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比亞迪股份有限公司

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

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Turnover	-0.01%	To RMB121,778 million
Gross profit	0.05%	To RMB18,076 million
Profit attributable to owners of the parent	-42.03%	To RMB1,612 million
Earnings per share	-46.24%	To RMB0.50

HIGHLIGHTS

- Income and profit from vehicle business of the Group recorded a decline as affected by the change of industry and policy;
- Income from the novel smart product business and assembly business recorded a significant growth;
- The Group accelerated to open the supply chain system and speed up the market-orientation process.

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

FINANCIAL RESULTS

The Board ("Board") of Directors (the "Directors") of BYD COMPANY LIMITED (the "Company" or "BYD ") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Year") together with comparative figures in 2018. For the reasons explained in the section headed "Review of Unaudited Annual Results" in this announcement, the financial information in this announcement has not yet been agreed with the Company's auditors, Shareholders and investors should bear in mind that the financial information contained in this announcement may be subject to change.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated)
REVENUE	3	**121,778,117**	121,790,925
Cost of sales		**(103,702,124)**	(103,724,161)
Gross profit		**18,075,993**	18,066,764
Expenses including Selling and distribution, Research and development, Administrative and other expenses		**(14,199,898)**	(13,545,220)
Finance costs		**(3,498,075)**	(3,118,751)
Others		**2,060,815**	2,982,847
PROFIT BEFORE TAX		**2,438,835**	4,385,640
Income tax expense	4	**(322,816)**	(829,447)
PROFIT FOR THE YEAR		**2,116,019**	3,556,193
Attributable to:			
Owners of the parent		**1,611,612**	2,780,194
Non-controlling interests		**504,407**	775,999
		2,116,019	3,556,193
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	5		
Basic and diluted			
– For profit for the year		**RMB0.50**	RMB0.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**55,313,412**	49,484,582
Investment properties		**96,902**	90,066
Prepaid land lease payments		**–**	6,277,475
Goodwill		**65,914**	65,914
Long-term receivables		**1,240,340**	2,134,405
Equity investments at fair value through other comprehensive income		**1,922,304**	1,620,969
Financial assets at fair value through profit or loss		**46,608**	83,509
Others		**29,996,098**	19,454,663
Total non-current assets		**88,681,578**	79,211,583
CURRENT ASSETS			
Contract assets		**6,986,619**	6,300,286
Trade receivables	*6*	**40,134,545**	44,240,183
Trade receivables financing		**7,009,379**	7,773,025
Due from joint ventures and associates		**5,135,699**	7,823,768
Due from related parties		**–**	224,854
Derivative financial instruments		**34,345**	451
Pledged deposits		**668,992**	1,583,861
Restricted bank deposits		**161,924**	317,177
Cash and cash equivalents		**11,821,412**	11,151,057
Others		**34,996,305**	35,944,832
Total current assets		**106,949,220**	115,359,494
CURRENT LIABILITIES			
Trade and bills payables	*7*	**35,332,975**	45,222,321
Derivative financial instruments		**34,307**	8,559
Advances from customers		**2,000**	2,300
Contract liabilities		**4,502,906**	3,469,114
Deferred income		**–**	615,367
Interest-bearing bank and other borrowings		**54,062,226**	50,768,422
Due to joint ventures and associates		**1,227,799**	1,308,349
Due to related parties		**110,857**	79,286
Others		**12,748,368**	15,095,257
Total current liabilities		**108,021,438**	116,568,975

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Restated)
NET CURRENT LIABILITIES		**(1,072,218)**	(1,209,481)
TOTAL ASSETS LESS CURRENT LIABILITIES		**87,609,360**	78,002,102
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**21,916,037**	13,924,380
Others		**3,094,739**	3,383,743
Total non-current liabilities		**25,010,776**	17,308,123
Net assets		**62,598,584**	60,693,979
EQUITY			
Equity attributable to owners of the parent			
Share capital	*8*	**2,728,143**	2,728,143
Reserves		**49,636,717**	48,574,346
Perpetual loans	*10*	**4,394,592**	3,895,800
		56,759,452	55,198,289
Non-controlling interests		**5,839,132**	5,495,690
Total equity		**62,598,584**	60,693,979

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BYD Lithium Batteries Co., Ltd. ("BYD Li-ion")**	PRC/Mainland China	RMB6,160,000,000	100%	–	Research, development, sale and manufacture of li-ion batteries
Shanghai BYD Co., Ltd. ("BYD SH")***	PRC/Mainland China	US$63,500,000	75%	25%	Research, development, sale and manufacture of li-ion batteries, solar batteries and solar arrays
BYD Auto Co., Ltd. ("BYD Auto")***	PRC/Mainland China	RMB1,351,010,101	99%	–	Research, development, sale and manufacture of automobiles
BYD Precision Manufacture Co., Ltd. ("BYD Precision")****^	PRC/Mainland China	US$145,000,000	–	65.76%	Manufacture, assembly and sale of mobile handset components and modules
BYD (Huizhou) Co., Ltd. ("BYD HZ")***	PRC/Mainland China	US$150,000,000	55%	45%	Research, development, manufacture and sale of components of mobile handsets and other consumer electronics; development, sale and leasing of residential properties and property management (provided only to employees of the Company)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Huizhou BYD Battery Co., Ltd. ("BYD HZ Battery")***	PRC/Mainland China	US$150,000,000	10%	90%	Research, development, sale and manufacture of li-ion batteries and accessories
BYD Auto Industry Co., Ltd. ("BYD Auto Industry")***	PRC/Mainland China	US$1,207,654,387	89.57%	10%	Research, development, sale and manufacture of automobiles and light rail transit equipment
BYD Electronic (International) Co., Ltd. ("BYD Int'l")*	Hong Kong	HK$440,000,000	–	65.76%	Investment holding
Huizhou BYD Electronic Co., Ltd. ("Huizhou Electronic")***^	PRC/Mainland China	US$110,000,000	–	65.76%	High-level assembly
Xi'an BYD Electronic Co., Ltd. ("Xi'an Electronic")****^	PRC/Mainland China	RMB100,000,000	–	65.76%	Manufacture and sale of mobile handset components
BYD Auto Sales Co., Ltd. ("BYD Auto Sales")**	PRC/Mainland China	RMB1,050,000,000	4.29%	94.76%	Sale and distribution of automobiles; provision of related after-sales services
Changsha BYD Auto Co., Ltd. ("Changsha Auto")**	PRC/Mainland China	RMB1,000,000,000	–	99.88%	Research and development of automobiles and components
BYD (Shangluo) Industrial Co., Ltd. ("Shangluo BYD")***	PRC/Mainland China	RMB2,600,000,000	38.50%	60.92%	Research, development, manufacture and sale of solar batteries and solar arrays

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 9, HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

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

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

New definition of a lease

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impact on transition

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

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

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the lease
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

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

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

3. REVENUE

An analysis of revenue is as follows:

	2019
	RMB'000
	(Unaudited)
Revenue from contracts with customers	
Sale of industrial products	121,697,823
Rendering of services	80,294
	121,778,117
Geographical markets	
PRC (including Hong Kong, Macau, and Taiwan)	102,266,890
Asia Pacific (excluding PRC)	9,177,702
United States of America	4,017,448
Other countries	6,316,077
Total revenue from contracts with customers	121,778,117

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

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

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current – Hong Kong		
Charge for the year	**970**	547
Current – Mainland China		
Charge for the year	**444,774**	686,981
Current – Elsewhere		
Charge for the year	**19,968**	29,510
Deferred	**(142,896)**	112,409
Total tax charge for the year	**322,816**	829,447

5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic earnings per share is based on:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,611,612**	2,780,194
Interest paid for perpetual loans for the year	**(209,186)**	(206,263)
Accumulated unpaid interest attributable to perpetual loans for the year	**(48,679)**	(32,202)
Profit used in the basic earnings per share calculation	**1,353,747**	2,541,729

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

6. TRADE RECEIVABLES

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

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

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

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 8% (2018: 6%) and 22% (2018: 20%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

7. TRADE AND BILLS PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within three months	**25,801,239**	32,087,999
Four to six months	**8,065,446**	11,162,123
Seven months to one year	**905,861**	775,458
One to two years	**379,794**	593,879
Two to three years	**127,424**	533,789
Over three years	**53,211**	69,073
	35,332,975	45,222,321

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

8. SHARE CAPITAL

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

9. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interim nil (2018: Nil) per ordinary share	**–**	–

The proposed final dividend for the year (if any) is to be considered and approved by the Board after the review of the audited financial results of the Company for the year. Further announcement(s) will be made as and when appropriate by the Company. (Final dividend for the year of 2018: RMB556,541,000).

10. PERPETUAL LOANS

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

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

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

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

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

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

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

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

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

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

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

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

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

- The borrower reduces registered capital

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

11. CONTINGENT LIABILITIES

Action against Foxconn

On 11 June 2007, a Hong Kong High Court action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Company (the "Defendants") for using confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same grounds in the June 2007 Action. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The total damages sought by the Plaintiffs in the October 2007 Action have not been quantified.

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY ANALYSIS AND REVIEW

Automobiles Business

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

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

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

Handset Components and Assembly Business

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

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

Rechargeable Batteries and Photovoltaic Business

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

BUSINESS REVIEW

BYD Company Limited ("BYD" or "the Company" together with its subsidiaries, "the Group") is principally engaged in automobile business which includes traditional fuel-engined vehicles and new energy vehicles, handset components and assembly services, as well as rechargeable battery and photovoltaic business while taking advantage of its technological superiority to actively develop urban rail transit business segment.

Automobiles Business

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

In the field of new energy vehicles, the Group continued to upgrade product matrix of the Dynasty Series by launching new models during the year, including the brand new generation of "Tang EV", the brand new "Song Max" plug-in hybrid version, the brand new "Yuan EV", the brand new "Qin EV" and the iterative model "Song Pro", which have won unanimous praise in the market for their excellent performance and appearance. In 2019, the "Yuan EV" and the "Tang DM" ranked among top five in new energy vehicle sales in China. Among them, the sales volume of the "Tang DM" excelled in the domestic new energy vehicle market in the 200,000+ price range, further consolidating the Group's leading position in the industry. It is the first year since the Group's e-series product release. During this year, the Group launched e-series products for the first time, which are targeting at different consumer groups. The Group constantly improves its product matrix, aiming to build up a complete coverage for different consumer segments of new energy automobile market. The "e1", "e2" and "e3" models were consecutively launched in the year, contributing new growth points to the Group's development.

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

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

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

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

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

Handset Components and Assembly Business

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

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

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

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

Rechargeable Batteries and Photovoltaic Business

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

PROSPECT AND STRATEGY

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

Automobiles Business

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

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

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

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

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

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

Handset Components and Assembly Business

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

Rechargeable Batteries and Photovoltaic Business

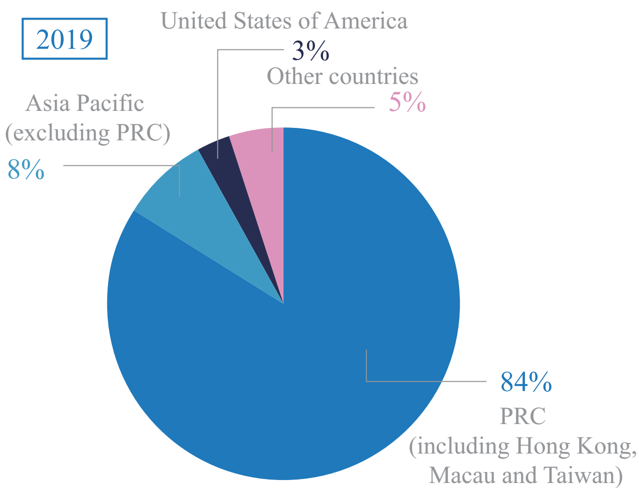
In terms of rechargeable batteries, the Group will actively promote the application of new technologies, expand its customer base, and promote the continuous rise in market shares in related fields. On the part of the photovoltaic business, with the implementation of subsidized projects and evaluation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

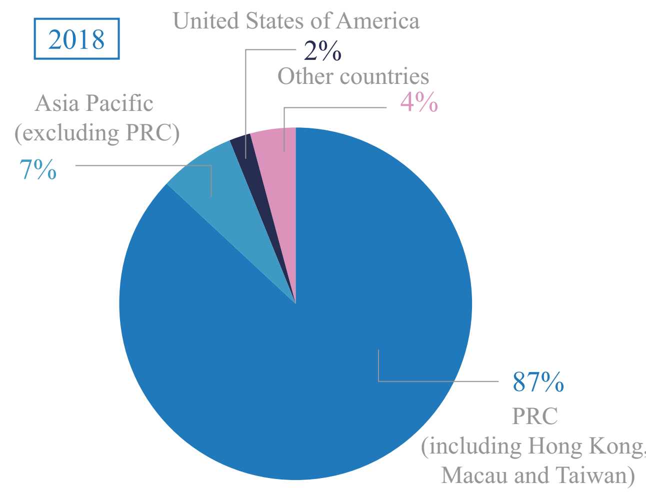
FINANCIAL REVIEW

During the Year, revenue decreased by 0.01% as compared to that of 2018, which was similar to that of 2018. Profit attributable to equity holders of the parent decreased by 42.03% as compared to the same period of the previous year, mainly attributable to impact from change of industry and policy and the increase in R&D expenses.

Segmental Information

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





Gross Profit and Margin

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

Financial Resources

Total borrowings as at 31 December 2019, including all bank loans and bonds, were approximately RMB75,978 million, compared with approximately RMB64,693 million as at 31 December 2018. The maturity profile of the bank loans and bonds thereof spread over a period of twelve years, with approximately RMB54,062 million repayable within one year, approximately RMB7,833 million in the period of the second year, approximately RMB13,930 million within the third to the fifth years and approximately RMB153 million over five years. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

(i) Corporate Bonds

On 13 October 2017, the Company received the Approval of the Public Offering of Corporate Bonds by BYD Company Limited to Qualified Investors (ZJXK [2017] No.1807) (《關於核准比亞迪股份有限公司向合格投資者公開發行公司債券的批復》(證監許可[2017] 1807號)) from China Securities Regulatory Commission, pursuant to which the public offering of corporate bonds with a par value of not exceeding RMB10.0 billion by the Company to qualified investors has been approved. As at 12 April 2018, the Company publicly offered the 2018 corporate bonds (the first tranche) (Short Name "18YD01") to qualified investors with an aggregate amount of RMB3.0 billion and a fixed rate of interest at 5.17%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on Shenzhen Stock Exchange on 4 June 2018. Investors are entitled to resell all or parts of the bonds they hold to the issuers on the third interest payment date, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

As at 22 August 2018, the Company publicly offered the 2018 corporate bonds (the second tranche) (Short Name "18YD02") to qualified investors with an aggregate amount of RMB1.6 billion and a coupon rate of 5.75%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in four years. The bonds were listed on Shenzhen Stock Exchange on 25 September 2018. Investors are entitled to resell all or parts of the bonds they hold to the issuers on the second interest payment date, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

On 22 February 2019, the Company publicly offered 2019 corporate bonds (first tranche) (Short Name "19YD01") to qualified investors, with an aggregate amount of RMB2.5 billion and a coupon rate of 4.60%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on the Shenzhen Stock Exchange on 13 March 2019. Investors are entitled to resell all or parts of the bonds they hold to the issuers on the third interest payment date, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

On 9 August 2019, the Company publicly offered 2019 corporate bonds (second tranche) (Short Name "19YD03") to qualified investors, with an aggregate amount of RMB2.5 billion and a coupon rate of 4.80%. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on the Shenzhen Stock Exchange on 15 August 2019. Investors are entitled to resell all or parts of the bonds they hold to the issuers on the third interest payment date, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

(ii) Super Short-term Commercial Paper

The Resolution on the Authorization to the Board to Determine the Proposed Plan for the Issuance of Debt Financing Instrument(s) was considered and passed at the 2016 Annual General Meeting of the Company held on 6 June 2017. In September 2017, the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) issued a notice of acceptance of registration (Zhong Shi Xie Zhu [2017] No. SCP301) that the registration of issuance of Super Short-term Debentures with a registered amount of RMB10.0 billion by the Company has been accepted.

On 15 July 2019, the Company issued the Eighth Tranche Super Short-term Debentures (Short Name 19BYDSC P008) in 2019, with an aggregate amount of RMB1.0 billion and an interest rate of 3.91%, valid within 270 days. On 26 July 2019, the Company issued the Ninth Tranche Super Short-term Debenture in 2019, with an aggregate amount of RMB2.0 billion and an interest rate of 3.84%, valid within 270 days. On 14 August 2019, the Company issued the Tenth Tranche of Super Short-term Debenture in 2019, with an aggregate amount of RMB2.0 billion and an interest rate of 3.60%, valid within 268 days.

(iii) Green Corporate Bonds

The Resolution on the Authorization to the Board of the Company to Determine the Proposed Plan for the Issuance of Debt Financing Instrument(s) was considered and passed at the first extraordinary general meeting of 2018 held on 9 May 2018. On 23 November 2018, the Company received the Approval from the National Development and Reform Commission of the Issuance of Green Bonds by Shenzhen BYD Company Limited (Fa Gai Qi Ye Zhai Quan No. [2018]162) (《國家發展改革委關於深圳市比亞迪股份有限公司發行綠色債券核准的批復》(發改企業債券[2018]162號)) issued by the National Development and Reform Commission, whereby the Company was permitted to issue green bonds with an amount not exceeding RMB6.0 billion.

The 2018 Green Corporate Bonds Series 1 (Short Name "18BYDGB01") were issued by the Company on 22 December 2018, with an aggregate amount of RMB1.0 billion and a coupon rate of 4.98%. The bonds are repayable in five years. Investors have the right to sell back all or part of their bonds at par value to the Company at the end of the third interest payment year, and release the investor sell-back option. The bonds were listed on the Shenzhen Stock Exchange on 29 January 2019.

The 2019 Green Corporate Bonds Series 1 (Short Name "19BYDGB01") were issued by the Company on 11 June 2019, with an aggregate amount of RMB1.0 billion and a coupon rate of 4.86%. This tranche of bonds bears a fixed interest rate. The interest payment shall be made once every year, and the principal will be repaid on one-off basis upon maturity. The bonds are repayable in five years. The bonds were listed on the Shenzhen Stock Exchange on 11 July 2019. Investors are entitled to resell all or parts of the bonds they hold to the issuers on the third interest payment date, i.e. the end of the third year, 14 June 2022, at principal amount, alternatively, or give up sell-back options and continue to hold the bonds.

(iv) Renewable Corporate Bonds

On 13 December 2018, the Company received the Approval of the Public Offering of Renewable Corporate Bonds by BYD Company Limited to Qualified Investors (Zheng Jian Xu Ke No. [2018]2070) (《關於核准比亞迪股份有限公司向合格投資者公開發行可續期公司債券的批復》(證監許可[2018]2070號)) issued by the China Securities Regulatory Commission, whereby the Company was permitted to publicly offer renewable corporate bonds with a total par value not exceeding RMB5.0 billion to qualified investors.

As at 21 June 2019, the Company publicly offered the 2019 Renewable Corporate Bonds (first tranche) (Short Name "19YD01") to qualified investors, with an aggregate amount of RMB500 million. The coupon rate is 6.20%. It has a basic term of two years, with every two interest-incurring years constituting one term. At the end of each term, the issuer is entitled to extend the bonds for one additional term (i.e. two years), or to redeem the bonds in full as they matured at the end of the term. The bonds were listed on the Shenzhen Stock Exchange on 4 July 2019. In the event that the issuer does not exercise the option for deferred interest payment, the interest payment date shall be 21 June of each 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 2019, borrowings were primarily settled in RMB, while cash and cash equivalents were primarily held in RMB and US dollar. The Group plans to maintain an appropriate mix of equity and debt to ensure an efficient capital structure during the period. As at 31 December 2019, the Group's outstanding loans included RMB loans and foreign currency loans and approximately 72% (2018: 73%) of such outstanding loans were at fixed interest rates, with the remaining at floating interest rates.

The Group monitors its capital by using gearing ratio, which is net debt divided by equity. The Group's policy is to maintain the gearing ratio as low as possible. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Equity represents equity attributable to owners of the parent. Therefore, the gearing ratios of the Group was 124% and 104% as at 31 December 2019 and 31 December 2018, respectively.

As at 31 December 2019, certain items of the Group's land and buildings with a net carrying amount of RMB209,019 thousand (31 December 2018: RMB220,370 thousand) and motor vehicles with a net carrying amount of RMB 2,088 thousand (31 December 2018: nil) has been pledged as securities for the long term loans of RMB132,102 thousand (31 December 2018: RMB143,018 thousand) granted to the Group. During the year, the Group had no construction in progress (31 December 2018: RMB4,754 thousand), of which RMB7,091 thousand (31 December 2018: RMB8,179 thousand) was long term loans due within a year. In addition, as at 31 December 2019, a pledged bank deposit of RMB668,992 thousand (2018: 1,583,861 thousand) and a restricted bank deposit of RMB161,924 thousand were pledged for bank bills, guarantee deposits and others.

Exposure to Foreign Exchange Risk

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 December 2019, the Group had approximately 220,000 employees. During the period, total staff cost accounted for approximately 17.99% of the Group's turnover. Employees' remuneration was determined based on performance, qualifications and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal motivation.

SHARE CAPITAL

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

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

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

Please refer to note 11 to the financial statements for details of contingent liabilities.

ENVIRONMENTAL PROTECTION AND SOCIAL SECURITY

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

EVENTS AFTER THE REPORTING PERIOD

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

(b) Since the breakout of the COVID-19 on January 2020, resulting in the delay in the production and operation of certain business segments of the Group, most of the subsidiaries of the Group has fully implemented the pandemic prevention and control deployment by Chinese Government. As the breakout in mainland China has gradually taken a turn into a better direction and guided by the policy of "resumption of labor and production" from local governments, the production and operation of the Group' business segments have basically gone to normal as at the date of this announcement.

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

CORPORATE GOVERNANCE

Corporate Governance Code (the "Code")

The Board is committed to maintaining and ensuring high standards of corporate governance practices.

The Company has put in place corporate governance practices to comply with all the provisions and most of the recommended best practices of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except for the deviation from the code provisions A.2.1 and A.6.7.

Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Wang Chuan-fu is the Chairman and Chief Executive Officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes that this appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors and one non-executive Director. The Company's Audit Committee has reviewed the unaudited annual results set out in this announcement and intends to convene a meeting as soon as practicable, and in any event no later than the end of April 2020, to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including the review of the financial statements for the year ended 31 December 2019) for recommendation to the Board for approval.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement has been published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.byd.com).

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the continuing impact of travel restrictions and delayed resumption of work amid the outbreak of COVID-19, the travel and work of the Group, the Group's auditors and suppliers/customers or bank staff are restricted, resulting in a delay in the progress of the audit review. To satisfy the needs of investment decision of shareholders of the Company and potential investors to the greatest extent possible, the Board decided to publish the unaudited annual results of the Group for the year ended 31 December 2019 as set out in this announcement first, together with the audited comparative figures of 2018. While the unaudited annual results set out in this announcement has not been agreed by the Group's independent auditors, Messrs. Ernst & Young, in accordance with Rule 13.49(2) of the Listing Rules and no assurance has been expressed by Messrs. Ernst & Young on this announcement, the unaudited annual results set out in this announcement has been reviewed by the Audit Committee.

The Company will publish the audited annual results announcement for the year ended 31 December 2019 as soon as practicable, and further announcement(s) will be made for the significant differences from the unaudited annual results set out in this announcement, if any, and in any event no later than the end of April 2020. In addition, further announcement(s) will be made as and when appropriate by the Company if there are any other material developments during the audit process.

The financial information contained in this announcement regarding the annual results of the Group has not been audited. No consensus has been reached between the Company and the auditor. Shareholders of the Company and potential investors are advised to exercise caution in dealing in the securities of the Company.

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

Shenzhen, PRC, 31 March 2020

As at the date of this announcement, the Board of the Company comprises Mr. Wang Chuan-fu being the executive Director, Mr. Lv Xiang-yang and Mr. Xia Zuo-quan being the non-executive Directors, and Mr. Wang Zi-dong, Mr. Zou Fei and Ms. Zhang Ran being the independent non-executive Directors.