr. Lu and his spouse as to 89.5% and 10.5% equity interests, respectively. Mr. Lu is therefore deemed to be interested in 162,581,860 A shares under the SFO.

2. The 1,482,400 A shares were held directly by Guangzhou Jianjin Information Technology Co., Ltd., which is in turn held by Zhang Hui-bin and his spouse as to 90% and 10% equity interests, respectively. Mr. Zhang is therefore deemed to be interested in 1,482,400 A shares under the SFO.

Saved as disclosed above, as at 31 December 2012, none of the Directors, supervisors or chief executives of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 31 December 2012, so far as was known to the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (Cap.571 of the Laws of Hong Kong), or were required to be recorded in the register kept by the Company according to Section 336 of the SFO.

1. A shares

Name	**Number of A shares**	**Approximate percentage of shareholding in total issued A shares (%)**	**Approximate percentage of shareholding in total issued share capital (%)**
Guangzhou Youngy *(Note 1)*	162,581,860 (L)	10.42%	6.91%

(L) - Long position

Notes:

1. Guangzhou Youngy is owned by Mr. Lu Xiang-yang, a non-executive director of the Company, as to 89.5%. Mr. Lu is therefore deemed to be interested in 162,581,860 A shares held by Guangzhou Youngy 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)	28.37%	9.56%
MidAmerican Energy Holdings Company *(note 1)*	225,000,000 (L)	28.37%	9.56%
Li Lu *(note 2)*	55,511,200 (L)	7.00%	2.36%
LL Group, LLC *(note 2)*	55,511,200 (L)	7.00%	2.36%
FIL Limited *(note 3)*	39,711,986 (L)	5.01%	1.69%

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

Notes:

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

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

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

The total issued share capital of the Company as at 31 December 2012 was RMB2,354,100,000, divided into 1,561,000,000 A shares of RMB1.00 each and 793,100,000 H shares of RMB1.00 each, all fully paid up.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year ended 31 December 2012 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	7.57%
— the five largest suppliers combined	14.19%
Sales	
— the largest customer	10.83%
— the five largest customers combined	29.16%

None of the directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the major suppliers or customer noted above.

CONNECTED TRANSACTIONS

There was no connected transaction entered into by the Group during the year ended 31 December 2012 which is required to be disclosed under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

Ernst & Young, the Company's international auditor, and Ernst & Young Hua Ming (LLP), the Company's domestic accountant will retire. A resolution will be proposed at the forthcoming annual general meeting to appoint Ernst & Young as the international auditor of the Company for 2013 and Ernst & Young Hua Ming (LLP) as the domestic accountant for 2013.

On behalf of the Board

Wang Chuan-fu
Chairman

Shenzhen, the PRC, 22 March 2013

REPORT OF THE SUPERVISORY COMMITTEE

In 2012, 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 23 March 2012, the Supervisory Committee convened its meeting at the office of the Company, where the annual report of the Company for 2011 was considered and approved accordingly.

On 25 April 2012, the Supervisory Committee convened its meeting at the office of the Company, where the first quarterly report of the Company for 2012 was considered and approved accordingly.

On 27 August 2012, the Supervisory Committee convened its meeting at the office of the Company, where the interim report of the Company for 2012 was considered and approved accordingly.

On 29 October 2012, the Supervisory Committee convened its meeting at the office of the Company, where the third quarterly report of the Company for 2012 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 2012 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 2012, the directors, supervisors and senior management of the Company fulfilled their fiduciary duties by acting lawfully, regularized management, explored for innovation, with discipline to protect the interests of all the shareholders of the Company. None of the parties named above was found in breach of the Company Law, the Articles of Association or the laws and regulations of the PRC.

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

Dong Jun-qing
Chairman of the Supervisory Committee

22 March 2013

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

We have audited the consolidated financial statements of BYD Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 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.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong

22 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**44,380,858**	46,312,282
Cost of sales		**(39,254,530)**	(39,445,257)
Gross profit		**5,126,328**	6,867,025
Other income and gains	5	**423,332**	988,114
Government grants and subsidies	7	**550,387**	301,221
Selling and distribution expenses		**(1,511,797)**	(1,799,757)
Research and development costs	6	**(1,150,419)**	(1,373,861)
Administrative expenses		**(2,055,016)**	(2,125,636)
Other expenses		**(205,148)**	(388,567)
Finance costs	8	**(862,439)**	(742,262)
Share of profits and losses of:			
Jointly-controlled entities		**(24,709)**	7,022
An associate		**206**	(5,815)
PROFIT BEFORE TAX	6	**290,725**	1,727,484
Income tax expenses	11	**(77,835)**	(132,408)
PROFIT FOR THE YEAR		**212,890**	1,595,076
PROFIT FOR THE YEAR			
Attributable to:			
Owners of the parent	12	**81,377**	1,384,625
Non-controlling interests		**131,513**	210,451
		212,890	1,595,076
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
- For profit for the year		**RMB 0.03**	RMB0.60

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**212,890**	1,595,076
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**1,107**	15,192
Reclassification adjustments for gain included in the consolidated income statement-gain on disposal		**(13,314)**	—
		(12,207)	15,192
Exchange differences on translation of foreign operations		**4,832**	(126,053)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(7,375)**	(110,861)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**205,515**	1,484,215
Attributable to:			
Owners of the parent	12	**72,467**	1,319,439
Non-controlling interests		**133,048**	164,776
		205,515	1,484,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**33,659,418**	30,723,383
Prepaid land lease payments	15	**4,313,216**	4,207,601
Goodwill	16	**65,914**	65,914
Other intangible assets	17	**3,603,454**	2,415,091
Non-current prepayments	25	**1,508,332**	4,327,200
Long term receivable		**22,500**	17,500
Investments in jointly-controlled entities	19	**662,849**	285,966
Investment in an associate	20	**286,216**	286,010
Available-for-sale investments	21	**2,985**	15,192
Deferred tax assets	32	**786,123**	586,479
Property under development	22	**1,772,538**	1,170,839
Total non-current assets		**46,683,545**	44,101,175
CURRENT ASSETS			
Inventories	23	**7,344,833**	6,595,797
Trade and bills receivables	24	**9,937,481**	9,782,082
Prepayments, deposits and other receivables	25	**2,226,222**	2,296,072
Due from the jointly-controlled entities	38(c)	**131,760**	57,464
Pledged deposits	26	**197,405**	311,060
Cash and cash equivalents	26	**3,486,561**	3,737,386
Total current assets		**23,324,262**	22,779,861
CURRENT LIABILITIES			
Trade and bills payables	27	**18,952,108**	17,235,934
Other payables and accruals	28	**3,665,563**	3,523,600
Advances from customers		**2,713,921**	1,870,520
Deferred income	29	**117,350**	94,253
Interest-bearing bank and other borrowings	30	**11,287,779**	11,341,822
Due to the jointly-controlled entities	38(c)	**25,521**	—
Tax payable		**238,097**	222,884
Provision	31	**227,897**	338,565
Total current liabilities		**37,228,236**	34,627,578
NET CURRENT LIABILITIES		**(13,903,974)**	(11,847,717)
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,779,571**	32,253,458

31 December 2012

	Notes	**2012 RMB'000**	2011 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,779,571**	32,253,458
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**7,341,344**	7,079,247
Deferred income	29	**1,293,618**	1,193,015
Other liabilities		**238**	1,060
Total non-current liabilities		**8,635,200**	8,273,322
Net assets		**24,144,371**	23,980,136
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**2,354,100**	2,354,100
Reserves	34	**18,842,884**	18,770,417
		21,196,984	21,124,517
Non-controlling interests		**2,947,387**	2,855,619
Total equity		**24,144,371**	23,980,136

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 33)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000 (note 34)	Exchange fluctuation reserve RMB'000	Retained Profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2011	2,275,100	1,368,590	4,354,102	1,458,213	(43,319)	9,047,633	—	18,460,319	2,690,757	21,151,076
Profit for the year	—	—	—	—	—	1,384,625	—	1,384,625	210,451	1,595,076
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	—	—	15,192	—	—	—	—	15,192	—	15,192
Exchange differences on translation of foreign operations	—	—	—	—	(80,378)	—	—	(80,378)	(45,675)	(126,053)
Total comprehensive income for the year	—	—	15,192	—	(80,378)	1,384,625	—	1,319,439	164,776	1,484,215
Issue of shares	79,000	1,343,000	—	—	—	—	—	1,422,000	1,010	1,423,010
Share issue expenses	—	(68,165)	—	—	—	—	—	(68,165)	—	(68,165)
Loss on deemed disposal of subsidiaries	—	—	(9,076)	—	—	—	—	(9,076)	9,076	—
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(10,000)	(10,000)
Government subsidies designated to increase the reserve fund	—	—	4,613	—	—	(4,613)	—	—	—	—
Appropriation to statutory surplus reserve fund	—	—	—	259,685	—	(259,685)	—	—	—	—
At 31 December 2011 and 1 January 2012	**2,354,100**	**2,643,425***	**4,364,831***	**1,717,898***	**(123,697)***	**10,167,960***	**—**	**21,124,517**	**2,855,619**	**23,980,136**
Profit for the year	—	—	—	—	—	81,377	—	81,377	131,513	212,890
Other comprehensive income for the year:										
Change in fair value of available-for-sale investments, net of tax	—	—	1,107	—	—	—	—	1,107	—	1,107
Reclassification adjustments for gain included in the consolidated income statement-gain on disposal	—	—	(13,314)	—	—	—	—	(13,314)	—	(13,314)
Exchange differences on translation of foreign operations	—	—	—	—	3,297	—	—	3,297	1,535	4,832
Total comprehensive income for the year	—	—	(12,207)	—	3,297	81,377	—	72,467	133,048	205,515
Dividends paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	(41,280)	(41,280)
Government subsidies designated to increase the reserve fund	—	—	19,773	—	—	(19,773)	—	—	—	—
Appropriation to statutory surplus reserve fund	—	—	—	103,238	—	(103,238)	—	—	—	—
At 31 December 2012	**2,354,100**	**2,643,425***	**4,372,397***	**1,821,136***	**(120,400)***	**10,126,326 ***	**—**	**21,196,984**	**2,947,387**	**24,144,371**

* These reserve accounts comprise the consolidated reserves of RMB18,842,884,000 (2011: RMB18,770,417,000) in the consolidated statement of financial position.

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**290,725**	1,727,484
Adjustments for:			
Finance costs	8	**862,439**	742,262
Share of profits and losses of jointly-controlled entities and an associate		**24,503**	(1,207)
Bank interest income	6	**(50,518)**	(54,822)
Government grants and subsidies		**(139,608)**	(72,660)
Loss on disposal of items of non-current assets	6	**13,951**	9,414
Gains on settlement of available-for-sale investments		**(13,314)**	—
Gain on disposal of an investment in a jointly-controlled entity	6	**—**	(502,543)
Depreciation	14	**3,019,857**	2,515,718
Impairment of inventories	6	**217,320**	186,811
Impairment of trade receivables	24	**71,432**	158,210
Impairment losses of trade receivables reversed	24	**(4,360)**	(11,954)
Impairment of property, plant and equipment	14	**9,715**	80,179
Impairment of other intangible assets	17	**30,151**	72,000
Recognition of prepaid land lease payments	15	**103,220**	83,614
Amortisation of other intangible assets	17	**236,252**	161,948
		4,671,765	5,094,454
Increase in inventories		**(966,356)**	(244,756)
Decrease/(increase) in trade and bills receivables		**100,588**	(2,092,611)
Increase in prepayments, deposits and other receivables		**(51,628)**	(348,138)
Decrease in amounts due from the jointly-controlled entities		**(74,296)**	(57,464)
Increase in a long term receivable		**(5,000)**	(17,500)
Increase in property under development		**(540,181)**	(298,648)
Increase in trade and bills payables		**1,447,451**	5,384,057
Increase/(decrease) in other payables and accruals		**462,848**	(172,585)
Increase/(decrease) in advances from customers		**843,401**	(994,136)
Increase in amounts due to the jointly-controlled entities		**25,521**	—
Decrease /(increase) in provision for warranties		**(110,668)**	21,000
Cash generated from operations		**5,803,445**	6,273,673
Interest received		**50,518**	54,822
Taxes paid		**(298,632)**	(343,969)
Net cash flows from operating activities		**5,555,331**	5,984,526

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Net cash flows from operating activities		**5,555,331**	5,984,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,629,022)**	(7,245,107)
Decrease /(increase) in non-current prepayments		**2,799,983**	(469,891)
Increase in prepaid land lease payments		**(143,811)**	(269,670)
Receipt of government grants		**199,340**	285,950
Receipt of investment income from a previously owned jointly-controlled entity		**7,875**	13,129
Additions to other intangible assets	17	**(1,377,306)**	(1,427,483)
Proceeds from disposal of items of property, plant and equipment and other intangibles assets		**133,815**	85,272
Proceeds from disposal of an investment in a jointly-controlled entity		**89,100**	495,619
Proceeds from settlement of available-for-sale investments		**13,314**	—
Repayment of government grants		**(252,910)**	—
Capital contributions to an associate		**—**	(90,000)
Capital contributions to the jointly-controlled entities		**(450,000)**	(300,538)
Net cash flows used in investing activities		**(4,609,622)**	(8,922,719)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	1,422,000
Share issue expenses		**—**	(53,801)
Investment from a non-controlling shareholder		**—**	1,010
Proceeds from issue of corporate bonds		**3,000,000**	1,000,000
Corporate bonds issue expenses		**(31,798)**	(6,911)
New bank loans		**10,984,867**	18,189,099
Repayment of bank loans		**(14,069,863)**	(14,455,683)
Interest paid		**(1,172,615)**	(1,055,771)
Dividends paid to a non-controlling shareholder		**(41,280)**	(330)
Decrease/ (increase) in pledged deposits		**113,655**	(297,276)
Factoring expense		**—**	(6,310)
Net cash flows (used in) /from financing activities		**(1,217,034)**	4,736,027
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(271,325)**	1,797,834
Cash and cash equivalents at beginning of year		**3,737,386**	1,978,735
Effect of foreign exchange rate changes, net		**20,500**	(39,183)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,486,561**	3,737,386
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**2,337,342**	2,780,372
Non-pledged time deposits with original maturity of less than three months when acquired	26	**1,346,624**	1,268,074
Pledged time deposit for banking facilities	26	**(197,405)**	(311,060)
Cash and cash equivalents as stated in the statement of financial position		**3,486,561**	3,737,386

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,432,486**	1,524,375
Investments in subsidiaries	18	**6,473,944**	5,507,844
Investment in an associate	20	**291,825**	291,825
Prepaid land lease payments	15	**26,246**	26,928
Other intangible assets	17	**33,935**	37,143
Non-current prepayments	25	**9,568**	6,824
Deferred tax assets	32	**42,249**	—
Available-for-sale investments	21	**2,985**	8,470
Total non-current assets		**8,313,238**	7,403,409
CURRENT ASSETS			
Inventories	23	**483,626**	424,586
Trade and bills receivables	24	**1,014,645**	883,830
Tax recoverable		**2,329**	4,738
Prepayments, deposits and other receivables	25	**44,290**	522,138
Due from subsidiaries	18	**13,787,001**	7,924,888
Cash and cash equivalents	26	**120,928**	103,771
Total current assets		**15,452,819**	9,863,951
CURRENT LIABILITIES			
Trade and bills payables	27	**950,042**	913,356
Other payables and accruals	28	**339,392**	356,537
Advanced from customers		**25,188**	24,844
Interest-bearing bank borrowings	30	**5,047,408**	2,551,908
Due to subsidiaries	18	**5,357,318**	3,074,156
Total current liabilities		**11,719,348**	6,920,801
NET CURRENT ASSETS		**3,733,471**	2,943,150
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,046,709**	10,346,559
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**4,535,730**	2,916,935
Net assets		**7,510,979**	7,429,624
EQUITY			
Issued capital	33	**2,354,100**	2,354,100
Reserves	34(b)	**5,156,879**	5,075,524
Total equity		**7,510,979**	7,429,624

Director *Director*

1. CORPORATE INFORMATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products. The activities of the Company's subsidiaries are set out in note 18.

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 available-for-sale investment, which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Despite the Group's net current liabilities of approximately RMB13,903,974,000 as at 31 December 2012, the consolidated financial statements have been prepared on a going concern basis as it is the directors' contention that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Venture*s and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

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

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entities

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled 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.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of its associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in an associate and is not individually tested for impairment.

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

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 by the acquiree.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is 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 income statement in the period in which it arises.

Related parties

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

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 income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Intangible assets (other than goodwill)

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

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Industrial proprietary rights

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

Know-how

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

Software

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

When the fair value of 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 and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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 income statement.

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial assets carried at cost

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

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 income statement, is removed from other comprehensive income and recognised in the income statement.

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. The determination of what is "significant" or ''prolonged" requires judgement. "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 income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition 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 income statement 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 income statement.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Fair value of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

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 income statement 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 income statement by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

Contracts for services

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

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

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

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

Employee benefits

Employees' leave entitlements

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

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

Retirement benefit obligations

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at rates ranging from 11% to 13% of the basic salary predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Medical benefits

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

Housing fund

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

Borrowing costs

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

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 income statement.

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

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

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

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.

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:

Operating lease

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

Deferred tax on withholding tax arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries levied in the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividends. The Group considered that if the earnings will not be probable to be distributed in the foreseeable future, then no deferred tax liabilities on such withholding tax should be provided. Further details are included in note 32 to the financial statements.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was RMB65,914,000 (2011: RMB65,914,000). Further details are included in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Depreciation and amortisation

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

Deferred tax assets

Deferred tax assets are recognised for 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 2012 was RMB45,411,000 (2011: RMB 98,950,000). The amount of unrecognised tax losses at 31 December 2012 was RMB1,178,488,000 (2011: RMB781,842,000). Further details are contained in note 32 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 2012, the best estimate of the carrying amount of capitalised development costs was RMB3,529,221,000 (2011: RMB2,334,587,000). Further details are contained in note 17 to the financial statements.

Warranty provisions

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

Allowance for doubtful receivables

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

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	4,674,513	17,155,458	22,550,887	—	44,380,858
Intersegment sales	1,731,175	637,000	44,122	—	2,412,297
Others including other gross income from sales of raw materials and disposal of scrap materials	38,409	198,509	1,126,791	—	1,363,709
Taxes and surcharges	23,462	118,819	966,926	—	1,109,207
	6,467,559	18,109,786	24,688,726	—	49,266,071
Reconciliation:					
Elimination of intersegment sales					(2,412,297)
Elimination of other gross income					(1,363,709)
Elimination of taxes and surcharges					(1,109,207)
Revenue – sales to external customers					44,380,858
Segment results					
Reconciliation:	(160,237)	438,136	1,057,723	—	1,335,622
Elimination of intersegment results					(300,790)
Interest income					50,518
Dividend income and unallocated gains					650,843
Corporate and other unallocated expenses					(583,029)
Finance costs					(862,439)
Profit before tax					290,725
Segment assets	13,058,211	16,129,440	39,258,525	181	68,446,357
Reconciliation:					
Elimination of intersegment receivables					(1,613,054)
Elimination of intersegment sales unrealised profit					19,923
Corporate and other unallocated assets					3,154,581
Total assets					70,007,807

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2012	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment liabilities	3,127,240	5,059,404	19,605,524	167	27,792,335
Reconciliation:					
Elimination of intersegment payables					(1,613,054)
Corporate and other unallocated liabilities					19,684,155
Total liabilities					45,863,436
Other segment information:					
Impairment losses of items of property, plant and equipment recognised in the income statement	—	9,715	—	—	9,715
Impairment losses of items of other intangible assets recognised in the income statement	—	—	30,151	—	30,151
Loss on disposal of items of property, plant and equipment	4,417	8,640	894	–	13,951
Depreciation and amortisation	899,397	874,232	1,585,700	—	3,359,329
Capital expenditure	1,801,731	1,510,529	4,474,026	—	7,786,286

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales to external customers	4,620,074	19,556,707	22,135,501	—	46,312,282
Intersegment sales	751,941	626,528	66,108	—	1,444,577
Others including other gross income from sales of raw materials and disposal of scrap materials	317,977	354,161	872,785	—	1,544,923
Taxes and surcharges	14,414	61,541	893,759	—	969,714
	5,704,406	20,598,937	23,968,153	—	50,271,496
Reconciliation:					
Elimination of intersegment sales					(1,444,577)
Elimination of other gross income					(1,544,923)
Elimination of taxes and surcharges					(969,714)
Revenue – sales to external customers					46,312,282
Segment results	(121,524)	1,035,755	1,898,305	(4)	2,812,532
Reconciliation:					
Elimination of intersegment results					(345,978)
Interest income					54,822
Dividend income and unallocated gains					581,157
Corporate and other unallocated expenses					(632,787)
Finance costs					(742,262)
Profit before tax					1,727,484
Segment assets	12,620,120	18,433,707	35,043,063	54	66,096,944
Reconciliation:					
Elimination of intersegment receivables					(1,653,208)
Elimination of intersegment sales unrealised profit					(158,950)
Corporate and other unallocated assets					2,596,250
Total assets					66,881,036

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Rechargeable batteries and other products RMB'000	Mobile handset components and assembly service RMB'000	Automobiles and related products RMB'000	Others RMB'000	Total RMB'000
Segment liabilities	2,521,836	6,662,830	16,323,717	—	25,508,383
Reconciliation:					
Elimination of intersegment payables					(1,653,208)
Corporate and other unallocated liabilities					19,045,725
Total liabilities					42,900,900
Other segment information:					
Impairment losses of items of property, plant and equipment recognised in the income statement	—	80,179	—	—	80,179
Impairment losses of items of other intangible assets recognised in the income statement	—	—	72,000	—	72,000
Loss on disposal of items of property, plant and equipment	2,321	1,025	6,068	—	9,414
Depreciation and amortisation	524,149	1,013,455	1,256,051	—	2,793,655
Capital expenditure	3,340,338	953,661	6,177,929	—	10,471,928

* Capital expenditure consists of additions to other intangible assets, property, plant and equipment and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2012 RMB'000	2011 RMB'000
China (including Hong Kong, Macau and Taiwan)	**37,632,130**	39,396,563
India	**1,818,586**	1,474,640
Europe	**1,242,926**	332,318
U.S.A.	**741,179**	411,337
Others	**2,946,037**	4,697,424
	44,380,858	46,312,282

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

(b) *Non-current assets*

	2012 RMB'000	2011 RMB'000
China (including Hong Kong, Macau and Taiwan)	**45,412,653**	42,978,474
India	**360,617**	430,043
Hungary	**40,800**	24,411
Others	**57,868**	49,076
	45,871,938	43,482,004

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

Information about a major customer

Revenue of approximately RMB4,824,912,000 (2011: RMB7,217,542,000) was derived from sales made by the rechargeable battery and other products segment and mobile handset components segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Notes	Group **2012** **RMB'000**	 2011 RMB'000
Revenue			
Sale of goods		**37,363,140**	37,977,519
Assembly service income		**7,017,718**	8,114,581
Processing charges		**—**	220,182
		44,380,858	46,312,282
Other income			
Bank interest income	6	**50,518**	54,822
Gross rental income		**16,480**	26,160
Gain on disposal of scrap		**182,332**	305,173
Penalty from suppliers		**74,185**	26,991
Amounts overdue and unable to be collected by creditors		**9,192**	14,853
Available for-sale investment(transfer from equity on disposal)		**13,314**	—
Others		**77,311**	57,572
Gains			
Gain on disposal of an investment in a jointly-controlled entity	6	**—**	502,543
		423,332	988,114

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Group 2012 RMB'000	Group 2011 RMB'000
Cost of inventories sold		**33,504,413**	31,449,876
Cost of services provided		**5,532,797**	7,808,570
Depreciation	14	**3,019,857**	2,515,718
Impairment of property, plant and equipment**	14	**9,715**	80,179
Impairment of other intangible assets**	17	**30,151**	72,000
Amortisation of other intangible assets other than development costs****	17	**35,433**	38,493
Research and development costs:			
Deferred expenditure amortised*	17	**200,819**	123,455
Current year expenditure		**1,150,419**	1,373,861
		1,351,238	1,497,316
Minimum lease payments under operating leases:			
Land and buildings		**17,427**	20,632
Auditors' remuneration		**7,315**	9,707
Employee benefit expense (including directors' and supervisors' remuneration (note 9)):			
Wages and salaries		**6,718,811**	6,934,657
Welfare		**62,991**	94,088
Pension scheme contributions		**447,987**	401,829
		7,229,789	7,430,574
Amortisation of land lease payments	15	**103,220**	83,614
Amortisation of assets related to the "Contractual Operation Contract"		**32,375**	32,375
Loss on disposal of items of property, plant and equipment**		**13,951**	9,414
Foreign exchange differences, net**		**31,275**	39,875
Impairment of trade receivables	24	**71,432**	158,210
Impairment losses of trade receivables reversed	24	**(4,360)**	(11,954)
Impairment of inventories***		**217,320**	186,811
Product warranty provision	31	**34,829**	270,346

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

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

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

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

7. GOVERNMENT GRANTS AND SUBSIDIES

	Group	
	2012 **RMB'000**	2011 RMB'000
Related to assets		
Subsidies on research and development activities for automobile and related products (note (a))	**62,010**	42,318
Others	**56,482**	30,342
Related to income		
Subsidies on research and development activities for automobile and related products (note (b),(c))	**222,285**	—
Subsidies on basic research and development activities (note (d))	**81,950**	110,040
Interest subsidy (note (e))	**26,352**	20,000
Others	**101,308**	98,521
	550,387	301,221

(a) In 2008, BYD Auto ShenZhen, a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB864,647,000 which were provided by the local government to support automotive research and development activities. The government grants did not specify any repayment terms or other conditions that are required to be met. For the year ended 31 December 2012, RMB62,010,000 was recognised as government grant income (2011: RMB42,318,000) upon amortization of the relevant research and development costs.

(b) In 2012, Changsha BYD Auto Co., Ltd ("Changsha Auto"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB100,000,000 which were provided by the Hunan Environmental & Protection Science and Technology Industrial Park Committee (湖南環保科技產業園管委會) to support automotive research and development activities. For the year ended 31 December 2012, RMB100,000,000 was recognised as government grants income (2011: RMB50,000,000).

(c) In 2012, BYD Auto Co., Ltd ("BYD XiAn QC"), a wholly-owned subsidiary of the Company, received government grants with an aggregate amount of RMB122,285,000(RMB500-800 per vehicle) which were provided by the Xi'an High-tech Zone to grant to vehicles produced by BYD XiAn QC from January in 2011 to March in 2012 and listed in the Energy-Saving Vehicle Promotion Catalog (節能汽車推廣目錄) under the Energy Saving Products Subsidies Program (節能產品惠民工程) of the PRC government.

(d) In 2012, Shangluo BYD Industry Co., Ltd, a wholly-owned subsidiary of the Group, received from the Management Committee of Shangdan Recycling Industrial Economic Park in Shangluo City, Shanxi Province government grants with an aggregate amount of RMB30,000,000 for solar battery products produced in Shangluo between January and September 2012, and liquidity loan interest subsidy totaling RMB51,950,000.

(e) In October 2012, BYD XiAn QC, received government grants with an aggregate amount of RMB26,352,000 which were provided by the Xi'an High-tech Zone as a liquidity loan interest subsidy.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Interest on bank borrowings		
Related to loans repayable within 5 years	**1,022,471**	765,694
Related to loans repayable over 5 years	**74,339**	76,268
Bank charges for discounted notes	**176,940**	229,126
	1,273,750	1,071,088
Less: Interest capitalised	**(411,311)**	(328,826)
	862,439	742,262

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.97% (2011: 5.45%).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Group	
	2012	2011
	RMB'000	RMB'000
Fees	**450**	413
Other emoluments:		
Salaries, allowances and benefits in kind	**4,955**	6,414
Pension scheme contributions	**40**	6
	4,995	6,420
	5,445	6,833

(a) Independent non-executive directors

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

	2012	2011
	RMB'000	RMB'000
Ms. Li Dong	**150**	150
Mr. Wu Chang-qi	**150**	150
Mr. Lin You-ren (resigned on 10 June 2011)	**—**	67
Mr. Li Lian-he (appointed on 9 September 2011)	**150**	46
	450	413

There was no other emolument payable to the independent non-executive directors during the year (2011: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

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

2012	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	—	2,773	6	2,779
Non-executive directors:				
Mr. Lu Xiang-yang	—	150	—	150
Mr. Xia Zuo-quan	—	150	—	150
Chief executive:				
Ms. Yan Chen	—	950	17	967
Mr. Zhang Hui-bin	—	50	—	50
Mr. Li Yong-zhao	—	50	—	50
Ms. Wang Zhen	—	782	17	799
Mr. Dong Jun-qing	—	50	—	50
	—	4,955	40	4,995

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

2011	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive director:				
Mr. Wang Chuan-fu	—	4,067	—	4,067
Non-executive directors:				
Mr. Lu Xiang-yang	—	150	—	150
Mr. Xia Zuo-quan	—	150	—	150
Supervisors:				
Ms. Yan Chen	—	1,099	3	1,102
Mr. Zhang Hui-bin	—	50	—	50
Mr. Li Yong-zhao	—	50	—	50
Ms. Wang Zhen	—	798	3	801
Mr. Dong Jun-qing		50	—	50
	—	6,414	6	6,420

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include no director(2011: one). Details of the remuneration for the year of the remaining five (2011: four) non-director, highest paid employees are as follows:

	Group	
	2012 **RMB'000**	2011 RMB'000
Salaries, allowances and benefits in kind	**16,798**	19,396
Pension scheme contributions	**59**	15
	16,857	19,411

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

	Number of employees	
	2012	2011
RMB3,000,001 to RMB3,500,000	**4**	—
RMB3,500,001 to RMB4,500,000	**1**	—
RMB4,500,001 to RMB5,000,000	**—**	4
	5	4

11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

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

Certain subsidiaries operating in Mainland China are approved to be pursuant to the Western Development Policy ("WDP Policy") and are entitled to enjoy a reduced enterprise income tax rate of 15% of the estimated assessable profits for the year.

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

11. INCOME TAX (continued)

	2012 RMB'000	2011 RMB'000
Group:		
Current – Hong Kong		
Charge for the year	**2,307**	58,791
Current – India		
Charge for the year	**9,285**	—
Current – Mainland China		
Charge for the year	**265,887**	288,759
Deferred (note 32)	**(199,644)**	(215,142)
Total tax charge for the year	**77,835**	132,408

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

Group	2012 RMB'000	%	2011 RMB'000	%
Profit before tax	**290,725**		1,727,484	
Tax at the statutory tax rate	**72,684**	**25.0**	431,870	25.0
Lower tax rate for specific provinces or enacted by local authority	**(125,043)**	**(43.0)**	(265,636)	(15.4)
Profits attributable to jointly-controlled entities and an associate	**1,295**	**0.4**	(2,027)	(0.1)
Expenses not deductible for tax	**43,651**	**15.0**	38,134	2.2
Tax losses and deductible temporary differences not recognised	**223,818**	**77.0**	76,244	4.4
Tax losses utilised from previous periods	**(47,447)**	**(16.3)**	(43,074)	(2.5)
Super-deduction of research and development costs	**(91,123)**	**(31.3)**	(103,103)	(6.0)
Tax charge at the Group's effective rate	**77,835**	**26.8**	132,408	7.7

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB86,840,000 (2011: profit of RMB1,050,013,000) which has been dealt with in the financial statements of the Company (note 34(b)).

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, and the weighted average number of ordinary shares of 2,354,100,000 (2011: 2,314,600,000) in issue during this year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 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:

	2012 **RMB'000**	2011 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**81,377**	1,384,625

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation.	**2,354,100,000**	2,314,600,000

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 2012							
At 31 December 2011 and at 1 January 2012:							
Cost	7,718,238	19,271	19,732,024	141,635	2,969,497	9,190,558	39,771,223
Accumulated depreciation and impairment	(727,487)	(9,057)	(7,079,690)	(66,540)	(1,165,066)	—	(9,047,840)
Net carrying amount	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383
At 1 January 2012, net of accumulated depreciation and impairment	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383
Additions	16,909	2,783	1,162,613	27,612	259,445	4,662,432	6,131,794
Disposals	(11,730)	—	(121,026)	(3,762)	(5,130)	(6,553)	(148,201)
Impairment	—	—	(9,715)	—	—	—	(9,715)
Depreciation provided during the year	(214,940)	(3,372)	(2,249,090)	(22,406)	(530,049)	—	(3,019,857)
Transfers	2,417,170	—	3,179,806	129	366,192	(5,963,297)	—
Exchange realignment	(8,785)	—	(8,617)	17	(327)	(274)	(17,986)
At 31 December 2012, net of accumulated depreciation and impairment	9,189,375	9,625	14,606,305	76,685	1,894,562	7,882,866	33,659,418
At 31 December 2012:							
Cost	10,130,644	22,054	23,616,875	156,007	3,549,552	7,882,866	45,357,998
Accumulated depreciation and impairment	(941,269)	(12,429)	(9,010,570)	(79,322)	(1,654,990)	—	(11,698,580)
Net carrying amount	9,189,375	9,625	14,606,305	76,685	1,894,562	7,882,866	33,659,418

* The land situated in Hungary with a cost of HUF283,736,000, being equivalent to RMB8,030,000 (2011: equivalent to RMB7,349,000) is freehold and not depreciated; the land situated in Japan with a cost of JPY300,000,000 being equivalent to RMB 21,900,000 (2011: equivalent to RMB21,835,000) is freehold and not depreciated.

** As at 31 December 2012, the Group was still in the process of obtaining the property ownership certificates for certain buildings with a net carrying amount of RMB2,881,050,000 (2011: RMB2,218,072,000). In the opinion of the directors, there is no major barrier for the Group to obtain the property ownership certificates.

At 31 December 2012, certain items of the Group's machinery with a net carrying amount of approximately RMB327,527,000 (2011: RMB327,793,000) were pledged to secure general banking facilities granted to the Group; certain items of the Group's construction in progress with a net carrying amount of approximately RMB258,833,000 (2011: RMB272,998,000) were pledged to secure general banking facilities granted to the Group (note 30a).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land and buildings* RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost	6,880,678	12,592	14,855,875	129,749	2,225,397	7,401,358	31,505,649
Accumulated depreciation and impairment	(553,023)	(6,341)	(5,272,547)	(50,653)	(745,972)	—	(6,628,536)
Net carrying amount	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
At 1 January 2011, net of accumulated depreciation and impairment	6,327,655	6,251	9,583,328	79,096	1,479,425	7,401,358	24,877,113
Additions	25,828	11,468	2,101,373	18,096	506,628	5,987,831	8,651,224
Disposals	(2)	(4,481)	(74,417)	(1,343)	(10,311)	(2,921)	(93,475)
Impairment	—	—	(80,179)	—	—	—	(80,179)
Depreciation provided during the year	(177,297)	(3,024)	(1,871,366)	(20,663)	(443,368)	—	(2,515,718)
Transfers	881,498	—	3,038,969	152	273,805	(4,194,424)	—
Exchange realignment	(66,931)	—	(45,374)	(243)	(1,748)	(1,286)	(115,582)
At 31 December 2011, net of accumulated depreciation and impairment	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383
At 31 December 2011:							
Cost	7,718,238	19,271	19,732,024	141,635	2,969,497	9,190,558	39,771,223
Accumulated depreciation and impairment	(727,487)	(9,057)	(7,079,690)	(66,540)	(1,165,066)	—	(9,047,840)
Net carrying amount	6,990,751	10,214	12,652,334	75,095	1,804,431	9,190,558	30,723,383

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012						
At 31 December 2011 and at 1 January 2012:						
Cost	1,172,565	1,080,816	11,107	169,187	105,120	2,538,795
Accumulated depreciation and impairment	(171,695)	(731,144)	(9,337)	(102,244)	—	(1,014,420)
Net carrying amount	1,000,870	349,672	1,770	66,943	105,120	1,524,375
At 1 January 2012, net of accumulated depreciation and impairment	1,000,870	349,672	1,770	66,943	105,120	1,524,375
Additions	3,217	34,306	756	12,333	15,581	66,193
Disposals	—	(3,138)	(73)	(426)	(720)	(4,357)
Impairment	—	—	—	—	—	—
Depreciation provided during the year	(28,197)	(100,965)	(1,448)	(23,115)	—	(153,725)
Transfers	7,754	52,812	27	1,934	(62,527)	—
At 31 December 2012, net of accumulated depreciation	983,644	332,687	1,032	57,669	57,454	1,432,486
At 31 December 2012:						
Cost	1,183,101	1,148,402	11,052	176,347	57,454	2,576,356
Accumulated depreciation and impairment	(199,457)	(815,715)	(10,020)	(118,678)	—	(1,143,870)
Net carrying amount	983,644	332,687	1,032	57,669	57,454	1,432,486

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011						
At 31 December 2010 and at 1 January 2011:						
Cost	1,161,359	1,067,049	11,013	156,605	116,499	2,512,525
Accumulated depreciation and impairment	(144,342)	(637,972)	(9,039)	(88,412)	—	(879,765)
Net carrying amount	1,017,017	429,077	1,974	68,193	116,499	1,632,760
At 1 January 2011, net of accumulated depreciation and impairment	1,017,017	429,077	1,974	68,193	116,499	1,632,760
Additions	11,470	12,197	681	9,228	27,683	61,259
Disposals	(4,481)	(604)	(74)	(375)	(405)	(5,939)
Depreciation provided during the year	(27,660)	(116,150)	(856)	(19,039)	—	(163,705)
Transfers	4,524	25,152	45	8,936	(38,657)	—
At 31 December 2011, net of accumulated depreciation	1,000,870	349,672	1,770	66,943	105,120	1,524,375
At 31 December 2011:						
Cost	1,172,565	1,080,816	11,107	169,187	105,120	2,538,795
Accumulated depreciation and impairment	(171,695)	(731,144)	(9,337)	(102,244)	—	(1,014,420)
Net carrying amount	1,000,870	349,672	1,770	66,943	105,120	1,524,375

15. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Carrying amount at 1 January	**4,306,363**	4,475,372	**27,617**	28,299
Additions	**206,417**	604,621	**—**	—
Transferred to property under development	**—**	(683,024)	**—**	—
Recognised during the year	**(103,220)**	(83,614)	**(682)**	(682)
Exchange realignment	**(1,517)**	(6,992)	**—**	—
Carrying amount at 31 December	**4,408,043**	4,306,363	**26,935**	27,617
Current portion included in prepayments, deposits and other receivables	**(94,827)**	(98,762)	**(689)**	(689)
Non-current portion	**4,313,216**	4,207,601	**26,246**	26,928

The leasehold lands held under medium term leases and a long term lease with amounts of RMB4,285,899,000 and RMB27,317,000 are situated in Mainland China and India, respectively.

As at 31 December 2012, the Group was still in the process of obtaining the land use right certificates for certain leasehold lands with a carrying amount of RMB63,273,000 (2011: RMB84,973,000). In the opinion of the directors, there is no major barrier for the Group to obtain the land use right certificates.

16. GOODWILL

Group

	RMB'000
At 1 January 2011:	
Cost	75,585
Accumulated impairment	(9,671)
Net carrying amount	65,914
Cost at 1 January 2011, net of accumulated impairment	65,914
Impairment during the year	—
Cost and net carrying amount at 31 December 2011	65,914
At 31 December 2011:	
Cost	**75,585**
Accumulated impairment	**(9,671)**
Net carrying amount	**65,914**
Cost at 1 January 2012, net of accumulated impairment	**65,914**
Impairment during the year	**—**
Cost and net carrying amount at 31 December 2012	**65,914**
At 31 December 2012:	
Cost	**75,585**
Accumulated impairment	**(9,671)**
Net carrying amount	**65,914**

Impairment testing of goodwill

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

The recoverable amount of the automobile and related products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11%-13% (2011: 11%-13%). The growth rate used to extrapolate the cash flows of the automobile and related products unit beyond the five-year period is 0%-3% (2011: 0%-3%) which is less than the long term average growth rate of the automobile industry.

16. GOODWILL (continued)

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

	Automobiles and related products	
	2012	2011
	RMB'000	RMB'000
Carrying amount of goodwill	**65,914**	65,914

Assumptions were used in the value in use calculation of the automobiles and related products cash-generating units for 31 December 2012 and 31 December 2011. 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.

17. OTHER INTANGIBLE ASSETS

Group	Development costs RMB'000	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2012					
Cost at 1 January 2012, net of accumulated amortisation and impairment	**2,334,587**	**15,064**	**1,889**	**63,551**	**2,415,091**
Additions - internal development	**1,425,604**	—	—	—	**1,425,604**
Additions - acquired	—	**6,592**	—	**22,759**	**29,351**
Amortisation provided during the year	**(200,819)**	**(5,735)**	**(696)**	**(29,002)**	**(236,252)**
Impairment during the year*	**(30,151)**	—	—	—	**(30,151)**
Exchange realignment	—	—	—	**(189)**	**(189)**
At 31 December 2012	**3,529,221**	**15,921**	**1,193**	**57,119**	**3,603,454**
At 31 December 2012:					
Cost	**4,227,224**	**67,730**	**6,052**	**209,158**	**4,510,164**
Accumulated amortisation and impairment	**(698,003)**	**(51,809)**	**(4,859)**	**(152,039)**	**(906,710)**
Net carrying amount at 31 December 2012	**3,529,221**	**15,921**	**1,193**	**57,119**	**3,603,454**
31 December 2011					
Cost at 1 January 2011, net of accumulated amortisation and impairment	1,133,697	21,752	2,198	65,125	1,222,772
Additions - internal development	1,396,345	—	—	—	1,396,345
Additions - acquired	—	1,941	—	29,197	31,138
Disposal	—	(484)	—	(727)	(1,211)
Amortisation provided during the year	(123,455)	(8,145)	(309)	(30,039)	(161,948)
Impairment during the year*	(72,000)	—	—	—	(72,000)
Exchange realignment	—	—	—	(5)	(5)
At 31 December 2011	2,334,587	15,064	1,889	63,551	2,415,091
At 31 December 2011:					
Cost	2,894,777	62,096	6,053	186,815	3,149,741
Accumulated amortisation and impairment	(560,190)	(47,032)	(4,164)	(123,264)	(734,650)
Net carrying amount at 31 December 2011	2,334,587	15,064	1,889	63,551	2,415,091

* An impairment provision of RMB 30,151,000 was made to development costs related to the reporting segment of automobiles and related products in the year ended 31 December 2012. The recoverable amount of the development costs in relation to particular projects based on their value in use calculation is determined to be nil as the development of the effected projects has been terminated during the year.

17. OTHER INTANGIBLE ASSETS (continued)

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

Company	Industrial proprietary rights RMB'000	Know-how RMB'000	Software RMB'000	Total RMB'000
31 December 2012				
Cost at 1 January 2012, net of accumulated amortisation	**3,174**	**1,889**	**32,080**	**37,143**
Additions – acquired	**—**	**—**	**13,435**	**13,435**
Amortisation provided during the year	**—**	**(696)**	**(15,947)**	**(16,643)**
At 31 December 2012	**3,174**	**1,193**	**29,568**	**33,935**
At 31 December 2012:				
Cost	**17,579**	**6,052**	**101,340**	**124,971**
Accumulated amortisation	**(14,405)**	**(4,859)**	**(71,772)**	**(91,036)**
Net carrying amount at 31 December 2012	**3,174**	**1,193**	**29,568**	**33,935**
31 December 2011				
Cost at 1 January 2011, net of accumulated amortisation	2,742	2,198	31,289	36,229
Additions – acquired	1,272	—	16,165	17,437
Disposal	—	—	(58)	(58)
Amortisation provided during the year	(840)	(309)	(15,316)	(16,465)
At 31 December 2011	3,174	1,889	32,080	37,143
At 31 December 2011:				
Cost	17,579	6,053	87,904	111,536
Accumulated amortisation	(14,405)	(4,164)	(55,824)	(74,393)
Net carrying amount at 31 December 2011	3,174	1,889	32,080	37,143

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	RMB'000	RMB'000
Unlisted investments, at cost	**6,473,944**	5,507,844

At the end of the reporting period, except for the amounts of approximately RMB 3,681,804,000 of loans to subsidiaries which are unsecured, bear interest at a rate of 4.20% to 6.35% per annum and are payable within one year, all amounts due from/to subsidiaries in the Company's current assets and current liabilities are unsecured, interest-free, and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Lithium Batteries Co., Ltd. ("BYD Li-ion")***	PRC/ Mainland China	RMB160,000,000	100%	—	Research, development, sale and manufacture of Li-ion batteries
Shanghai BYD Company Limited ("BYD SH")***	PRC/ Mainland China	US$63,500,000	74.99%	25.01%	Research, development, sale and manufacture of Li-ion batteries
BYD Automobile Company Limited ("BYD XiAn QC")***	PRC/ Mainland China	RMB1,351,010,101	99%	—	Research, development, sale and manufacture of automobiles
BYD Precision Manufacture Company Limited ("BYD Precision")***^	PRC/ Mainland China	US$145,000,000	—	65.76%	Manufacture, assembly and sale of mobile handset components and modules
BYD Microelectronics Co., Limited ("BYD Microelectronics")***	PRC/ Mainland China	US$40,000,000	17.5%	82.5%	Design, production and sale of integrated circuits
BYD Industry and Commerce Co., Limited, Huizhou ("BYD HZ")***	PRC/ Mainland China	US$150,000,000	34%	66%	Research, development, manufacture and sale of components of mobile handsets and other consumer electronics; Development, sale and leasing of residential properties and property management (provided only to employees of the Company);
Huizhou BYD Battery Company Limited ("BYD HZ Battery")***	PRC/ Mainland China	US$150,000,000	10%	90%	Research, development, sale and manufacture of Li-ion batteries and accessories

18. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen BYD Auto Company Limited ("Shenzhen BYD Auto")***	PRC/ Mainland China	US$448,000,000	73.05%	26.95%	Research and development of automobiles
BYD Electronic (International) Company Limited ("BYD Int'l")*	Hong Kong	HK$440,000,000	—	65.76%	Investment holding
BYD (Huizhou) Electronic Company Limited ("BYD Huizhou Electronic")***^	PRC/ Mainland China	US$110,000,000	—	65.76%	High-level assembly
BYD Auto Sales Company Limited ("BYD Auto Sales")**	PRC/ Mainland China	RMB1,050,000,000	4.28%	94.77%	Sale and distribution of automobiles; provision of related after sales services
Changsha BYD Auto Company Limited ("Changsha Auto")**	PRC/ Mainland China	RMB500,000,000	—	100%	Research and development of auto mobiles and components
Changsha BYD Coach Company Limited ("Changsha Coach")**	PRC/ Mainland China	RMB121,780,000	—	100%	Research and development of coaches
Shangluo BYD Industry Company Limited ("Shangluo BYD")***	PRC/ Mainland China	RMB1,100,000,000	91%	9%	Research, development, manufacture and sale of solar batteries and solar arrays

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

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

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

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

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

19. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2012 **RMB'000**	2011 RMB'000
Share of net assets	**662,849**	285,966

The Group's trade receivable balances due from and due to the jointly-controlled entities are disclosed in note 38(c) to the financial statements.

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of registered capital held	Place of registration	Percentage of Ownership interest	Voting power	Profit sharing	Principal activities
Shenzheng Pengcheng Electric Car Rental Company Limited ("Shenzhen Pengcheng")	RMB20,000,000	PRC/ Mainland China	45%	40%	45%	Taxi business, advertising and rental of electric vehicles
Shenzhen BYD Daimler New Technology Co., Ltd. ("BDNT")	RMB1,500,000,000	PRC/ Mainland China	50%	50%	50%	Research, development, sale and manufacture of automobiles

All of the above investments are held by BYD Auto SZ, which is 100% indirectly held by the Company.

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

	2012 **RMB'000**	2011 RMB'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**440,076**	234,637
Non-current assets	**465,375**	188,005
Current liabilities	**(206,167)**	(133,525)
Unrealized gain arising from transaction with the Group	**(36,435)**	(3,151)
Share of net assets	**662,849**	285,966
Share of the jointly-controlled entities' results:		
Revenue	**22,272**	6,786
Other income	**—**	—
	22,272	6,786
Total expenses	**(75,842)**	(25,526)
Tax	**13,738**	—
Profit after tax	**(39,832)**	(18,740)

20. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**—**	—	**291,825**	291,825
Shares of net assets	**154,978**	154,772	**—**	—
Goodwill on acquisition	**131,238**	131,238	**—**	—
	286,216	286,010	**291,825**	291,825

Particulars of the associate are as follows:

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

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

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

According to Zabuye Lithium's Articles of Association, 2 out of 11 directors are appointed by the Company representing significant influence over Zabuye Lithium. The investment in Zabuye Lithium is classified as an investment in an associate.

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

The above associate has been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts or financial statements:

	2012	2011
	RMB'000	RMB'000
Assets	**916,537**	919,030
Liabilities	**58,019**	61,655
Revenues	**89,587**	93,654
Profit/(Loss)	**1,143**	(39,866)

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Listed equity investments, at fair value:				
China Mainland	**2,985**	15,192	**2,985**	8,470

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB1,107,000 (2011: RMB15,192,000), of which RMB13,314,000 (2011:Nil) was reclassified from other comprehensive income to the income statement for the year.

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

22. PROPERTY UNDER DEVELOPMENT

	Group	
	2012	2011
	RMB'000	RMB'000
Land in Mainland China held under medium term leases, at cost:		
At the beginning of year	**798,990**	115,966
Additions	**—**	683,024
At 31 December	**798,990**	798,990
Development expenditure, at cost:		
At the beginning of year	**371,849**	50,885
Additions	**601,699**	320,964
At 31 December	**973,548**	371,849
	1,772,538	1,170,839
Properties under development expected to be recoverd:		
After more than one year	**1,772,538**	1,170,839

23. INVENTORIES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Raw materials	**2,185,733**	1,754,086	**92,162**	73,138
Work in progress	**2,245,421**	1,932,692	**166,330**	145,357
Finished goods	**2,491,389**	2,386,645	**206,831**	185,516
Moulds held for production	**422,290**	522,374	**18,303**	20,575
	7,344,833	6,595,797	**483,626**	424,586

At 31 December 2012, the Group's inventories with a carrying amount of RMB215,254,000 (2011: RMB261,625,000) were pledged as security for the Group's bank loans, as further detailed in note 30(a) to the financial statements.

24. TRADE AND BILLS RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**6,548,904**	5,747,594	**870,995**	792,640
Bills receivable	**3,731,462**	4,319,314	**233,450**	185,747
Impairment	**(342,885)**	(284,826)	**(89,800)**	(94,557)
	9,937,481	9,782,082	**1,014,645**	883,830

For sales under the automobiles and related products segment, payment in advance, mainly in the form of bank bills, is normally required. For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 14% (2011: 26%) and 45% (2011: 60%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**8,441,197**	8,591,923	**900,703**	774,598
Four to six months	**1,052,399**	1,005,191	**110,104**	108,766
Seven months to one year	**66,965**	170,288	**176**	466
Over one year	**376,920**	14,680	**3,662**	—
	9,937,481	9,782,082	**1,014,645**	883,830

At 31 December 2012, there is no pledged bills receivable to secure the Group's bank loans (2011: RMB75,675,000), as further detailed in note 30 (a) to the financial statements.

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**284,826**	146,563	**94,557**	95,446
Impairment losses recognized (note 6)	**71,432**	158,210	**—**	414
Impairment losses reversed (note 6)	**(4,360)**	(11,954)	**(636)**	—
Written off as uncollectible	**(9,061)**	(8,269)	**(4,121)**	(1,303)
Exchange realignments	**48**	276	**—**	—
At 31 December	**342,885**	284,826	**89,800**	94,557

24. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB274,130,000 (2011: RMB245,555,000) with a carrying amount before provision of RMB414,233,000 (2011: RMB392,755,000).

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

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Neither past due nor impaired	**8,231,291**	8,696,894	**879,581**	726,255
Less than one year past due	**1,478,662**	927,504	**131,936**	156,984
	9,709,953	9,624,398	**1,011,517**	883,239

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

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

At 31 December 2012,there is no receivables due from Guangdong Youngy Financial Leasing Co., Limited ("Youngy Financial Leasing"), a company in which a director of the Company is a controlling shareholder (2011: RMB10,000,000)

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current portion				
Prepayment for property, plant and equipment	**1,396,371**	4,327,200	**9,568**	6,824
Prepayments for land use rights	**111,961**	—	**—**	—
	1,508,332	4,327,200	**9,568**	6,824
Current portion				
Prepayments	**622,801**	697,490	**8,551**	21,857
Deposits and other receivables	**1,561,402**	1,551,195	**33,750**	496,810
Loans to staff	**42,019**	47,387	**1,989**	3,471
	2,226,222	2,296,072	**44,290**	522,138

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

On 20 July 2009, Shenzhen BYD Auto and 河津市鑫星實業有限公司 signed the "Contractual Operation Contract", pursuant to which Shenzhen BYD Auto leased from 河津市鑫星實業有限公司 for assets such as machinery and equipment and power systems located at He Jin, Shanxi province for the manufacture of automobile components and parts (such as wheels) with a term of four years starting from 20 July 2009 until 20 July 2013. The total contracting fee was RMB129,500,000, in which RMB18,885,000 was included in the current portion of prepayments.

26. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

		Group		Company	
	Notes	**2012**	2011	**2012**	2011
		RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances		**2,337,342**	2,780,372	**120,928**	103,771
Time deposits		**1,346,624**	1,268,074	**—**	—
		3,683,966	4,048,446	**120,928**	103,771
Less: Restricted bank deposit:					
Pledged deposit	(i)	**(197,405)**	(311,060)	**—**	—
Cash and cash equivalents	(ii)	**3,486,561**	3,737,386	**120,928**	103,771

Notes:

(i) At 31 December 2012, the pledged bank deposit of RMB197,405,000 (2011: RMB311,060,000) was pledged for banking facilities of RMB197,405,000 (2011: for banking facilities of RMB311,060,000).

(ii) At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to RMB2,955,930,000 (2011: RMB2,964,096,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. TRADE AND BILLS PAYABLES

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within three months	**13,608,076**	11,630,385	**671,145**	570,159
Three to six months	**4,980,231**	5,382,666	**273,818**	338,422
Six months to one year	**118,703**	111,911	**1,905**	668
One to two years	**191,117**	65,023	**592**	1,857
Two to three years	**25,930**	22,914	**861**	1,113
Over three years	**28,051**	23,035	**1,721**	1,137
	18,952,108	17,235,934	**950,042**	913,356

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables	**1,390,608**	1,884,912	**214,631**	214,800
Accruals	**981,238**	357,125	**31,880**	34,630
Accrued payroll	**1,293,717**	1,281,563	**92,881**	107,107
	3,665,563	3,523,600	**339,392**	356,537

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

29. DEFERRED INCOME

	Group	
	2012	2011
	RMB'000	RMB'000
At 1 January	**1,287,268**	1,053,809
Received during the year	**516,218**	347,500
Repayment during the year	**(252,910)**	—
Released to the income statement	**(139,608)**	(114,041)
At 31 December	**1,410,968**	1,287,268
Less: Portion classified as current liabilities	**(117,350)**	(94,253)
Non-current portion	**1,293,618**	1,193,015

30. INTEREST-BEARING BANK BORROWINGS

Group	2012			2011		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - Secured	3.47-7.54	2013	4,575,452	4.76-14.04	2012	4,569,380
	—	—	—	LIBOR+300bps -510bps	2012	664,340
Bank loans - Unsecured	3.69-7.87	2013	3,842,303	4.00-14.00	2012	4,749,364
	—	—	—	LIBOR+550bps	2012	28,038
Current portion of long term bank loans - Secured	4.76-7.38	2013	1,267,500	5.81-7.05	2012	792,500
Current portion of long term bank loans - Unsecured	3.57-6.15	2013	1,602,524	5.76-6.35	2012	538,200
			11,287,779			11,341,822
Non-current						
Bank loans - Secured	4.50-7.05	2018	1,588,888	5.56-7.05	2013-2018	2,822,499
	LIBOR+400bps	2018	80,674	LIBOR+550bps	2018	28,558
Bank loans - Unsecured	3.67-7.38	2018	760,688	4.76-7.38	2013-2018	2,288,800
	LIBOR+320bps	2014	942,825	LIBOR+320bps - 420bps	2014	945,135
			3,373,075			6,084,992
Corporate bonds - unsecured	4.50-5.25	(d)、(e)	3,968,269	4.81	2014	994,255
			7,341,344			7,079,247
			18,629,123			18,421,069

30. INTEREST-BEARING BANK BORROWINGS (continued)

Company	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - Secured	**1.51-2.74**	**2013**	**113,430**	8.00-9.70	2012	49,004
Bank loans - Unsecured	**5.49-7.87**	**2013**	**3,612,565**	4.00-7.87	2012	1,936,666
	—	**—**	**—**	LIBOR+ 550bps	2012	28,038
Current portion of long term bank loans - Unsecured	**3.58-5.89**	**2013**	**1,321,413**	5.76-6.35	2012	538,200
			5,047,408			2,551,908
Non-current						
Bank loans - Unsecured	**5.76-6.12**	**2018**	**1,563,513**	4.76-7.32	2013-2018	1,971,800
	—	**—**	**—**	LIBOR+320 -420bps	2014	945,135
Corporate bonds - unsecured	**5.25**	**(e)**	**2,972,217**	—	—	—
			4,535,730			2,916,935
			9,583,138			5,468,843

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	**11,287,779**	11,341,822	**5,047,408**	2,551,908
In the second year	**2,505,848**	2,967,934	**963,513**	1,634,367
In the third to fifth years, inclusive	**697,060**	2,805,302	**450,000**	982,568
After five years	**170,167**	311,756	**150,000**	300,000
	14,660,854	17,426,814	**6,610,921**	5,468,843
Corporate bonds	**3,968,269**	994,255	**2,972,217**	—
In the second year (d)	**996,052**	994,255	**—**	—
In the third on fifth year (e)	**2,972,217**	—	**2,972,217**	—
	18,629,123	18,421,069	**9,583,138**	5,468,843

30. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

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

(i) no pledge of the Group's bills receivable.(2011: RMB75,675,000) (note 24);

(ii) mortgages over the Group's machineries, which had an aggregate carrying value at the end of the reporting period of approximately RMB327,527,000 (2011: RMB327,793,000) (note 14);

(iii) mortgages over the Group's construction in progress, which had an aggregate carrying value at the end of the reporting period of approximately RMB258,833,000 (2011: RMB272,998,000) (note 14)

(iv) floating charges over certain of the Group's inventories bill totalling RMB RMB215,254,000 (2011: RMB261,625,000) (note 23)

In addition, the Company has guaranteed certain of the Group's bank loans of up to RMB7,297,260,000 (2011: RMB8,523,173,000) 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 RMB1,610,483,000 (2011: RMB1,666,072,000) which are denominated United States dollars, all borrowings are in RMB.

(d) On 20 April 2011, BYD HK issued RMB denominated 1,000,000,000 corporate bonds. The bonds are denominated in RMB, have a maturity of three years due in 2014, and bear a fixed interest rate of 4.5% per annum from and including 28 April 2011 payable semi-annually in arrears on or nearest to 28 April and 28 October in each year.

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

31. PROVISION

Group	Product warranties	
	RMB'000	RMB'000
	2012	2011
At 1 January	**338,565**	317,565
Additional provision	**34,829**	270,346
Amounts utilised during the year	**(145,497)**	(249,346)
At 31 December	**227,897**	338,565

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.

32. DEFERRED TAX

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

Deferred tax assets

Group	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Government grants RMB'000	Unrealised profits from intercompany transactions RMB'000	Accruals and provision for warranties RMB'000	Tax losses RMB'000	Unpaid Payable not revsersed RMB'000	Total RMB'000
At 1 January 2012	159,633	32,786	137,886	24,107	133,117	98,950	—	586,479
Deferred tax credited /(debited) to the income statement during the year	93,441	2,650	42,929	(10,523)	109,100	(53,539)	15,586	199,644
At 31 December 2012	253,074	35,436	180,815	13,584	242,217	45,411	15,586	786,123
At 1 January 2011	113,580	14,232	124,274	10,669	108,582	—	—	371,337
Deferred tax credited to the income statement during the year (note 11)	46,053	18,554	13,612	13,438	24,535	98,950	—	215,142
At 31 December 2011	159,633	32,786	137,886	24,107	133,117	98,950	—	586,479

The Group has tax losses arising in Mainland China of RMB302,743,000 (2011: 500,258,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and 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. The Group has accumulated tax losses arising in Mainland China of RMB1,178,488,000 (2011: RMB676,148,000) that will expire in one to five years for offsetting against future taxable profits. The Group has no tax losses arising in India (2011: RMB105,694,000).

Company	Depreciation in excess of depreciation allowance RMB'000	Impairment of inventories RMB'000	Accruals and provision for warranties RMB'000	Undeducted payable RMB'000	Total RMB'000
At 1 January 2012	—	—	—	—	—
Deferred tax credited to the income statement during the year	29,559	1,942	8,521	2,227	42,249
At 31 December 2012	29,559	1,942	8,521	2,227	42,249

32. DEFERRED TAX (continued)

Deferred tax assets (continued)

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
Tax losses	**1,178,488**	781,842	**—**	50,279
Deductible temporary differences	**1,522,731**	1,859,436	**89,800**	323,023
	2,701,219	2,641,278	**89,800**	373,302

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

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

At 31 December 2012, no provision has been made to recognise deferred tax liabilities arising on the future distribution of retained profits from these subsidiaries as the Company controls the dividend policy of these subsidiaries and in the opinion of the directors, it is no probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB4,474,754,000 at 31 December 2012 (2011: RMB3,923,245,000).

33. SHARE CAPITAL

Shares	**2012 RMB'000**	2011 RMB'000
Authorised, issued and fully paid:		
2,354,100,000 (2011: 2,354,100,000) ordinary shares of RMB1 each	**2,354,100**	2,354,100

34. RESERVES

(a) Group

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

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

(b) Company

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011		1,368,590	(225,407)	378,680	1,220,343	2,742,206
Total comprehensive income for the year	12	—	8,470	—	1,050,013	1,058,483
Appropriate to statutory surplus reserve fund		—	—	104,420	(104,420)	—
Issue of ordinary shares		1,274,835	—	—	—	1,274,835
At 31 December 2011		2,643,425	(216,937)	483,100	2,165,936	5,075,524
Profit for the year	12	—	—	—	86,840	86,840
Other comprehensive income for the year:						
Change in fair value of available-for-sale investments, net of tax		—	211	—	—	211
Reclassification adjustments for gain included in the consolidated income statement-gain on disposal		—	(5,696)	—	—	(5,696)
Total comprehensive income for the year		—	(5,485)	—	86,840	81,355
Appropriate to statutory surplus reserve fund		—	—	8,705	(8,705)	—
At 31 December 2012		2,643,425	(222,422)	491,805	2,244,071	5,156,879

35. CONTINGENT LIABILITIES

(a) Action against Foxconn

On 11 June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising from the June 2007 Action. In essence, the Plaintiffs alleged that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000 and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

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

On 2 November 2007, the Company and its subsidiary, BYD Hong Kong Limited ("BYD Hong Kong "), which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the Company and BYD Hong Kong. The legal cost, if not agreed, will be determined by the Court. On 2 September 2009, the above-mentioned Plaintiffs made an amendment to the writ with the Court for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a plaintiff.

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

35. CONTINGENT LIABILITIES (continued)

(a) Action against Foxconn (continued)

On 21 January 2010, the plaintiff based on no reasonable cause of action and other reasons, to apply to the court rejected the defendant counterclaim in the book section paragraph content. In August 2010, the court made a judgement dismissing the elimination of application. On 28 September 2010, the plaintiff appeal. In response to the appeal, the court heard again in May 24, 2012. On June 22, 2012, the court announced the verdict, dismissed the appeal on appeal from the Foxconn side request.

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

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

(b) Damage compensation dispute between Ingenico S.A and the Company

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

On 25 May 2012, the parties engaged in the last procedural hearing in the French Commercial Court of Nanterre Region. Due to request by the parties for an extension, the Court postponed the judgment regarding the controversal dispute case, originally scheduled to be announced on 9 October 2012, to 12 April 2013. During the reporting period, the case had no significant progress.

According to the legal advice issued by the Company's litigation lawyer, in light of the preliminary stage of the legal process, the ultimate outcome of the litigation is not yet determinable.

However, the Company believes that the Company can defense against the appeal proposed by the plaintiff on the basis of the favourable evidence. As a result, it is uncertain whether this litigation may result in compensation obligation, and should it be so, the amount would not be reliably measured and no liability accrual has been recorded by the Group.

35. CONTINGENT LIABILITIES (continued)

(c) The Maritime Compensation Disputes between the Company and other parties including HLL Atlantic Schiffahrts GmbH and David Peyser Sportswear, Inc.

(i) *The third-party litigation (No. 08 civ 9352(AKH))*

On 10 September 2008, the Company exported to Spectrum Brands, Inc. 360 cartons of Ni-MH batteries with the trademark of "Rayovac", which were loaded in a container (No. APLU9087454) (the "Container") in No. 5 cargo hold of the M/V APL PERU (the "Vessel"). The shipowner is HLL Atlantic Schiffahrts GmbH ("HLL Atlantic") and the ship operator is Hanseatic Lloyd Schiffahrt GmbH & Co. KG ("Lloyd"). On around 5 October 2008, a fire occurred in the Container and resulted in the damages to the Vessel and other cargos aboard.

On 31 October 2008, six companies including Chris Sports North America, Inc. (the "08 Civ. 09352 Plaintiffs"), represents a variety of cargo interests aboard the ship, launched a lawsuit (the "08 Civ. 09352 Case") to the United States District Court of Southern District of New York, against the four defendants, including the HLL Atlantic, Lloyd and a carrier named Laufer Group International Ltd. (the "08 Civ. 09352 Defendants"), on the facts of the maritime transport. The 08 Civ. 09352 Plaintiffs alleged that the 08 Civ. 09352 Defendants violating the carriage obligations. On 2 March 2009, the 08 Civ. 09352 Plaintiffs added another carrier named Hyundai Merchant Marine Co. as defendant and demanded that all 08 Civ. 09352 Defendants liable for a loss that amounted to USD428,328.50.

On 10 September 2009, a third-party lawsuit was initiated by two of the 08 Civ. 09352 Defendants, HLL Atlantic and Lloyd, against the Company and Spectrum Brands, Inc. ("SPC"), demanding that the Company and Spectrum Brands, Inc., liable for losses and expenses totaling USD250,000, as well as indemnity, cost of litigation and general average.

On 8 October 2010, the Company was duly served with the third-party complaint and the summons.

(ii) *The maritime case (No. 10-CV-06108)*

On 7 May 2010, a lawsuit numbered CV 09-00169-RAJ was commenced by 41 plaintiffs including David Peyser Sportswear, Inc. and National Liability and Fire Company (the "Plaintiffs") against 5 defendants including the Company and SPC (the "Defendants"), to the United States District Court for Western District of Washington in Seattle. The Plaintiffs requested that the Defendants liable for the loss of approximately USD6,000,000, general average and the cost of litigation.

The Case was based on the same facts as the aforementioned 08 Civ. 09352 Case. On 17 August 2010, the Case has been transferred to the United States District Court for the Southern District of New York. The number of the Case was changed to 10-CV-06108.

On 4 November 2010, the Company was duly served with the plaintiffs' complaint and the summons.

During the reporting period, the cases were in evidence discovery stages and there was no evidence to support the requests of the Plaintiffs. Based on the legal opinions issued by the litigation legal counsels to the Group, the ultimate outcome of the litigations is not yet determinable given the early stage of the proceedings. Accordingly, no liability accrual has been provided by the Group as it is uncertain whether the litigations may result in compensation obligations of the Group, and even if the litigations may result in compensation obligations, the amounts cannot be reliably measured.

35. CONTINGENT LIABILITIES (continued)

(d) MEMC Singapore Pte Ltd. (hereinafter referred to as "MEMC")

On 5 June 2010, Shangluo BYD and MEMC Singapore Pte Ltd. entered into the Processing Agreement, providing that MEMC would supply raw materials to Shangluo BYD for processing into silicon wafers for a term of 5 years. However, between February and July 2011, MEMC made several complaints about the inferior quality of silicon wafers to BYD and required the return/replacement of goods. Following tests and on-site inspections, BYD found it impossible to prove that the defective goods were produced by BYD, thus it did not agree to return/replace these goods. Hence, MEMC stopped placing purchase orders with Shangluo BYD with effect from June 2011 and fully settled previous purchases. Since MEMC defaulted on the payment of processing fees and unilaterally terminated the performance of the five-year import processing agreement to which it was a party, Shangluo BYD (as the applicant) submitted an arbitration application to the ICC International Court of Arbitration Hong Kong Office (香港國際商會仲裁院) on 31 August 2012,, requiring an arbitral award to be made that MEMC violated its obligations under the processing agreement. Shangluo BYD also demanded that MEMC should pay the processing fees of US$41,418,000 owed by it and damages of US$128,854,000 payable for the failure to complete processing work during the five-year period set out in the contract, and indemnify Shangluo BYD against any other losses resulting from MEMC's default. On 3 September 2012, the ICC International Court of Arbitration Hong Kong Office confirmed the receipt of Shangluo BYD's written arbitration application and delivered the same to MEMC. On 12 October 2012, MEMC submitted a defence and brought a counterclaim in response to the arbitration application made by Shangluo BYD. Shangluo BYD submitted a defence against the counterclaim filed by MEMC before 12 November 2012. On 4 January 2013, both parties signed the Variation Agreement, which changed the arbitration body and arbitration rules for this case from the ICC International Court of Arbitration Hong Kong Office and ICC Rules of Arbitration as agreed in the contract into ad hoc arbitration and UNCITRAL Arbitration Rules. On 25 January 2013, the ICC International Court of Arbitration Hong Kong Office wrote a letter to confirm that it would stop administering the arbitration procedures of this case. On 4 March 2013, Shangluo BYD submitted the plantiff's complaint together with relevant evidences and facts as well as witness testimony to the arbitration court. According to the reply from Squire Sanders, the Company's legal advisor on this litigation, a new round of hearing is expected to start in the first quarter of 2014.

Shangluo BYD and MEMC entered into the Solar Wafer Supply Agreement (hereinafter referred to as the "Purchase Agreement") on 9 December 2010. On 30 November 2012, MEMC (as the applicant) submitted an arbitration application involving the Purchase Agreement to Hong Kong International Arbitration Centre, requiring BYD to pay a total amount of US$56,888,000 for the outstanding minimum purchase amount of the first year and the overdue silicon wafer purchase price totaling US$1,537,000 together with the interest thereon calculated based on the monthly interest rate of 1%, and any losses and arbitration fees incurred by the applicant as a result of the respondent's default. MEMC wrote a letter to Hong Kong International Arbitration Centre on 14 December 2012, stating that both parties basically agreed that the dispute over the Supply Agreement should be solved by way of ad hoc arbitration and it was therefore inappropriate for Hong Kong International Arbitration Centre to act as the arbitration body. On 17 December 2012, Hong Kong International Arbitration Centre wrote a letter to confirm that it would no longer administer this arbitration. On 14 January 2013, the Company and MEMC jointly sent a letter to Michael Moser indicating that the two parties had agreed to designate Michael Moser as sole arbitrator, and an ad hoc arbitration under the UNCITRAL Rules should be applied as settlement of dispute under the Purchase Agreement. On 4 March 2013, MEMC submitted to the arbitral tribunal a plaintiff indictment and the related evidence. According to the reply of Squire Sanders, the law firm of the Company responsible for the litigation, a new round of hearings is expected to commence in the first quarter of 2014.

As for the uncertainties of the recoverability of receivables and prepayments caused by the dispute over the Processing Agreement, the Company has made full provisions for relevant assets because the entire litigation is time-consuming and it's doubtful that the arbitral award against our counterparty can be enforced even if we win the arbitration.

During the reporting period, the afore-said litigation was still in the process of arbitration. According to the legal opinion of the Group's solicitor, the arbitration is still in the early stage of legal proceedings, thus it is impossible to ascertain the final outcome of the litigation. Since both parties have claimed each other for damages in arbitration, it is uncertain whether the arbitration may result in compensation obligations on the Company and, even if it may result in compensation obligations, the amount cannot be reliably measured, thus the Group does not make provision for relevant expected liabilities.

35. CONTINGENT LIABILITIES (continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**29,496,478**	38,968,825

As at 31 December 2012, the banking facilities guaranteed to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately RMB7,297,260,000 (2011: RMB8,523,173,000).

36. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year	**10,703**	3,469
In the second to fifth years, inclusive	**24,933**	1,172
	35,636	4,641

37. COMMITMENTS

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

	Group	
	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for:		
Land and buildings(i)	**1,131,093**	1,862,363
Plant and machinery(ii)	**2,109,097**	4,398,742
	3,240,190	6,261,105
Authorised but not contracted for	**4,642,008**	4,921,096
	7,882,198	11,182,201

37. COMMITMENTS (continued)

Notes:

(i) Included in the above capital commitment is a commitment with regard to the under-mentioned BYD Automobile Plant II Project and the Changsha Sedan Project with the total amount of RMB 134,995,000 (2011: RMB408,017,000);

(ii) Included in the above capital commitments is a commitment with regard to the under-mentioned BYD Automobile Plant II Project and the Changsha Sedan Project with the total amount of RMB 484,228,000 (2011: RMB473,379,000);

(a) BYD Automobile Plant II Project

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

(b) Changsha Sedan Project

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

37. COMMITMENTS (continued)

(c) Long-term purchase commitments for polysilicon materials

(i) In October 2010, Shangluo BYD (the "Purchaser") entered into an irrevocable silicon supply contract ("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 "Guanrantor"), both of which are silicon material suppliers. The Supply Contract provides that during the contract term from January 2011 to December 2012, the Purchaser shall purchase 3,000 tonnes of polysilicon materials from the Vendor at a price of RMB 650,000/tonne ("Initial Purchase Price") for a total contract value of RMB1.95 billion. The agreed prepayment amounts to RMB 97,500,000, equivalent to 5% of the total consideration. 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. The parties complied with the provisions of the contract in 2012.

In December 2012, Shangluo BYD entered into a supplemental agreement to the Supply Contract with LDKPV and LDK Solar. The supplemental agreement provides that the three parties agree to extend the performance period under the origninal Supply Contract for a period of one year, i.e. the supplemental agreement shall be valid from 1 January 2013 to 31 December 2013. It is agreed that the Vendor shall not be required to make deliveries should it fail to fulfill its monthly delivery obligation of 125 tonnes for the period from January 2011 to December 2012 by 31 December 2013. None of the parties shall pursue a claim against each other during the valid term of the agreement. Furthermore,defaults on overdue payment and unfullfilled deliveries by both parties are waired during the valid term. As at 31 December 2012, there was an outstanding purchase commitment amounting to 2,446.36 tonnes under the contract.

(ii) In December 2010, Shangluo BYD Industry Co., Ltd ("Purchaser") entered into a silicon supply contract with Woongjin Polysilicon Co., Ltd. ("Vendor"), a South Korean silicon material supplier. The contract provides that during the period from 1 January 2011 to 31 December 2013, the Purchaser shall purchase 3,300 tonnes of polysilicon materials from the Vendor at an average price of US$58/kg for a total contract value of US$190,500,000. The agreed prepayment amounts to USD 19,050,000, equivalent to 10% of the total consideration, and may be forfeited by the Vendor if the Purchaser fails to fulfill the agreed purchase amount or make timely subsequent payments.

On the basis of the original long-term purchase contract, Shangluo BYD and Woongjin Polysilicon Co. Ltd. reached preliminary intentions (a formal supplemental agreement was yet to be signed) in December 2012. Both parties agree that they will re-determine the unit purchase price based on the market price on a yearly basis. It is also agreed that both parties shall not be required to fulfill their monthly purchase or supply obligations for the period from January 2011 to December 2012 if they fail to do so by 31 December 2012, and neither party shall pursue a claim against the other. Furthermore, obligation defaults on overdue payment and delayed deliveries by both parties are not applicable during the valid term. The parties complied with the provisions of the contract in 2012. As at 31 December 2012, there was an outstanding purchase commitment amounting to 2,823.6 tonnes under the contract.

(d) Long-term purchase commitments for polysilicon wafers

On 30 December 2010, Shangluo BYD ("Purchaser") signed a polysilicon wafer supply contract with Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司) ("Vendor") and Changzhou GCL Photovoltaic Technology Co., Ltd. (常州協鑫光伏科技有限公司) ("Guanrantor"). The contract provides that during the valid term from January 2011 to December 2015, the Purchase shall purchase from the Vendor 31 million polysilicon wafers at a price of not more than RMB25 per wafer in 2011 and 350 million polysilicon wafers at prices to be renegotiated between 2012 and 2015. The agreed prepayment amounts to RMB 100,000,000. Both of the Purchaser and the Vendor complied with the provisions of the contract in 2011 and 2012. Besides, both parties agreed that the annual purchase amounts and price between 2012 and 2015 will be negotiated separately prior to 10 December of preceding year in each year, the purchase amounts will be used as per the aggregate purchase amounts of preceding year if both parties fail to negotiate the annual purchase amounts between 2012 and 2015.As at 31 December 2012, there was an outstanding purchase commitment amounting to 32,960 ten thousand wafers.

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

	Group	
	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for:	**24,997**	21,873

38. RELATED PARTY TRANSACTIONS

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

		Group	
		2012 **RMB'000**	2011 RMB'000
Jointly-controlled entities			
Sales of products	(i)	**136,838**	58,890
Sales of raw materials	(ii)	**32,621**	767
Sales of machinery	(iii)	**—**	2,533
Service income	(iv)	**163,353**	82,576
Sales of products to Youngy Financial Leasing, a company in which a director of the Company is a controlling shareholder	(v)	**—**	8,547

Notes:

(i) The sales of products to the jointly-controlled entities, were made according to the published prices;

(ii) The sales of raw materials to BDNT, a jointly-controlled entity, were made according to the published prices;

(iii) The sales of machinery to BDNT, a jointly-controlled entity, were made at net book values;

(iv) The service income from jointly-controlled entities were made according to the published prices;

(v) The directors consider that the sales of products to Youngy Financial Leasing were made according to the published prices. There is no outstanding balance owing by the Company as at 31 December 2012 (2011: RMB10,000,000). Details are disclosed in note 24 to the financial statements.

(b) Commitments with related parties:

In 2011, the Group entered into a series of cooperate agreements (the "Agreements") with BDNT, including a Service Agreement on Development of New Electronic Vehicles In China and a Framework Agreement on Product and Distribute of New Electronic Vehicles. According to the Agreements, the Group will provide services to BDNT on design and development of new electric vehicles (the "Vehicles"), manufacture and sell the Vehicles to BDNT. The transactions occurred under the Agreements in the year ended 31 December 2012 was in note 38(a) to the financial statements.

(c) Outstanding balances with related parties:

The amounts due from Shenzhen Pengcheng of RMB131,760,000 (2011: 44,467,000) and the amounts due to BDNT of RMB25,521,000 (2011: the amounts due from BDNT of RMB12,997,000), respectively. Balances are unsecured, interest-free and have no fixed terms of repayment.

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

	2012 **RMB'000**	2011 RMB'000
Short term employee benefits	**31,205**	35,818
Pension scheme contributions	**187**	30
	31,392	35,848

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

The related party transactions in respect of items set out in note38(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2012	Group		
Financial assets	Loans and receivables RMB'000	Available-for-sale investments	Total RMB'000
Long term receivable	22,500	—	22,500
Available-for-sale investments	—	2,985	2,985
Trade and bills receivables	9,937,481	—	9,937,481
Due from the jointly-controlled entities	131,760	—	131,760
Financial assets included in prepayments, deposits and other receivables	207,851	—	207,851
Pledged deposits	197,405	—	197,405
Cash and cash equivalents	3,486,561	—	3,486,561
	13,983,558	2,985	13,986,543

2012	Group	
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	18,952,108	18,952,108
Financial liabilities included in other payables and accruals	1,205,422	1,205,422
Interest-bearing bank and other borrowings	18,629,123	18,629,123
	38,786,653	38,786,653

At 31 December 2012, the Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") with a carrying amount of RMB264,951,000(31 December 2011: RMB453,642,000) to certain of its suppliers in order to settle the trade payables due to such 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 does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse is RMB264,951,000(31 December 2011: RMB453,642,000) as at 31 December 2012.

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2011	Group		
Financial assets	Loans and receivables RMB'000	Available-for-sale investments	Total RMB'000
Long term receivable	17,500	—	17,500
Available-for-sale investments	—	15,192	15,192
Trade and bills receivables	9,782,082	—	9,782,082
Due from the jointly-controlled entities	57,464	—	57,464
Financial assets included in prepayments, deposits and other receivables	316,818	—	316,818
Pledged deposits	311,060	—	311,060
Cash and cash equivalents	3,737,386	—	3,737,386
	14,222,310	15,192	14,237,502

2011	Group	
Financial liabilities	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	17,235,934	17,235,934
Financial liabilities included in other payables and accruals	1,653,340	1,653,340
Interest-bearing bank and other borrowings	18,421,069	18,421,069
	37,310,343	37,310,343

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Company					
	2012			2011		
Financial assets	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments		2,985	2,985	—	8,470	8,470
Trade and bills receivables	1,014,645		1,014,645	883,830		883,830
Financial assets included in prepayments, deposits and other receivables	35,739		35,739	25,523	—	25,523
Due from subsidiaries	13,787,001		13,787,001	7,924,888	—	7,924,888
Cash and cash equivalents	120,928		120,928	103,771	—	103,771
	14,958,313	2,985	14,961,298	8,938,012	8,470	8,946,482

	Company			
Financial liabilities	2012		2011	
	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	950,042	950,042	913,356	913,356
Financial liabilities included in other payables and accruals	206,006	206,006	212,190	212,190
Interest-bearing bank borrowings	9,583,138	9,583,138	5,468,843	5,468,843
Due to subsidiaries	5,357,318	5,357,318	3,074,156	3,074,156
	16,096,504	16,096,504	9,668,545	9,668,545

40. FAIR VALUE AND FAIR VALUE HIERARCHY

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

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Long term receivable	**22,500**	17,500	**22,500**	17,500
Available-for-sale investments	**2,985**	15,192	**2,985**	15,192
Trade and bills receivables	**9,937,481**	9,782,082	**9,937,481**	9,782,082
Due from the jointly-controlled entities	**131,760**	57,464	**131,760**	57,464
Financial assets included in prepayments, deposits and other receivables	**207,851**	316,818	**207,851**	316,818
Pledged deposits	**197,405**	311,060	**197,405**	311,060
Cash and cash equivalents	**3,486,561**	3,737,386	**3,486,561**	3,737,386
	13,986,543	14,237,502	**13,986,543**	14,237,502

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**18,952,108**	17,235,934	**18,952,108**	17,235,934
Financial liabilities included in other payables and accruals	**1,205,422**	1,653,340	**1,205,422**	1,653,340
Interest-bearing bank and other borrowings	**18,629,123**	18,421,069	**18,629,123**	18,421,069
	38,786,653	37,310,343	**38,786,653**	37,310,343

40. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investments	**2,985**	8,470	**2,985**	8,470
Trade and bills receivables	**1,014,645**	883,830	**1,014,645**	883,830
Financial assets included in prepayments, deposits and other receivables	**35,739**	25,523	**35,739**	25,523
Due from subsidiaries	**13,787,001**	7,924,888	**13,787,001**	7,924,888
Cash and cash equivalents	**120,928**	103,771	**120,928**	103,771
	14,961,298	8,946,482	**14,961,298**	8,946,482

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Trade and bills payables	**950,042**	913,356	**950,042**	913,356
Financial liabilities included in other payables and accruals	**206,006**	212,190	**206,006**	212,190
Interest-bearing bank borrowings	**9,583,138**	5,468,843	**9,583,138**	5,468,843
Due to subsidiaries	**5,357,318**	3,074,156	**5,357,318**	3,074,156
	16,096,504	9,668,545	**16,096,504**	9,668,545

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

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

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

40. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

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

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

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

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

Assets measured at fair value:

Group

As at 31 December 2012

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments – listed	**2,985**	**—**	**—**	**2,985**

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments – listed	15,192	—	—	15,192

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 (2011: Nil).

Company

As at 31 December 2012

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments – listed	**2,985**	**—**	**—**	**2,985**

As at 31 December 2011

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale investments – listed	8,470	—	—	8,470

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 (2011: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The 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 2012, approximately 33% (2011: 20%) of the Group's interest-bearing borrowings bore interest at fixed rates.

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

		Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity * RMB'000
2012					
RMB	**25**	**(15,350)**	**—**	**(17,887)**	**—**
RMB	**(25)**	**15,350**	**—**	**17,887**	**—**
2011					
RMB	25	(24,804)	—	(13,144)	—
RMB	(25)	24,804	—	13,144	—

* Excluding retained profits and exchange fluctuation reserve

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

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

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

		Group	
	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in owners' equity*
	%	RMB'000	RMB'000
2012			
If RMB weakens against US$	**5**	**28,008**	**—**
If RMB strengthens against US$	**(5)**	**(28,008)**	**—**
2011			
If RMB weakens against US$	5	1,926	—
If RMB strengthens against US$	(5)	(1,926)	—

* Excluding retained profits and exchange fluctuation reserve

Credit risk

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

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analyses by customer. At the end of the reporting period, the Group had certain concentrations of credit risk as 14% (2011: 26%) and 45% (2011: 60%) 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 loans. In addition, banking facilities have been put in place for contingency purposes. Except for the non-current portion of interest-bearing bank loans, all borrowings mature in less than one year.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial liabilities

Group	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	1,945,157	9,923,127	3,397,019	176,828	15,442,131
Trade and bills payables	245,098	13,608,076	5,098,934	—	—	18,952,108
Other payables	336,557	610,644	258,221	—	—	1,205,422
Corporate bonds	—	—	202,500	4,652,500	—	4,855,000
	581,655	16,163,877	15,482,782	8,049,519	176,828	40,454,661

Group	2011					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	4,332,275	7,716,044	5,675,443	944,865	18,668,627
Trade and bills payables	110,972	11,630,384	5,494,578	—	—	17,235,934
Other payables	430,146	947,647	306,396	67,500	—	1,751,689
Corporate bonds	—	—	—	1,000,000	—	1,000,000
	541,118	16,910,306	13,517,018	6,742,943	944,865	38,656,250

Company	2012					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	887,737	4,390,101	1,550,145	155,895	6,983,878
Guarantees given to banks in connection with facilities granted to subsidiaries	7,297,260	—	—	—	—	7,297,260
Trade and bills payables	3,174	671,144	275,724	—	—	950,042
Other payables	25,257	146,114	34,635	—	—	206,006
Corporate bonds	—	—	157,500	3,602,217	—	3,759,717
Due to subsidiaries	5,357,318	—	—	—	—	5,357,318
	12,683,009	1,704,995	4,857,960	5,152,362	155,895	24,554,221

Company	2011					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	659,586	1,663,663	3,016,936	300,000	5,640,185
Guarantees given to banks in connection with facilities granted to subsidiaries	8,523,173	—	—	—	—	8,523,173
Trade and bills payables	4,107	570,160	339,089	—	—	913,356
Other payables	55,337	150,094	6,759	—	—	212,190
Due to subsidiaries	3,074,156	—	—	—	—	3,074,156
	11,656,773	1,379,840	2,009,511	3,016,936	300,000	18,363,060

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

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

Group	2012 RMB'000	2011 RMB'000
Interest-bearing bank and other borrowings	**18,629,123**	18,421,069
Less: Cash and cash equivalents	**(3,486,561)**	(3,737,386)
Net debt	**15,142,562**	14,683,683
Equity attributable to owners of the parent	**21,196,984**	21,124,517
Gearing ratio	**71%**	70%

42. EVENTS AFTER THE REPORTING PERIOD

On 1 March 2013, Shenzhen BYD Auto by investing RMB430,000,000 increased its capital in BDNT, and Daimler increased its capital in BDNT by investing the same amount. After the capital increase, Shenzhen BYD Auto's equity ratio and shareholding ratio in BDNT remained unchanged.

In November 2009, Shenzhen BYD Auto Co. Ltd. ("Shenzhen BYD Auto") entered into an investment agreement with the People's Government of Shaoguan City, Guangdong Province. According to the agreement, Shenzhen BYD Auto will invest in the construction project of a State-level automobile test track and a production base for some automobile components within the Dongguan-Shaoguan Industry Transfer Industrial Park. After consultation with the relevant competent authorities, the Company has decided to convert the investment project into a production base project for [electric powered forklift vehicles]. Application for change of business scope has been submitted on 21 March 2013, which is being processed by the government department. It is anticipated by the management that the undertakings committed in the original investment agreement will be released.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2013.

FIVE YEAR FINANCIAL SUMMARY

As 31 December 2012

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.

	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
REVENUE	44,380,858	46,312,282	46,685,349	39,469,454	26,788,253
Cost of sales	(39,254,530)	(39,445,257)	(38,420,975)	(30,904,723)	(21,569,417)
Gross profit	5,126,328	6,867,025	8,264,374	8,564,731	5,218,836
Other income and gains	423,332	988,114	531,891	297,857	332,845
Government grants and subsidies	550,387	301,221	353,679	389,623	359,098
Selling and distribution costs	(1,511,797)	(1,799,757)	(2,175,881)	(1,489,708)	(935,386)
Research and development costs	(1,150,419)	(1,373,861)	(1,403,459)	(1,283,316)	(1,163,091)
Administrative expenses	(2,055,016)	(2,125,636)	(1,917,889)	(1,507,711)	(1,483,547)
Other expenses	(205,148)	(388,567)	(254,619)	(207,105)	(472,838)
Finance costs	(862,439)	(742,262)	(281,383)	(255,388)	(491,945)
Share of profits and losses of jointly-controlled entities	(24,709)	7,022	25,554	—	—
An associate	206	(5,815)	—	—	—
PROFIT BEFORE TAX	290,725	1,727,484	3,142,267	4,508,983	1,363,972
Income tax expense	(77,835)	(132,408)	(223,677)	(430,543)	(88,323)
PROFIT FOR THE YEAR	212,890	1,595,076	2,918,590	4,078,440	1,275,649
Attributable to:					
Equity holders of the parent	81,377	1,384,625	2,523,414	3,793,576	1,021,249
Minority interests	131,513	210,451	395,176	284,864	254,400
	212,890	1,595,076	2,918,590	4,078,440	1,275,649
TOTAL ASSETS	70,007,807	66,881,036	53,874,663	40,735,597	32,891,145
TOTAL LIABILITIES	(45,863,436)	(42,900,900)	(32,723,587)	(21,708,470)	(19,553,773)
NON-CONTROLLING INTERESTS	(2,947,387)	(2,855,619)	(2,690,757)	(2,344,770)	(2,051,804)
NET ASSETS (EXCLUDING NON-CONTROLLING INTERESTS)	21,196,984	21,124,517	18,460,319	16,682,357	11,285,568

Hong Kong, 22 March 2013

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wang Chuan-fu being the executive Director, Mr. Lu Xiang-yang and Mr. Xia Zuo-quan being the non-executive Directors, and Ms. Li Dong, Mr. Wu Chang-qi and Mr. Li Lian-he being the independent non-executive Directors.