

(A joint stock limited company incorporated in the People's Republic of China with limited liability) (Stock Code: 1211)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

			•	ok THE SIX MONTH		TOLD CO	,0112 200							
INTERIM RESULTS FOR THE SIX				Α.	lotes	30 June 2006	31 December 2005		In accordance with the amendment guarantee contracts are initially rec	ognised at fair val	ue and are sub	equently measure	ed at the higher	
Turnover Gross Profit	+117% +72%	To RMB5,68 To RMB1,11			10163	(Unaudited)	(Audited)		of (i) the amount determined in acco when appropriate, cumulative amor	rdance with HKAS	37 and (ii) the	amount initially r	ecognised, less,	
Operating Profit Profit attributable to equity holders of	+76%	To RMB587	million			RMB'000	RMB'000		The adoption of these amendments I and the methods of computation in	nas had no material	impact on the	accounting polici	es of the Group	
the Company	+85% +85%	To RMB460 To RMB0.85		NET CURRENT					statements.	the Group's unau	uncu conuciisc	a consomulated in	neriii rinanerai	
Basic earnings per share HIGHLIGHTS	+83%	10 KMB0.8.	,	(LIABILITIES)/ASSETS		(207,241)	239,983	4.	SEGMENT INFORMATION Segment information is presented b	v way of two sagn	nents: (i) on a	rimary comment	renorting basis	
Maintained its leading position in	rechargeable bat	tery industry							by business segment; and (ii) on a	secondary segment	reporting basi	s, by geographica	il segment.	
Recorded 320% growth in revenue	-			TOTAL ASSETS LESS CURRENT LIABILITIES		6,366,453	6,161,338		(a) Business segments The Group is principally anger					
Recorded 1,290% growth in rev	enue and succe	ssfully achieved	l turnaround in				<u> </u>		The Group is principally enga (i) Battery and related prod				ries principally	
automobile business FINANCIAL RESULTS				NON-CURRENT LIABILITIES					for mobile phones, batte	ry chargers, emerg	ency lights and	l other battery-re	lated products;	
The board of directors (the "Board")	of BYD Compa	nv Limited (the	"Company" or	Interest-bearing bank borrowings	15	1,570,540	1,829,669		(ii) Handset components — (iii) Automobile and related p					
"BYD") is pleased to announce the unau subsidiaries (the "Group") for the six m	idited consolidate	ed results of the	Company and its			4.705.010	4.221.660		automobiles/ bicycles an	d auto-related mo	ılds.			
with comparative figures for the first h		une 2000 (the T	criou) together	Net Assets		4,795,913	4,331,669		The following tables present months ended 30 June 2006 a	revenue and profit nd 2005:	for the Group	's business segm	ents for the six	
The Board did not recommend the pay ended 30 June 2006.	ment of an inte	rim dividend for	the six months	FOLUEN						For the Battery and	six months e	nded 30 June 20 Automobile	06	
CONDENSED CONSOLIDATED INC	COME STATEM	ENT		EQUITY Equity attributable to equity holders of						related products	Handset components	and related products	Total	
FOR THE SIX MONTHS ENDED 30	JUNE 2006			the parent						(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	
		F 41		Issued capital Reserves	17	539,500 4,187,443	539,500 3,727,728		Revenue	1,922,531	2,104,363	1,656,264	5,683,158	
			six months nded			<u>.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</u>	<u> </u>							
	Notes	30 June 2006	30 June 2005			4,726,943	4,267,228		Segment results	192,102	281,831	112,652	586,585	
	rioles	(Unaudited)	(Unaudited)	Minority interest		68,970	64,441		Finance costs				(100,615)	
		RMB'000	RMB'000											
REVENUE	5	5,683,158	2,620,949	Total equity		4,795,913	4,331,669		Profit before tax				485,970	
REVENUE	3	3,063,136	2,020,949	CONDENSED CONSOLIDATED STATE	MENT	OF CHANGES IN E	QUITY FOR		Tax				(21,677)	
Cost of sales		(4,569,226)	(1,972,454)	THE SIX MONTHS ENDED 30 JUNE 2					Profit for the period				464,293	
				Attributable to equity Statutory	holders of the	parent	-				six months e	nded 30 June 20	05	
Gross profit		1,113,932	648,495	Statutory public	Exchange	Proposed Batained	Minority Total			Battery and related	Handset	Automobile and related		
Other income and gains	5	11,472	14,884	Issued Share surplus welfare capital premium reserve fund	reserve	final Retained dividend earnings Tota	l interest equity			products (Unaudited)	(Unaudited)	products (Unaudited)	Total (Unaudited)	
Research and development costs		(98,655)	(53,774)	(Unaudited) (Unaudited) (Unaudited) (Unaudited) RMB'000 RMB'000 RMB'000 RMB'000		(Unaudited) (Unaudited) (Unaudited RMB'000 RMB'000 RMB'00				RMB'000	RMB'000	RMB'000	RMB'000	
Selling and distribution costs		(170,713)	(67,822)						Revenue	2,000,892	500,893	119,164	2,620,949	
Administrative expenses Other operating (expense)/income, net		(247,730) (21,721)	(212,681) 4,639	At 1 January 2005, as previously reported 539,500 1,523,080 178,247 66,131	1,392	311,292 1,424,850 4,044,49	2 59,198 4,103,690		Segment results	382,858	25,327	(71,713)	336,472	
Finance costs	6	(100,615)	(59,582)	Opening adjustment for the adoption of					-					
				HKFRS 3 - derecognition of					Finance costs				(62,313)	
PROFIT BEFORE TAX	7	485,970	274,159	negative goodwill					Profit before tax				274,159	
Tax	8	(21,677)	(27,938)	restated 539,500 1,523,080 178,247 66,131	1,392	311,292 1,430,023 4,049,66	5 59,198 4,108,863		Tax				(27,938)	
	-			Profit for the period — — — —	_	— 247,737 247,73	7 (1,516) 246,221		Profit for the period				246,221	
PROFIT FOR THE PERIOD		464,293	246,221	Acquisitions of equity interest in					-					
				subsidiaries — — — — — — — — — — — — — — — — — — —	-		- (19,535) (19,535)		(b) Geographical segments The following table present re	evenue for the Gro	un'e geograph	cal sagments for	the six months	
Attributable to:				minority interest	-		- 25,681 25,681		ended 30 June 2006 and 2005		up s geograpii	-		
Equity holders of the parent		459,764	247,737	Final 2004 dividends — — — — — — — — — — — — — — — — — — —		(311,292) — (311,29 — 5						For the si ended 3	0 June	
Minority interest		4,529	(1,516)									2006 (Unaudited)	2005 (Unaudited)	
		464,293	246,221	Balance at 30 June 2005 539,500 1,523,080 178,247 66,131	1,447	— 1,677,760 3,986,16	5 63,828 4,049,993					RMB'000	RMB'000	
		404,273							Revenue PRC			3,949,722	1,593,811	
Dividends		_	_	At 1 January 2006 539,500 1,523,080 217,897 85,956	1,494	- 1,899,301 4,267,22			Europe US			559,357 511,913	264,162 176,484	
Dividends				Profit for the period — — — — — — Exchange realignment — — — — —	(49)	- 459,764 459,76 - (4			Others			662,166	586,492	
Earnings per share attributable to												5,683,158	2,620,949	
ordinary equity holders of the parent during the period				At 30 June 2006 539,500 1,523,080 217,897 85,956	1,445		68,970 4,795,913		Revenue are allocated based of	un the countries in	which customs	rs are located		
(expressed in RMB)				CONDENSED CONSOLIDATED CASH FOR THE SIX MONTHS ENDED 30 JU				5.	REVENUE, OTHER INCOME AN		which custom	is are iocated.		
- basic	9	0.85	0.46	FOR THE SIA MONTHS ENDED 30 JC	11E 200		six months		Revenue					
							1 30 June		Revenue, which is also the Group' revenue from battery and related pr	oducts, handset co	mponents and	automobile and r	elated products	
- diluted	9	N/A	N/A			(Unaudite	d) (Unaudited)		sold net of value-added tax. All consolidation.	significant intra-	group transac	ions have been	eliminated on	
CONDENSED CONSOLIDATED BAI AS AT 30 JUNE 2006	LANCE SHEET					RMB'0			Other income and gains					
AS AT 30 JUNE 2000				NET CASH INFLOW FROM OPERATING	3 ACTIV	TITIES 489,5	96 800,268					For the six mo	onths ended	
		30 June	31 December	NET CASH OUTFLOW FROM INVESTIG	NG ACT	IVITIES (897,8	26) (1,072,761)					(Unaudited) RMB'000	(Unaudited) RMB'000	
	Notes	2006 Unaudited)	2005 (Audited)	NET CASH INDI OW EDOM DINANCING	: ACTIV				Sales of materials			11D 000	6,529	
	(RMB'000	(Auaitea) RMB'000	NET CASH INFLOW FROM FINANCING	ACIIV	TITIES 494,7	79 429,267		Processing income Bank interest income			3,244 5,711	1,886 3,186	
				NET INCREASE IN CASH AND CASH E	QUIVAI	LENTS 86,5	49 156,774		Derivative instruments: - forward contracts: transactions	not quelifyi '	adnas	917	3,186	
NON-CURRENT ASSETS Property, plant and equipment		5,815,679	5,263,643	Cash and cash equivalents at beginning of		682,1			- forward contracts: transactions Government grants	not qualitying as l	cages	1,600	75	
Property, plant and equipment Prepaid land lease payments		241,549	5,263,643 206,179	Effect of foreign exchange rate changes, r	ici		49)55					11,472	14,884	
Goodwill		58,603	58,603	CASH AND CASH EQUIVALENTS AT T	HE END		20 920 270		PINANOP COCES					
Other intangible assets Deferred tax assets		417,155 40,708	361,954 30,976	PERIOD		768,6	839,369	6.	FINANCE COSTS			For the six mo	onths ended	
Described tax assets				ANALYSIS OF BALANCES OF CASH A	ND CAS	Н						30 June 2006 (Unaudited)		
Total non-current assets		6,573,694	5,921,355	EQUIVALENTS Cash and bank balances		768,6	29 839,369					RMB'000	RMB'000	
		<u> </u>			TED IN		= ===		Interest expense on bank loans Finance cost on bills discounted			93,942 3,916	46,739 7,896	
CURRENT ASSETS				NOTES TO CONDENSED CONSOLIDA STATEMENTS	TED IN	TERIWI FINANCIA	Li .		Finance cost on trade receivables fa	actored and other l	ank charges	2,757	4,947	
Inventories Prepayments, deposits and other	10	2,713,439	2,231,556	30 JUNE 2006 1. CORPORATE INFORMATION								100,615	59,582	
Prepayments, deposits and other receivables		642,891	274,488	The Company was incorporated in the People	's Republi	c of China (the "PRC") or	n 11 June 2002 as a	-	BROEF BEFORE #: V					
Amount due from a related party	21	2,030	1,265	joint stock limited company. The principal activity of the Company is resea	-			7.	PROFIT BEFORE TAX Profit before tax was determined af	ter Charging //Cre	diting) the foll	owing:		
Trade and bills receivables Derivative financial instruments	11 12	2,282,700 1,288	1,848,177 22,898	batteries, battery chargers, LCD and other el listed on The Stock Exchange of Hong Kong	ectronic p	roducts. The Company's	H shares have been		and determined as		J,e 1011	0		
Restricted bank deposits	13	60,702	48,050	2. BASIS OF PREPARATION AND ACCOUNT								For the six mo		
Cash and cash equivalents		768,629	682,129	The unaudited condensed consolidated financi the Group have been prepared in accordance	ial stateme	nts for the six months end	led 30 June 2006 of dard ("HKAS") 34				Note	30 June 2006 (Unaudited)	30 June 2005 (Unaudited)	
		2 101 200		"Interim Financial Reporting" issued by the ("HKICPA").	Hong Ko	ng Institute of Certified	Public Accountants					RMB'000	RMB'000	
Total current assets		6,471,679	5,108,563	These financial statements have been prepared	d under the	e going concern basis not	vithstanding the net		Cost of inventories sold			3,931,743	1,705,523	
CURRENT LIABILITIES				current liabilities of the Company as at the bal the current operation and business plan of the	Company	as well as the available ba	nking facilities, are		Sales of materials Depreciation, amortisation and imp	airment expenses		3,692 278,521	179,754	
Trade and bills payables	14	2,663,409	1,985,715	of the opinion that the Group will have suffi- concern.		-			Provision for/(reversal of) doubtful	debts*		42,853	(6,431)	
Accruals and other payables		704,702	407,764	The accounting policies and basis of prepara statements are the same as those used in the an	nual financ	ial statements for the year	ended 31 December		Provision against inventory obsoles realisable value**			47,095	27,386	
Advances from customers Tax payable		190,408 58,535	181,889 75,859	2005, except for the adoption of the amen ("HKFRSs", which also include HKASs and l	dments to	Hong Kong Financial F	eporting Standards		Directors' (including supervisors') (Gain)/loss on disposal of items of		1	960	889	
Interest-bearing bank borrowings	15	3,057,318	2,195,024	3. IMPACT OF REVISED HKFRSS					equipment* Provision for warranties**		. 16	(3,432) 5,929	8,862 3,027	
Derivative financial instruments	12	371	19,172	HKICPA has issued a number of new and revise period beginning on or after 1 January 2006.	ed HKFRS The Grou	s, which are generally effe p has adopted the followi	ctive for accounting ng revised HKFRSs		* The provision for/(reversal of)	doubt debts on 1 (

The provision for/(reversal of) doubt debts and (gain)/loss on disposal of items of property, plant and equipment are included in "Other operating (expense)/income, net" on the face of the condensed consolidated income statement.

** The provision for warranties and provision against inventory obsolescence and net realisable value are included in "Cost of sales" on the face of the condensed consolidated income statement.

4,177

6,678,920

Provision for warranties

Total current liabilities

HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting period beginning on or after 1 January 2006. The Group has adopted the following revised HKFRSs which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements.

HKAS 21 Amendment Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments Financial Guarantee Contracts

3,157

4,868,580

		30 June 200: (Unaudited RMB'000	
Current taxation - Mainland China (note (a)) Deferred tax	31,408 (9,731)	27,49	
	21,677	27,93	

(a) PRC Enterprise Income Tax ("EIT")

The Company and its subsidiaries registered in the PRC are subject to EIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The generally applicable EIT rate is 33%. However, according to certain rules and regulations promulgated by the local tax authorities, the Company and certain of its subsidiaries are entitled to preferential EIT rate at 15%. Furthermore, the Company and certain of its subsidiaries are also entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three to eight years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2006 and

2005 are based on:	For the six	months ended
	30 June 2006 (Unaudited) RMB'000	30 June 2005 (Unaudited) RMB'000
Earnings: Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	459,764	247,737

30 June 31 December

1,848,177

2,282,700

10. INVENTORIES

11.

	2006	2005
	(Unaudited)	(Audited)
	RMB '000	RMB'000
Raw materials	1,116,238	955,556
Work-in-progress	1,285,605	994,567
Finished goods	311,596	281,433
	2,713,439	2,231,556
TRADE AND BILLS RECEIVABLES		
	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	RMB '000	RMB'000
Trade receivables	2,016,628	1,755,815
Bills receivables	467,540	257,338
Less: provision for impairment of receivables	(201,468)	(164,976)

The directors are of the opinion that the carrying amounts of trade and bills receivables approximate their fair values.

The Group would generally grant a credit term from 0 to 120 days to its customers. At 30 June 2006 and 31 December 2005, the ageing analysis of the trade and bills receivables were as follows:

30 June 2006	31 December 2005
(Unaudited)	(Audited)
RMB'000	RMB'000
1,963,760	1,537,434
291,556	229,284
27,220	78,898
164	2,561
2,282,700	1,848,177
	2006 (Unaudited) RMB '000 1,963,760 291,556 27,220 164

The Group has provided RMB42,853,000 for the impairment of its trade receivables during the six months ended 30 June 2006 (2005: reversal of RMB6,431,000). This has been included in other operating expenses in the income statement.

There is no concentration of credit risk with respect to the trade and bills receivables balances since the Group has a large number of customers which are world-wide dispersed.

The Group has taken legal actions against several customers who owed the Group totally amounting to approximately RMB30 million at 30 June 2006. Provision for doubt debt of approximately RMB27 million was made during the current period and the Group has obtained a court order to freeze the customer's property at value of RMB17 million approximately as a security for the settlement of the legal case. The directors considered that the provisions against these receivable are adequate.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Trade and bills receivables, net

	30 June 2006	31 December 2005
	(Unaudited) RMB'000	(Audited) RMB'000
Forward foreign exchange contracts - held for trading Assets	1,288	22,898
Liabilities	371	19,172

13. RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 30 June 2006 represented bank deposits amounting to RMB44 (2005: RMB44 million) frozen for a litigation proceeding at period end (note 18(b)) and pledged amounting to RMB17 million (2005: RMB4 million) placed with a bank as security against the i of certain letters of credit by that bank on behalf of the Group.

TRADE AND BILLS PAYABLE

At 30 June 2006 and 31 December 2005, the ageing analysis of the trade and bills payables were as

follows:	30 June 2006	31 December 2005
	(Unaudited) RMB'000	(Audited) RMB'000
1 to 3 months	2,188,659	1,644,451
4 to 6 months	401,668	299,886
7 to 12 months	41,136	15,735
1 to 2 years	15,927	19,989
2 to 3 years	10,365	5,654
Over 3 years	5,654	
	2,663,409	1,985,715
INTEREST-BEARING BANK BORROWINGS		
	30 June	31 December
	2006	2005
	(Unaudited) RMB'000	(Audited) RMB'000
Non-current:		
Long-term bank borrowings	2,086,810	1,846,457
Less: current portion of long-term borrowings	(516,270)	(16,788)
	1,570,540	1,829,669
Current:		
Short-term bank borrowings	2,541,048	2,178,236
Current portion of long-term borrowings	516,270	16,788
	3,057,318	2,195,024
Total borrowings	4,627,858	4,024,693
Within one year	3,057,318	2,195,024
In the second year	450,000	669,669
In the third to fifth years, inclusive	400,000	500,000
Beyond five years	720,540	660,000
	4,627,858	4,024,693
The carrying amounts of the borrowings are denominated in the follow	ing currencies:	
	30 June 2006	31 December 2005
	(Unaudited)	(Audited)
	RMB'000	RMB'000

4,627,858

16. PROVISION FOR WARRANTIES

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
At beginning of period/year	3,157	4,969
Additional provisions	5,929	3,429
Amount utilised during the period/year	(4,909)	(5,241)
At end of period/year	4,177	3,157

The Group provides two-year or below 40,000 kilometres whichever applicable warranties o automobiles and undertakes to repair or replace items that fail to perform satisfactorily. A provision or RMB4,177,000 has been recognised at 30 June 2006 (31 December 2005: RMB3,157,000) for expecte warranty claims based on past experience of the level of repairs and returns. It is expected that the majority of this expenditure will be incurred within a year.

ISSUED CAPITAL.

ISSUED CAPITAL		
	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Authorised: 539,500,000 (2005: 539,500,000) ordinary shares of RMB1 each	539,500	539,500
Issued and fully paid: 539,500,000 (2005: 539,500,000) ordinary shares of RMB1 each	539,500	539,500

- (a) As at 31 December 2005, the Group had outstanding guarantee of bank loans for third parties with amount of RMB3,684,000. No balance was noted as at 30 June 2006.
- The Group is involved in one litigation proceeding in Japan in relation to the dispute of alle battery quality sold by the Group in Jiansu Province. The bank deposits of the Comp amounting to approximately RMB43-903,000 were frozen by the court. Due to the fact that it has not been any material development in respect of the proceeding, the directors consider it is impracticable and premature to assess the impact of such proceeding on the Group and

19. OPERATING LEASE ARRANGEMENTS

At 30 June 2006, the Group had total future minimum lease payments under non-cancellable operaleases falling due as follows:

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Within one year In the second to fifth years, inclusive	1,597 67	2,595 2,651
	1,664	5,246

COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments:

30 June 31 December 2005

	(Unaudited) RMB'000	(Audited) RMB'000
Contracted but not provided for Buildings Machinery and equipment	67,912 309,883	155,080 602,765
	377,795	757,845
RELATED PARTY TRANSACTIONS		
(a) Outstanding balances with related parties:		
	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000

Balance is unsecured, non-interest bearing and no fixed terms of repayment.

	For the six m 30 June 2006 (Unaudited) RMB'000	30 June 2005 (Unaudited) RMB'000
Short term employee benefits Post-employment benefits	958 2	884 5
	960	889

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation

MANAGEMENT DISCUSSIONS AND ANALYSIS

Operating Environment Review

In the first half of 2006, the overall demand in the global handset market continued to experience sustained growth. According to the survey released by Gartner, a market research institution, the global market recorded sales of 453 million handsets in the first half of 2006, up 22% from the same period last year. Major global handset suppliers continued to launch products with multi-functions, at more competitive prices and within short product cycles so as to increase their share in the global market and further restricted the growth space for small handset suppliers. On the other hand, major global handset suppliers have made efforts to explore the emerging markets with a growing demand for handsets such as Brazil, Russia, India and China by launching low-to-medium-end handsets in order to maintain their leading position in the world market.

nandsets in order to maintain their leading position in the world market. Sustained and fast growth of the industry has led to increasingly competitive market conditions. Major global handset suppliers faced even greater cost pressures as compared with in the past. In order to maintain profitability and competitiveness, they all focused on seeking component suppliers with better price competitiveness in Asia (other than Japan). This offered excellent development opportunities for outstanding handset battery and component suppliers including BYD. In addition, there has also been a growing demand for 3G handsets in the global market. It is expected that the market of handsets with 3G features will become a new battlefield for handset suppliers.

As for the domestic handset market, as global handset suppliers continued to expand their market share and affected by unoriginal handsets available for sale everywhere in the market, domestic handset suppliers were faced with even more difficult operating conditions. Therefore, some domestic handset manufacturers made an active effort to explore the emerging markets by launching low-end elementary handsets so as to maintain their existing market share.

During the period under review, prices of international crude oil and some metals continued to soar. In particular, the rapid increase in nickel prices increased the cost for nickel battery production and created significant pressure on the gross profit of the

product.

In the first half of 2006, the automobile industry in the PRC was still affected by unfavourable factors such as an increase in the sales tax levied on automobiles, rising fuel prices and import tariffs imposed on automobiles and automobile component, while the consumers' spending sentiment on automobiles continued to increase. As the demand for automobiles in the market pursued a steady upward trend, overall production and sales rebounded. For the first half of the year, the automobile market in the PRC recorded production and sales of 3.5 million whicles, representing a year-on-year growth of more than 20% whilst sales of sedan grew by more than 40%. In particular, the sales growth of automobiles with self-developed domestic brands exceeded that of automobiles under joint venture brands. This reflected that domestic brands had established a position in the market.

Rusiness Pavier.

Business Review

The two principal businesses of BYD comprise the IT component business and the automobile business. The IT component business mainly comprises the rechargeable battery business and the handset component business. During the period under review, the Group's IT component business rebounded and recorded satisfactory growth as compared with the same period last year. The automobile business also successfully achieved turnaround.

IT parts - rechargeable batteries

In 2005, because of a decrease in the market share of domestic handset manufacturers, the In 2005, because of a decrease in the market share of domestic handset manufacturers, the number of orders received dropped. Accordingly, the number of lithium-ion batteries sold by the Group in 2005 declined substantially. In the first half of 2006, the Group adjusted its operating strategy in a timely manner and managed to revive the rechargeable battery business by leveraging on its excellent product quality and cost-effective competitive strengths. This enabled the Group to consolidate its leading position in the industry. For the first half of 2006, sales of rechargeable battery products amounted to RMB1,898,029,000, slightly decreased 2% from the same period in 2005.

As for lithium-ion batteries, the Group further strengthened its partnership with global handset suppliers in the first half of the year and successfully secured various new orders. The Group also managed to expand the number of orders from leading global handset manufacturers, which led the lithium-ion battery business back to normal with steadily growth. Meanwhile, the Group has consistently allocated resources to research and

development and made advancement in innovative technologies. During the period under review, the Group made a breakthrough in developing power batteries, which offered greater potential for the Group to develop multi-applications in the future.

ne of the global leading nickel battery suppliers, the Group is among few manufacturers which are able to provide high-quality nickel battery products. As the global supply of nickel batteries is concentrated in a number of major manufacturers, the Group continued to occupy a leading market position in the sales volume of nickel batteries by leveraging its competitive edges and pricing capability. However, sustained high prices of raw materials inevitably had a negative impact on the Group's gross profit derived from nickel batteries during the period under review.

IT parts - handset components

During the period under review, BYD, as a one-stop handset component supplier, continued to offer diversified product portfolios to customers, including plastic case, keypad, camera module, LCD display and flexible printed circuit board.

Currently, more and more global handset suppliers outsource one-stop handset component suppliers with better price competitiveness. By capitalizing on its established and long-term partnership with global handset suppliers, the Group has succeeded in capturing emerging market opportunities and become one of the handset component suppliers well-received by global handset manufacturers. During the period under review, the Group not only successfully secured new orders from various global handset suppliers in respect of handset component but also further increased the number of orders from existing customers, making the handset component business one of the major driving forces for the Group during the period. For the first half of 2006, the Group's handset component business recorded satisfactory growth with sales exceeding RMB2,104,363,000, up 320% from the same period last year.

As for the automobile business, following the official launch of BYD's first self-developed vehicle model F3 in September last year, the development of the Group's automobile business continued to be positive in the first half of 2006. During the period under review, the turnover from the automobile business was RMB1,656,264,000, representing a significant year-on-year increase of 1,290%. The number of automobiles sold reached 30,700 vehicles, representing a year-on-year growth of 585%. Encouraging sales performance was achieved with a total of 23,900 F3 vehicles sold. BYD's F3 has excellent quality that meets international standards as well as a competitive edge of value for money. It has been well-received by consumers since its launch and became one of the best-selling automobile products under domestic brands for months in a row in the first half of 2006. During the period under review, the Group's F3 gained various industry recognitions, including awards such as "New Automobile with the Highest Value for Monwy (最具性假比新車)", "CCTV Self-innovation Award (CCTV 自主创新獎)", "New Automobile Award at Auto Shanghai (上海翩睒汽車脱新車大獎)".

During the period, the Group made efforts to expand its sales and marketing network and the number of distributors continued to grow, resulting in increasing market coverage of the Group's automobile products. This in turn effectively drove and ensured a continued increase in the sales of the Group's automobile products.

At present, the Group has formed a complete operating system spanning from research and development, manufacturing to sales. Given its wholly independent research and development capability, the Group has enjoyed significant cost advantages in the aspects of vehicle model development, mould manufacturing, technology transfer and brand utilization as well as materials and labour, enabling it to launch new products and respond to the market at a faster pace. Meanwhile, strong manufacturing capability has enabled the Group's automobile products to enjoy more cost advantages with guaranteed quality. With optimized production lines, improving sales networks as well as effective sales strategies, the Group maintained outstanding performance in the sales of automobiles during the period.

Future Prospects and Strategies

IT parts - rechargeable batteries

The growth of the global handset market will remain strong in the future. Global handset manufacturers will continue to actively explore the emerging markets in order to strive for a greater market share. In view of this, the Group will further strengthen its cooperation with international customers. It is anticipated that the rechargeable battery business will experience steady growth in the second half of 2006. Looking ahead, the Group's development strategy for the rechargeable battery business will focus more on developing new global handset supplier customers and increasing the supply. Through securing stable supply from leading domestic manufacturers, its determination in increasing its battery product applications and its focus on enhancing cost control, the Group will consolidate and strengthen its leading market position in the rechargeable battery industry.

The Group predicts that the production of elementary handsets and the development of the emerging markets will remain the development direction for major global handset suppliers. Handset manufacturers will further seek for handset component suppliers with greater cost effectiveness. Being a one-stop handset component supplier, BYD has maintained close cooperation with global and domestic handset manufacturers. In the second half of 2006, the Group will continue to increase the supply of handset component to global and domestic handset manufacturers, and further develop new customers for the handset component business on the existing customer basis. In addition, as 3G handsets become increasingly popular, the Group will closely cooperate with customers by leveraging its extensive industry experience and strong research and development capability and jointly develop component products targeting 3G handsets to capture the opportunities brought by 3G handsets in the future. The long-term objective of the Group is to strive to become a leading one-stop component supplier of global and domestic handset manufacturers with a view to making the handset component business a major driving force for the future growth of the Group.

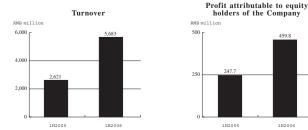
The success of F3 marks the recognition of the Group's automobile business by the market. Looking ahead, the Group will take advantage of its established sales and marketing network to provide vertical integration ancillary services for customers. Meanwhile, it will step up its efforts in improving the supply flow and reduce costs through mass production and focus on driving technological improvement and innovation so as to launch new models of automobile products in a timely manner. As such, the automobile business will become a new momentum for driving the future growth of the

The Group is confident that F3 will achieve even better sales performance in the second half of 2006. In addition, the Group will further expand its sales network. Through expanding after-sales service channels and strengthening software and hardware construction in all aspects, the Group is determined to provide quality services to consumers so as to increase BYD's brand reputation in the industry. On the other hand, by leveraging its leading expertise in electric automobiles, the Group will proceed with its active research and development of hybrid and electric automobiles so as to launch this category of products in the market within the shortest possible time.

The Group will pursue a development path of self-development, self-production and self-owned brands in an effort to produce national civil vehicles with a high value for money and is determined to become one of the leaders in the automobile market of PRC.

Financial Review

Turnover and Profit Attributable to Equity Holders of the Company

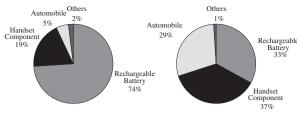


Turnover increased substantially during the period under review mainly due to the strong growth brought by the handset component business and automobile business. Strong growth in handset component business and turnaround in automobile business contributed to the substantial increase in profit attributable to the equity holders of the Company.

Segmental Information

Set out below are the Group's turnovers in terms of product categories for the six months ended 30 June 2006 and 2005:

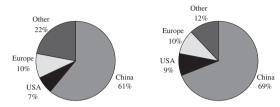
A breakdown of turnover in terms of product categories and their proportion $_{\rm 1H\,2006}$



During the period under review, the proportion of revenue from handset component business increased due to substantial increase in sales of handset component products. Regarding the automobile business, after new model F3 was launched in the second half of last year, the automobile business recorded a strong growth in sales, creating a growth driver to the Group's turnover. Despite the more or less the same level of turnover contribution from the rechargeable battery business, the proportion of revenue from the rechargeable battery business and the automobile business and the automobile business. business.

Set out below are the Group's turnovers in terms of geographical segments, as determined by location of its operations for the six months ended 30 June 2006 and 2005:

A breakdown of turnover in terms of geographical locations of customers and their proportion $$\rm 1H\,2005$$



Gross Profit and Margin

The Group's gross profit increased by approximately 72% to approximately RMB1,113,932,000 for the six months ended 30 June 2006. Gross profit margin increased/dropped from 24.7% in 1H 2005 to 19.6% in 1H 2006. Decrease in gross profit margin was mainly brought about by (1) decrease in proportion of revenue from higher margined lithium-ion battery products, (2) sharp increase in cost of nickel battery production due to soaring of raw material prices, (3) provision of one-stop handset component production and (4) increase in proportion of automobile sales.

Liquidity and financial resources

BYD generated net operating cash inflow of approximately RMB489.596,000 for the Period, compared with RMB800.268,000 for the six months ended 30 June 2005. Total borrowings as at 30 June 2006, including all bank loans were approximately RMB4,627,858,000, compared with approximately RMB4,024,693,000 as at 31 December 2005. The maturity profile spreaded over a period of eight years, with RMB3,057,318,000 repayable within one year, RMB450,000,000 in the second year, RMB400,000,000 within three to five years and RMB720,540,000 after five years. The increase in total borrowings was to fund numerous projects, R&D investment volume and enhance production capacity. The Group maintains adequate daily liquidity management and capital funding expenditure requirements to regulate internal operating cashflow.

Accounts receivable turnover days were about 65 days for the six months ended 30 June 2006 as compared to approximately 109 days for the six months ended 30 June 2005. Inventory turnover days decreased from 150 days for the six months ended 30 June 2005 to 98 days for the Period.

Capital Structure

Use of IPO Proceeds

The Group's treasury function is responsible for the Group's financial risk management which operates according to policies implemented and approved by top management. As at 30 June 2006, borrowings were primarily denominated in RMB and USD, while cash and cash equivalents were mainly denominated in RMB and USD. The Group's intentions to maintain an appropriate mix of financial equity and debt are to ensure an efficient capital structure during the Period. The loans outstanding as at 30 June 2006 are set out in Note 15 to the unaudited consolidated financial statements. The loans remaining outstanding as at 30 June 2006 were at fixed interest rates or floating interest rates for RMB loans and floating interest rates for foreign currency loans.

According to the Prospectus dated 22 July 2002, apart from the HK\$85,000,000 planned for product R&D and manufacturing of fuel cells and solar cells (HK\$870,000 utilised) and the HK\$189,000,000 planned for potential acquisition(s) not utilised, the rest of the proceeds of HK\$1,075,000,000 has been fully utilised.

Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are denominated in RMB and USD. 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.

Employment, Training and Development

As at 30 June 2006, the Group had over 80,000 employees, representing an increase of 25,000 employees as compared with 31 December 2005. During the Period, total staff cost accounted for approximately 23% of the Group's turnover. Employee 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. In addition, incentives and encouragement were offered for personal and career development.

Share Capital

As at 30 June 2006, the share capital of the Company was as follows:

	Number of shares issued	Percentage (%)
Domestic shares H shares	390,000,000 149,500,000	72.29 27.71
	539,500,000	100.00

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares since the listing on 31 July 2002 and up to 30 June 2006. 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 20 to the unaudited consolidated financial statements for capital commitment.

Contingent Liabilities

Please refer to Note 18 to the unaudited consolidated financial statements for contingent liabilities as at 30 June 2006.

SUPPLEMENTARY INFORMATION

Audit committee

The audit committee consists of three independent non-executive Directors and a non-executive Director. A meeting was convened by the Company's audit committee on 13 September 2006 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control and risk management and financial reporting matres (including the financial statements for the six months ended 30 June 2006 before recommending them to the Board for approval).

Code for Securities Transactions by Directors

The Company has not adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry made with Directors, the Company has confirmed that each of the Directors complied with the Model Code.

Compliance with the Code of Best Practice under the Listing Rules

The Board is pleased to confirm that the Company has complied with the Code provisions of the Code of Best Practice as set out in Appendix 14 to the Listing Rules applicable during the Period, except for the following deviation:

Code A.2.1

Code A.2.1 stipulates 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 calibre individuals and meets regularly every three months 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 his appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

Save as disclosed above, the Board is not aware of any other information indicating that the Company did not comply with the said Code of Best Practice at anytime during the Period.

Disclosure of Information on the Stock Exchange's Website

This annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk).

By Order of the Board Wang Chuan-fu Chairman