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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2005

Interim Results for the six months ended 30th June 2005

Turnover	RMB 2,620.9 million
Operating Profit	RMB 336.5 million
Profit attributable to equity holders of the Company	RMB 247.7 million
Basic earnings per share	RMB 0.46

The Board of Directors (the "Board") of BYD Company Limited (the "Company" or "BYD") announces its unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005 (the "Period"). During the period, the unaudited turnover and profit attributable to equity holders of the Company amounted to approximately RMB2,620,949,000 and approximately RMB247,737,000 respectively.

Financial Highlights

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2005
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Six months ended 30th June 2005	2004 Restated
Turnover	5	2,620,949	2,784,509
Cost of sales	16	(1,969,427)	(2,019,793)
Gross profit		651,522	764,716
Other gains - net	15	14,884	17,131
Selling and marketing costs	16	(70,849)	(72,099)
Administrative expenses	16	(260,024)	(172,445)
Other operating income/(expenses)	16	939	(586)
Operating profit		336,472	536,717
Finance costs	17	(62,313)	(26,859)
Profit before income tax		274,159	509,858
Income tax expense	18	(27,938)	(30,198)
Profit for the period		246,221	479,660
Attributable to:			
Equity holders of the Company		247,737	475,371
Minority interest		(1,516)	4,289
		246,221	479,660
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
- basic	19	0.46	0.88
- diluted	19	N/A	N/A
Dividends	20	—	—

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2005
(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30th June 2005 Unaudited	31st December 2004 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,692,715	3,891,620
Land use rights	6	208,364	208,423
Intangible assets	6	337,507	225,338
Deferred income tax assets		13,932	14,374
		5,252,518	4,339,755
Current assets			
Inventories	7	1,808,960	1,494,243
Prepayments and other receivables		358,236	352,530
Amounts due from related parties	24	—	282
Trade and notes receivable	8	1,273,454	1,910,638
Restricted bank deposits	9	29,310	23,870
Cash and cash equivalents		839,369	682,540
		4,309,329	4,464,103
Total assets		9,561,847	8,803,858
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	539,500	539,500
Other reserves	11	1,768,905	1,768,850
Retained earnings			
- Proposed final dividend		—	311,292
- Others		1,677,760	1,424,850
		3,986,165	4,044,492
Minority interest		63,828	59,198
Total equity		4,049,993	4,103,690
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings, less current portion	13	378,958	236,854
Current liabilities			
Trade and notes payable	12	1,663,824	1,636,125
Accruals and other payables		293,046	274,446
Advances from customers		64,725	25,527
Amounts due to related parties	24	—	20,330
Current income tax liabilities		48,968	42,018
Short-term bank borrowings	13	2,800,500	2,202,183
Long-term bank borrowings - current portion	13	257,854	257,716
Provision for warranty	14	3,979	4,969
		5,132,896	4,463,314
Total liabilities		5,511,854	4,700,168
Total equity and liabilities		9,561,847	8,803,858
Net current (liabilities)/assets		(823,567)	789
Total assets less current liabilities		4,428,951	4,340,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2005
(All amounts in RMB thousands unless otherwise stated)

	Note	Unaudited Attributable to equity holders of the Company: Share capital	Other reserves *(Note 11)*	Retained earnings	Minority interest	Total
Balance at 1st January 2004, as previously reported as equity		539,500	1,654,230	1,086,504	—	3,280,234
Balance at 1st January 2004, as previously separately reported as minority interest		—	—	—	153,529	153,529
Balance at 1st January 2004, as restated		539,500	1,654,230	1,086,504	153,529	3,433,763
Profit for the period		—	—	475,371	4,289	479,660
Acquisitions of subsidiaries		—	—	—	(51,988)	(51,988)
Dividends relating to 2003	20	—	—	(276,224)	—	(276,224)
Translation adjustment		—	2,980	—	—	2,980
Balance at 30th June 2004		539,500	1,657,210	1,285,651	105,830	3,588,191
Balance at 1st January 2005, as previously reported as equity		539,500	1,768,850	1,736,142	—	4,044,492
Balance at 1st January 2005, as previously separately reported as minority interest		—	—	—	59,198	59,198
Opening adjustment for the adoption of HKFRS 3	3.1(b)	—	—	5,173	—	5,173
Balance at 1st January 2005, as restated		539,500	1,768,850	1,741,315	59,198	4,108,863
Profit for the period		—	—	247,737	(1,516)	246,221
Acquisitions of equity interests in subsidiaries	21	—	—	—	(19,535)	(19,535)
Contribution by minority interest		—	362	—	25,681	26,043
Dividends relating to 2004	20	—	—	(311,292)	—	(311,292)
Translation adjustment		—	(307)	—	—	(307)
Balance at 30th June 2005		539,500	1,768,905	1,677,760	63,828	4,049,993

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2005
(All amounts in RMB thousands unless otherwise stated)

	Unaudited Six months ended 30th June 2005	2004 Restated
Net cash generated from operating activities	800,630	42,817
Net cash used in investing activities	(1,072,761)	(898,525)
Net cash generated from financing activities	429,267	1,077,324
Net increase in cash and cash equivalents	157,136	221,616
Cash and cash equivalents at 1st January	682,540	498,813
Exchange (losses)/gains on cash and cash equivalents	(307)	2,980
Cash and cash equivalents at 30th June	839,369	723,409
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	839,369	723,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30TH JUNE 2005
(All amounts in RMB thousands unless otherwise stated)

1. ORGANISATION AND OPERATIONS

BYD Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 11th June 2002 as a joint stock limited company.

The principal activity of the Company is research, development, manufacture and sales of rechargeable batteries, handset components and other electronic products. The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited since 31st July 2002.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

As at 30th June 2005, the Group had net current liabilities of RMB 823,567,000. Notwithstanding the foregoing, the accounts have been prepared on a going concern basis as the directors, having considered the current operation and business plan of the Company as well as the available banking facilities, are of the opinion that the Group will have sufficient working capital to enable it to operate as a going concern.

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new / revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") issued by HKICPA, which are effective for accounting periods commencing on or after 1st January 2005.

The changes to the Group's accounting policies and the effects of adopting these new policies are set out in note 3 below.

3. CHANGES IN ACCOUNTING POLICIES

3.1 **Effect of adopting new HKFRS**

In 2005, the Group adopted the new / revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interest and other disclosures.

— HKASs 2, 7, 8, 10, 16, 23, 27 and 33 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

— Amortised on a straight line basis over a period of 20 years; and

— Assessed for an indication of impairment at each balance sheet date.

Negative goodwill was:

— Recognised in the consolidated income statement over the remaining weighted average useful life of the non-monetary assets acquired.

In accordance with the provisions of HKFRS 3 (Note 3.2(d)):

For positive goodwill,

— The Group ceased amortisation of goodwill from 1st January 2005;

— Accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;

— From the year ending 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

For negative goodwill,

— The carrying amount of previously recognised negative goodwill at 1st January 2005 is derecognised with a corresponding adjustment to the opening balance of retained earnings.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

— HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

— HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to Investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005;

— HKFRS 3 — prospectively after the adoption date.

(a) The adoption of revised HKAS 17 resulted in:

	As at 30th June 2005	31st December 2004
Decrease in property, plant and equipment	(208,364)	(208,423)
Increase in land use rights	208,364	208,423

(b) The adoption of HKFRS 3 and HKAS 38 resulted in:

	As at 30th June 2005
Increase in intangible assets due to the derecognition of negative goodwill	5,173
Increase in retained earnings	5,173

3.2 **New Accounting Policies**

The accounting policies used for the condensed consolidated financial information for the six months ended 30th June 2005 are the same as those set out in note 2 to the 2004 annual financial statements except for the following:

(a) *Acquisition of subsidiaries*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Groups' share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(b) *Foreign currency translation*

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(c) *Property, plant and equipment*

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(d) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(e) *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(f) *Investments*

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. As at 30th June 2005, the Group does not have any outstanding financial assets in this category and the realised gains are included in the current period income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 3.2(g)).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. During the period, the Group did not hold any investments in this category.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(g) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(h) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(i) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group exposes to foreign exchange risks as certain portion of sales and purchase transactions and financing activities are denominated in foreign currencies, primarily with respect to the US dollar. The Group has entered into foreign exchange forward contracts to manage such risk. The directors are of the opinion that the Group's exposure to foreign exchange risk is manageable.

(b) *Credit risk*

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history. The Group performs ongoing credit evaluations for its customers' financial condition and generally does not require collateral on trade receivables. The Group maintains a provision for doubtful debts and actual losses have been within management's expectation.

(c) *Liquidity risk*

The Group reported net current liabilities approximately RMB 823,567,000 as at 30th June 2005, which is mainly due to the fact that certain portion of capital expenditures like property, plant and equipment are financed by short-term bank loans. The Group has not experienced any difficulties in renewing the borrowings when they felt due. Besides, the Group has unutilised banking facilities of approximately RMB 5,969,187,000 at 30th June 2005 (Note 13), which the Group could utilise it to meet its short-term cash demands. As a result, the directors are of the opinion that liquidity risk is not material as at 30th June 2005.

(d) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises mainly from long-term borrowings bearing fixed interest rates. However, considering long-term borrowings only represented approximately 20% of total borrowings, the directors are of the opinion this risk is not material as at 30th June 2005.

4.2 Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (b) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) *Derivatives that do not qualify for hedge accounting*

For derivative instruments not qualified for hedge accounting, changes in the fair value are recognised immediately in the income statement.

5. SEGMENT INFORMATION

Primary reporting format — business segments

At 30th June 2005, the Group is principally engaged in three main business segments:

(a) Battery and other products — manufacture and sales of rechargeable batteries principally for mobile phones, emergency lights and other battery-related products.

(b) Handset components — manufacture and sales of LCD and precise plastic parts.

(c) Automobile and related products — manufacture and sales of automobiles, battery-powered automobiles/ bicycles and auto-related moulds.

	Unaudited Six months ended 30th June 2005			
	Battery and other products	Handset components	Automobile and related products	Total
Turnover	2,000,892	500,893	119,164	2,620,949
Operating profit/(loss)	382,858	25,327	(71,713)	336,472
Finance costs				(62,313)
Profit before income tax				274,159
Income tax expense				(27,938)
Profit for the period				246,221
Other information				
Depreciation	91,731	33,460	39,991	165,182
Amortisation	105	1,603	12,864	14,572
Assets impairment losses recognised in the income statement	—	20,518	12,085	32,603
Reversal of impairment losses	(38,498)	—	(17)	(38,515)

	Unaudited and restated Six months ended 30th June 2004			
	Battery and other products	Handset components	Automobile and related products	Total
Turnover	2,197,147	293,092	294,270	2,784,509
Operating profit/(loss)	503,707	42,991	(9,981)	536,717
Finance costs				(26,859)
Profit before income tax				509,858
Income tax expense				(30,198)
Profit for the period				479,660
Other information				
Depreciation	55,492	13,427	21,887	90,806
Amortisation	5,322	134	6,795	12,251
Assets impairment losses recognised in the income statement	—	10,865	2,433	13,298
Reversal of impairment losses	(17,115)	(193)	—	(17,308)

The segment assets and liabilities at 30th June 2005 and capital expenditures for the six months then ended are as follows:

	Battery and other products	Handset components	Automobile and related products	Total
Assets	6,153,147	1,360,131	2,048,569	9,561,847
Liabilities	2,789,700	980,465	1,741,689	5,511,854
Capital expenditures	798,229	88,012	204,200	1,090,441

The segment assets and liabilities at 31st December 2004 and capital expenditures for the year then ended are as follows:

	Battery and other products	Handset components	Automobile and related products	Total
Assets	5,573,003	1,243,535	1,987,320	8,803,858
Liabilities	2,050,149	1,038,469	1,611,550	4,700,168
Capital expenditures	1,063,868	340,942	699,180	2,103,990

Secondary reporting format — geographical segments

The Group's three business segments operate in three main geographical areas, eg. the PRC, Europe and USA.

	Unaudited Six months ended 30th June	
	2005	2004
Turnover		
PRC	2,480,233	2,645,018
Europe	65,434	79,346
US	75,282	60,145
	2,620,949	2,784,509

Turnover are allocated based on the countries in which customers are located.

No geographical segment assets and liabilities are presented as over 90% of the Group's assets are located in the PRC.

6. CAPITAL EXPENDITURES

	Goodwill	Development costs	Industrial proprietary rights and patents	Distribution network	Total intangible assets	Property, plant & equipment	Land use rights
Opening net book amount as at 1st January 2005 *(Note (a))*	45,696	176,771	2,457	414	**225,338**	3,891,620	208,423
Derecognition of negative goodwill *(Note 3.1(b))*	5,173	—	—	—	**5,173**	—	—
Acquisition of subsidiaries *(Note 21)*	7,734	—	—	—	**7,734**	—	—
Other additions	—	88,408	25,347	20	**113,775**	976,666	—
Disposals	—	—	—	—	**—**	(10,389)	—
Depreciation/ amortisation charge	—	(12,861)	(1,650)	(2)	**(14,513)**	(165,182)	(59)
Closing net book amount as at 30th June 2005	58,603	252,318	26,154	432	**337,507**	4,692,715	208,364
Opening net book amount as at 1st January 2004 - restated	45,814	33,865	3,620	881	**84,180**	2,189,981	191,734
Additions	8,131	91,042	—	—	**99,173**	749,129	23,400
Disposals	—	—	—	—	**—**	(1,800)	—
Depreciation/ amortisation charge	(1,681)	(5,047)	(977)	(323)	**(8,028)**	(90,806)	(4,223)
Closing net book amount as at 30th June 2004 - restated	52,264	119,860	2,643	558	**175,325**	2,846,504	210,911
Additions	(5,238)	61,776	—	283	**56,821**	1,175,467	—
Disposals	—	—	—	—	**—**	(5,484)	—
Depreciation/ amortisation charge	(1,330)	(4,865)	(186)	(427)	**(6,808)**	(124,867)	(2,488)
Closing net book amount as at 31st December 2004 - restated	45,696	176,771	2,457	414	**225,338**	3,891,620	208,423

(a) The opening net book amount as at 1st January 2005 represented the unamortised amount of the goodwill arising from the acquisitions of subsidiaries, BYD Automobile Company Limited ("BYD Auto QC") and Xian BYD Elec-automobile Company Limited ("BYD Auto Xian") of approximately RMB 43,434,000 and RMB 7,435,000 respectively, and the unamortised amount of the negative goodwill arising from the acquisition of subsidiary, Shenzhen BYD Lithium Batteries Company Limited of approximately RMB 5,173,000. In accordance with the change in accounting policy due to the adoption of HKFRS 3, which has been effective from 1st January 2005 onward, the Group ceased amortisation of goodwill on 1st January 2005 and goodwill is subject to annual impairment test, which is proposed to be carried out by the Group in the second half of 2005. The carrying amount of negative goodwill is derecognised on 1st January 2005, with a corresponding adjustment to the opening balance of retained earnings.

(b) During the period, the Directors of the Company reassessed the useful lives of property, plant and equipment and decided to change the useful lives of certain production equipments from 5 years to 7 years. The effect of this change in accounting estimate is to increase operating profit for the period by approximately RMB8,242,000.

7. INVENTORIES

	30th June 2005 Unaudited	31st December 2004
Raw materials	723,179	717,929
Work-in-progress	817,694	665,730
Finished goods	360,903	202,862
	1,901,776	1,586,521
Less: written down of inventories to net realisable value	(92,816)	(92,278)
Inventories - net	1,808,960	1,494,243

During the period, the Group has written down inventories to net realisable value at approximately RMB 27,386,000 (2004: RMB 1,633,000) and reversed the provision at approximately RMB 26,848,000 (2004: nil) upon disposal of inventories.

8. TRADE AND NOTES RECEIVABLE

	30th June 2005 Unaudited	31st December 2004
Trade receivables	1,320,940	1,923,437
Notes receivable	72,266	113,385
Less: provision for impairment of receivables	(119,752)	(126,184)
Trade and notes receivable, net	1,273,454	1,910,638

The Group would generally grant a credit term from 0 to 120 days to its customers. At 30th June 2005 and 31st December 2004, the ageing analysis of the trade and notes receivable were as follows:

	30th June 2005 Unaudited	31st December 2004
1 to 3 months	885,289	1,634,533
4 to 6 months	288,829	230,934
7 to 12 months	92,598	45,171
Over 12 months	6,738	—
	1,273,454	1,910,638

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

The Group has reversed RMB 6,431,000 (2004: RMB 4,696,000) for the impairment of its trade receivables during the six months ended 30th June 2005. This has been included in administrative expenses in the income statement.

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

In June 2005, the Group entered into non-recourse factoring agreements with a bank for the factoring of certain accounts receivable of US$45,512,000 (equivalent to approximately RMB 377,752,000). Under the factoring agreements, the Group received US$36,300,000 (equivalent to approximately RMB 301,290,000) ("the transfer amount") from the bank upon inception of the factoring agreements which represented approximately 80% of the factored amount and the Group agreed to pass to the bank any portion of the factored accounts receivable upon receipt of settlement from customers in respect of the factored receivables. Further, the Group needs to pay a service charge at 0.2% of the transfer amount and an interest calculated on a monthly basis in respect of the transfer amount but remain outstanding from time to time at a rate of 3.78% per annual. The management consider that the risk and reward of the accounts receivable factored with amount of US$36,300,000 (equivalent to approximately RMB 301,290,000) has been transferred to the bank and accordingly such accounts receivable were derecognised from the balance sheet as at 30 June 2005. Up to the date of approval of this announcement, the aggregate amount of accounts receivable factored which remained outstanding was US$5,000,000 (equivalent to approximately RMB 40,550,000).

9. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent pledged deposits placed with banks for sake of issuance of certain letters of credit by the banks on behalf of the Group.

10. SHARE CAPITAL

	Number of shares (thousands)	Amount of share
At 30th June 2005 and 31st December 2004		
Issued and fully paid for RMB 1 each	539,500	539,500

11. OTHER RESERVES

	Unaudited				
	Capital surplus	Statutory surplus reserve	Statutory public welfare fund	Cumulative translation adjustments	Total
Balance at 1st January 2004	1,523,080	92,065	41,174	(2,089)	1,654,230
Translation adjustment	—	—	—	2,980	2,980
Balance at 30th June 2004	1,523,080	92,065	41,174	891	1,657,210
Appropriation	—	86,182	24,957	—	111,139
Translation adjustment	—	—	—	501	501
Balance at 31st December 2004	1,523,080	178,247	66,131	1,392	1,768,850
Balance at 1st January 2005, as per above	1,523,080	178,247	66,131	1,392	1,768,850
Translation adjustment	—	—	—	(307)	(307)
Contribution by minority interest	362	—		—	362
Balance at 30th June 2005	1,523,442	178,247	66,131	1,085	1,768,905

12. TRADE AND NOTES PAYABLE

At 30th June 2005 and 31st December 2004, the ageing analysis of the trade and notes payable were as follows:

	30th June 2005 Unaudited	31st December 2004
1 to 3 months	1,271,696	1,238,671
4 to 6 months	300,590	374,079
7 to 12 months	73,108	10,703
1 to 2 years	11,283	6,946
2 to 3 years	5,159	5,726
Over 3 years	1,988	—
	1,663,824	1,636,125

13. BORROWINGS

	30th June 2005 Unaudited	31st December 2004
Non-current		
Long-term bank borrowings	636,812	494,570
Less: current portion of long-term bank borrowings	(257,854)	(257,716)
	378,958	236,854
Current		
Short-term bank borrowings	2,800,500	2,202,183
Current portion of long-term bank borrowings	257,854	257,716
	3,058,354	2,459,899
Total borrowings	3,437,312	2,696,753

The maturity of borrowings was as follows:

	30th June 2005 Unaudited	31st December 2004
Within 1 year	3,058,354	2,459,899
Between 1 and 2 years	15,792	165,792
Between 2 and 5 years	347,374	39,479
Wholly repayable within 5 years	3,421,520	2,665,170
Over 5 years	15,792	31,583
	3,437,312	2,696,753

The effective interest rates at the balance sheet date were as follows:

	30th June 2005 Unaudited			31st December 2004	
	RMB	US$	HK$	RMB	US$
Bank borrowings	4.33%	3.03%	3.90%	4.40%	2.54%

The carrying amounts and fair values of the non-current borrowings were as follows:

	Carrying amounts		Fair values	
	30th June 2005 Unaudited	31st December 2004	30th June 2005 Unaudited	31st December 2004
Bank borrowings	378,958	236,854	376,133	239,017

The fair values are based on cash flows discounted using a rate based on the borrowings rate of 5.37% (31st December 2004: 4.78%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the borrowings were denominated in the following currencies:

	30th June 2005 Unaudited	31st December 2004
RMB	2,631,239	1,430,000
US dollar	719,153	1,266,753
HK dollar	86,920	—
	3,437,312	2,696,753

The Group had the following undrawn banking facilities:

	30th June 2005 Unaudited	31st December 2004
Expiring within one year		
— floating rate	228,250	228,250
— fixed rate	5,740,937	2,628,455
	5,969,187	2,856,705

The facilities expiring within one year were annual facilities subject to review at various dates in the coming 12 months.

14. PROVISION FOR WARRANTY

	Unaudited Six months ended 30th June 2005	30th June 2004
At 1st January	4,969	7,518
Additional provisions	3,027	3,663
Less: utilised during the period	(4,017)	(5,655)
At 30th June	3,979	5,526

The Group provides two-year or below 40,000 kilometres (whichever applicable) warranties on automobiles and undertakes to repair or replace items that fail to perform satisfactorily. A provision of RMB 3,979,000 has been recognised at 30th June 2005 (31st December 2004: RMB4,969,000) for expected 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 one year.

15. OTHER GAINS — NET

	Unaudited Six months ended 30th June 2005	30th June 2004
Sales of materials *(Note (a))*	6,529	11,169
Processing income	1,886	545
Interest income	3,186	2,663
Derivative instruments:		
- forward contracts: transactions not qualifying as hedges	3,208	—
Subsidy income	75	2,754
	14,884	17,131

(a) During the period, the Group sold raw materials to some of its suppliers amounting to approximately RMB 20,491,000 (2004: RMB84,294,000) with a corresponding cost of raw materials of approximately RMB 13,962,000 (2004: RMB73,125,000), resulting in other revenue of approximately RMB 6,529,000 (2004: RMB11,169,000).

16. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

	Unaudited Six months ended 30th June 2005	30th June 2004
Depreciation, amortisation and impairment expenses *(Note 6)*	179,754	103,057
Reversal of provision for doubtful debts *(Note 8)*	(6,431)	(4,696)
Write-down of inventory to net realisable value *(Note 7)*	27,386	1,633
Employee benefit expense (excluding directors' emoluments)	253,147	279,241
Changes in inventories of finished goods and work in progress	(310,005)	(355,482)
Raw materials and consumables used	2,015,258	2,087,818
Operating lease expenses on buildings	3,133	2,157
Loss on disposal of property, plant and equipment	8,862	252
Provision on warranty *(Note 14)*	3,027	3,663
Directors' (including supervisors') emoluments *(Note 24(b))*	889	844
Auditors' remuneration	1,000	200
Research and development costs	53,774	31,212

17. FINANCE COSTS

	Unaudited Six months ended 30th June 2005	30th June 2004
Interest expense for bank borrowings	46,739	20,198
Bank charges for discounted notes	7,896	—
Other bank charges	4,947	1,812
	59,582	22,010
Net foreign exchange transaction loss	2,731	4,849
	62,313	26,859

18. INCOME TAX EXPENSE

	Unaudited Six months ended 30th June 2005	30th June 2004
Current taxation		
- PRC taxation	27,496	29,897
Deferred taxation	442	301
	27,938	30,198

(a) **Hong Kong, U.S.A. and Netherlands profits tax**

No Hong Kong, U.S.A. and Netherlands profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong, U.S.A. and Netherlands for the period (2004: Nil).

(b) **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.

19. EARNINGS PER SHARE

(a) **Earnings per share — basic**

The calculation of basic earnings per share for the period is based on the Group's profit attributable to shareholders for the six month period of approximately RMB247,737,000 (2004: RMB475,371,000) and the number of 539,500,000 (2004: 539,500,000) shares in issue during the period.

(b) **Earnings per share — diluted**

Diluted earnings per share is not presented because there has been no potentially dilutive ordinary shares in existence during the period.

20. DIVIDENDS

(a) No interim dividends have been proposed for the period (2004: Nil).

(b) Dividends shown in the condensed consolidated statement of changes in equity represented:

	Unaudited Six months ended 30th June 2005	30th June 2004
2004 Final dividends of RMB0.577 (2003: RMB0.512) per share *(Note (i))*	311,292	276,224

(i) At a meeting held on 24th March 2005, the directors proposed a final dividend of RMB 0.577 (2003: RMB 0.512) per share for the year ended 31st December 2004, which was paid on 22nd June 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2005.

21. BUSINESS COMBINATIONS

In June 2005, the Group acquired additional 7% equity interests in two subsidiaries, BYD Auto QC and BYD Auto Xian respectively. After the completion of the acquisitions, the equity interests of the Company in BYD Auto QC and BYD Auto Xian had increased from 92% to 99% respectively.

Details of net assets acquired and goodwill are as follows:

	BYD Auto QC	BYD Auto Xian	Total
Purchase consideration:			
— Cash paid	21,120	6,000	27,120
— Direct costs relating to the acquisitions	89	60	149
Total purchase consideration	21,209	6,060	27,269
Fair value of net assets acquired — shown as below	(15,882)	(3,653)	(19,535)
Goodwill *(Note 6)*	5,327	2,407	7,734

The assets and liabilities arising from the acquisitions are as follows:

	Fair value BYD Auto QC	BYD Auto Xian
Cash and cash equivalents	9,571	35,714
Property, plant and equipment	593,342	560,580
Land use rights	42,259	36,216
Development cost (included in intangibles)	—	117,339
Inventories	40,429	4,677
Receivables	31,088	18,919
Payables	(242,987)	(721,258)
Borrowings	(246,812)	—
Net assets	226,890	52,187
Acquired equity interests (7%)	7%	7%
Net assets acquired	15,882	3,653
Purchase consideration settled in cash	21,209	6,060

The fair values of the assets and liabilities acquired approximate their carrying amounts.

22. CONTINGENCIES

(a) As at 30th June 2005, the Group had outstanding guarantee of bank loans for third parties with amount of RMB 3,285,000. (31st December 2004: RMB 3,531,000).

(b) The Group is currently involved in one litigation proceedings in Japan in relation to alleged patent infringements. Due to the fact that there has not been any material development in respect of the proceedings in Japan since commencement of such proceedings, the directors consider that it is impracticable and premature to assess the impact of such proceedings on the Group and its operation. The Directors of the Company believe that the Group has not committed the alleged infringements. The Group would vigorously defend against all claims under the proceeding.

(c) Pursuant to the factoring agreements entered with a bank as detailed in note 8, the Group agreed to pass to the bank any portion of the factored accounts receivable upon the receipt of settlement from the respective customers up to the transfer amount. The accounts receivable under the factoring agreements which were not transferred to the bank and remained on the balance sheet as at 30 June 2005 amounted to US$9,212,000 (equivalent to approximately RMB 74,709,000). Up to the date of approval of this results announcement, the aggregate amount of accounts receivable factored but remained outstanding to the bank was US$5,000,000 (equivalent to approximately RMB 40,550,000) while the total accounts receivable under the factoring agreements remained outstanding from the customers amounted to US$14,212,000 (equivalent to approximately RMB 115,259,000).

23. COMMITMENTS

(a) **Capital commitments**

Capital expenditures at the balance sheet date but not yet incurred is as follows:

	30th June 2005 Unaudited	31st December 2004
Contracted but not provided for		
- Buildings	118,334	282,098
- Machinery and equipment	406,001	414,591
	524,335	696,689

(b) **Operating lease commitments**

As at 30th June 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases for factories and office premises as follows:

	30th June 2005 Unaudited	31st December 2004
Within 1 year	1,432	983
After 1 year but within 5 years	1,877	2,264
	3,309	3,247

24. RELATED-PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship with related party:

Name	Relationship
Mr. Wang Chuan-fu	Director and shareholder of the Company

(b) Save as disclosed elsewhere in this report, the Group carried out the following material related party transactions during the period.

Key management compensation

	Unaudited Six months ended 30th June 2005	2004
Salaries and other short-term benefits	884	839
Post-employment benefits	5	5
	889	844

(c) As at 30th June 2005, the balances with related parties were as follows:

	30th June 2005 Unaudited	31st December 2004
Due from a related party		
- Mr. Wang Chuan-fu, director	—	282
Due to related parties		
- Shaanxi Province Investment Group (Limited) Company ("Shaanxi Group")	—	330
- Northwest Electric-power Finance Company Limited ("Electric-power Finance")	—	20,000
	—	20,330

Shannxi Group is a minority interest of two subsidiaries of the Group and Electric-power Finance is a subsidiary of Shanxi Group. Shannix Group and Electric-power Finance were presented as related parties for the year ended 31st December 2004. With disposal of their equity interests in the subsidiaries of the Group, they are not qualified as related parties for the six months ended 30th June 2005.

25. COMPARATIVE FIGURES

The Group has adopted new HKFRS which are effective for accounting periods commencing on or after 1st January 2005. As mentioned in Note 3, this has resulted in changes to the presentation of certain items and comparative financial information has been restated accordingly. In addition, certain comparative figures have been reclassified to conform to the current period presentation.

Management Discussion and Analysis

Industry Overview

The first half of 2005 was a challenging period for handset rechargeable battery and parts manufacturers. There was severe competition among global handset manufacturers in the international market in terms of diversified functions, stylish appearance and competitive prices. To maintain profit and expand market coverage and revenue sources, global handset manufacturers actively explored new markets and have successfully captured additional market share in the newly emerged PRC market with advanced and quality products of competitive prices. As for the domestic handset market, the market environment remained competitive although the market demand for mobile handsets in the PRC continued to increase. Domestic vendors faced competition from global handset manufacturers as well as unorginal handsets and was under increased pressure. They were forced to reduce price and focus on inventory clearance, which has resulted in a significant decrease in sales of domestic handset manufacturers. Faced with fierce competition in the international and even the newly emerged PRC market, both international and domestic handset manufacturers controlled their costs stringently and inevitably passed pressure onto rechargeable battery and parts manufacturers to enhance price competitiveness.

The highly competitive environment signified the commencement of industry consolidation. There have been a number of mergers and acquisitions in the industry during the first half of 2005. Besides, the prices of major raw materials remained high, squeezing the profit margin of rechargeable battery and handset component manufacturers. Moreover, sales of domestic handset manufacturers declined significantly. Rechargeable battery manufacturers and handset component manufacturers with a domestically-focused revenue source were faced with a very difficult operating environment during the period.

Business Review

The first half of 2005 was a challenging period for BYD. Global handset manufacturers captured additional market share from domestic handset manufacturers, BYD was inevitably affected. The sales of Li-ion batteries dropped. However, with its leading market position in Nickel batteries, the sales of Nickel batteries increased. As for handset component business, stable sales growth was recorded as the Group expanded its product range. However, as the new products have not reached a large production scale, the fixed costs were high at the early stage, coupled with the increase in raw material price and the change in product mix, the gross profit margin of battery-related business decreased as compared to the same period last year. The Group's automobile business was affected by the unfavourable policy and market environment. Moreover, the Group sold only old models during the period and therefore, the fixed costs to be absorbed by the Group increased, resulting in a negative gross profit margin in the automobile business. Apart from the factors mentioned above, the Group's administration costs increased due to an increase in manpower and R&D investment for developing new products. There was also an increase in finance costs due to an increase in bank borrowings to expand production capacity. Therefore, the Group's profitability in the first half of 2005 was not satisfactory.

Rechargeable Battery Business

During the period, the Group's sales of Lithium-ion batteries declined mainly because of the significant decrease in orders from domestic handset manufacturers. Owing to fierce competition from global peers, domestic handset manufacturers were losing market share, resulting in a reduction of orders and a need to clear inventory through price reduction to minimise loss. As a result, the Group's sales of Lithium-ion battery decreased sharply. Raw material price remained high but the Group sold more cells which are of a higher profit margin, offsetting the impact of high raw material price on the gross profit margin of the Group's battery business. Thanks to its international brand recognition, BYD managed to achieve satisfactory growth from sales of Lithium-ion batteries to global handset manufacturers, offsetting part of the negative effects brought by the decrease in sales of domestic handset manufacturers. In an effort to diversify its battery range apart from mobile handsets, the Group has started supplying rechargeable batteries for other electronic devices, such as digital cameras. As to Nickel-battery products, sales were not severely affected by the handset market because the target customers of Nickel-battery included electrical device suppliers. During the period, the sales of Nickel-battery increased 39% over the same period last year.

Handset Component Business

Leveraged on the same customer base as its rechargeable battery business and encouraged by the positive response from customers towards the one-stop shop handset component service, the Group extended its product range of battery-related products to LCD and mechanical parts for mobile phones during the period. The Group has also developed other new products including keypads, camera modules and flexible printed circuits to further enhance its product portfolio. At the early stage of developing handset components, the Group mainly targeted domestic handset manufacturers. Therefore, unsatisfactory demand of domestic handset manufacturers had resulted in only a stable growth in the Group's handset component business, slightly smaller than what the Group had expected earlier this year. Due to the change in product mix of handset component business and the increase in prices of raw materials, coupled with the fact that the services had not reached a big-enough scale and the product capacity had not been fully utilized, the gross profit margin was affected. During the period, some global handset manufacturers have already conducted a series of product tests but the Group expects that they will only start to place bulk orders in the second half of 2005, which will generate growth in this business in the second half of 2005.

Automobile Business

The implementation of macro-economic tightening measures posted a negative factor for the development of the automobile industry. The fierce competition in the PRC automobile industry continued to play a role in the downward price adjustment for automobile products and finally turned into price competition. The poor market sentiment in the PRC automobile market continued during the period, which led to consumers' wait-and-see attitude. All these have created an unfavorable operational environment for the Group's automobile business. During the period, due to the poor market sentiment and the fact that all the revenue was generated from selling of old model products, the Group's performance in the automobile business was weak. As the automobile business was sluggish, the fixed costs to be absorbed by the Group increased. The automobile business thus recorded a negative gross margin, affecting the Group's overall gross profit margin.

Future Prospects and Strategies

The competitive environment in global and domestic handset industry makes 2005 a year of business consolidation for the Group. The foreseeable operating environment of rechargeable battery business would still be difficult while the new business of manufacturing LCD and mechanical parts for mobile phones still under development stage. Leveraging on its leading position in the industry, and its advantages in advanced technology, costs and clientele, the Group is confident that by further consolidating its core business and proactively paving the way for the future growth of handset component business during the second half of 2005, it will soon turn the business back to a normal level.

Rechargeable Battery Business

Being the core business of the Group, the rechargeable battery business is expected to resume growth in the second half of 2005 at a rate which is expected to be comparable to the level in the second half of 2004 and continue to contribute profit to the Group. The Group will continue to enhance its product portfolio, supply products to new global handset manufacturers, as well as capture more orders from existing global handset manufacturers, so as to offset the short-term adverse effects brought by domestic handset manufacturers. Leveraging on its unique competitive advantage of a low cost structure compared with its peers in the industry, the Group is well prepared to secure more projects in the fourth quarter of 2005 so as to maintain its leading position in the global rechargeable batteries industry while increasing sales and capturing larger market share.

Handset Component Business

As for the handset component business, it is expected that initial orders will be received from certain global handset manufacturers on LCD and mechanical parts for mobile phones. Together with stable orders from domestic customers, the Group expects satisfactory growth in handset component business in the second half of 2005. The Group will endeavour to explore the product range of handset components, with a view to accelerating the growth of this business in future and enable the Group to become a one-stop handset component provider in the market. Sharing the same customer platform with its battery business, and in view of the rapid growth of the handset component business, it is expected to become a key growth driver of the Group in 2006 and 2007. Taken this development into consideration, the Group has invested part of its capital expenditure for the period in expanding the production capacity of handset component business to capture future growth opportunities.

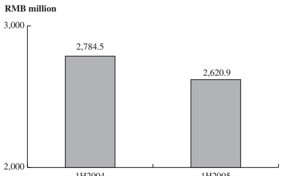
Automobile Business

Regarding the automobile business, the Group will launch a new model F3 - the first new model of BYD Automobile Company Limited, in the fourth quarter of 2005 and expect to arouse consumers' interest amid the weak market sentiment in the automobile industry. It is anticipated that the new model would stimulate sales and turnaround the negative gross profit margin of the automobile business of the Group. Meanwhile, the Group will continue to monitor market situation and adopt a prudent approach in formulating development strategies. The Group will increase its efforts in R&D in order to lay a solid foundation for the automobile business, and should the market revive, the Group will be able to achieve breakeven for the automobile business as soon as possible.

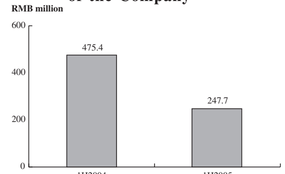
Financial Review

Turnover and Profit Attributable to Equity Holders of the Company

Turnover



Profit attributable to equity holders of the Company



A decrease in turnover was mainly attributable to the decrease in sales of domestic handset manufacturers, which led to drastic decrease in sales of Lithium-ion battery products.

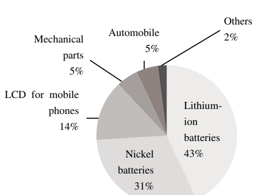
During the period, the increase in prices of raw materials and changes in product structure affected the gross profit margin of the Group's handset component business. In addition, the negative gross margin in automobile business has reduced the overall gross margin. Together with an increase in finance costs and interest expenses, the Group's profit attributable to equity holders of the Company decreased.

Segmental Information

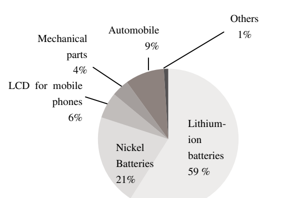
Set out below is a comparison of the Group's turnover in terms of product categories and their proportion for the six months ended 30th June 2005 and 2004:

A breakdown of turnover in terms of product categories and their proportion

1H2005



1H2004

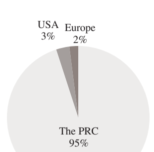


During the period, Lithium-ion battery products remained the largest income source for the Group, representing 43% of turnover during the period. However, the proportion to turnover reduced as compared with the corresponding period in last year, mainly due to the decrease in the sales to domestic handset manufacturers. On the contrary, the sales of nickel batteries recorded a growth, resulting in an increase in the sales income of 39%, thereby causing the proportion of nickel batteries to the overall turnover to increase. During the period, sales of LCDs and mechanical parts for mobile handsets continued to increase and contributed to 19% of the Group's total turnover. Sales of automobile contributed 5% of total turnover for the period.

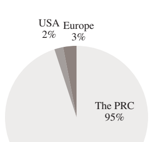
Set out below is a comparison of the Group's turnover in terms of geographical segment, as determined by location of its operations for the six months ended 30th June 2005 and 2004:

A breakdown of turnover in terms of geographical segment and their proportion

1H2005



1H2004



Gross Profit and Margin

The Group's gross profit decreased by approximately 14.8% from RMB764,716,000 for the six months ended 30th June 2004 to approximately RMB651,522,000 for the six months ended 30th June 2005. The reasons for the reduction are the increase in prices of raw materials, a change in product structure which has reduced the gross profit margin of handset component business and the negative gross margin of the automobile business . Nonetheless, the Group sold more cells with higher profit margin, offsetting the negative effect of the above factors. During the period, profit attributable to equity holders of the Company decreased by 47.9% compared to the same period last year, mainly because the administration costs and finance costs increased significantly by 50.8% and 132% respectively compared to the same period last year. Increase in administration costs was due to significant investments in the R&D of new products and operations to expand production capacity, enhance R&D capability and increase manpower. Sales of the new products were not high, resulting in a higher fixed unit costs and a decline in marginal profit. To boost production capacity, the Group increased its bank borrowings of RMB2,361,227,000 during the period, which has increased the finance costs of the Group during the priod.

Liquidity and financial resources

The Group generated net operating cash inflow of approximately RMB800,630,000 for the six months ended 30th June 2005, compared with approximately RMB42,817,000 million in the corresponding period in 2004. Total borrowings as at 30th June 2005, including all bank loans were approximately RMB3,437,312,000, compared with approximately RMB2,696,753,000 as at 31st December 2004. The maturity profile spread over a period of eight years, with RMB3,058,354,000 repayable within one year, RMB15,792,000 in the second year, RMB347,374,000 within three to five years and RMB15,792,000 after five years. The increase in total borrowings was to fund numerous new battery related projects, R&D investments and to enhance production capacity. During the period, the Group also invested an investment of RMB204,200,000 in automobile business by an internal source of funding for purchasing new production lines to produce the Group's new model automobile. The Group maintains relevant daily liquidity management and capital funding expenditure requirements to satisfy internal operating cash flow. In addition, BYD has accessed to significant short-term borrowing facilities from principal banks. As at 30th June 2005, the Group's gearing ratio, calculated on basis of total borrowing net of cash and cash equivalents over net assets, was 64%.

Accounts receivable turnover days were about 109 days for the six months ended 30th June 2005 as compared to 97 days for the year ended 31st December 2004. The accounts receivable turnover days increased mainly because of a longer credit period granted to domestic handset manufacturers when sales slowed down.

Inventories

Inventory turnover days increased from 91 days for the year ended 31st December 2004 to 150 days for the six months ended 30th June 2005. During the period, the surge in prices of raw material and allowance for bulk order, coupled with additional new projects and enhancement in production capabilities of the Shanghai plant, has resulted in increases in inventories and therefore, increased the inventory turnover days.

For the six months ended 30th June 2005, inventories of the Group increased by 21% to RMB1,808,960,000 from RMB1,494,243,000 as at 31st December 2004. Work in progress and finished products increased by 23% and 78% respectively, mainly because of the decline in sales of domestic handset manufacturers and the increased stock for orders of battery-related products, resulting in an increase in inventories.

Capital Structure

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 30th June 2005, borrowings were primarily denominated in RMB and USD, while cash and cash equivalents were 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 remaining outstanding as at 30th June 2005 are set out in Note 13 to the accompanying financial statements. The loans remaining outstanding as at 30th June 2005 were at fixed interest rates for RMB loans and at floating interest rates for foreign currency loans.

Details on factoring of receivable

For details on factoring of receivable, please refer to Note 8 to the Condensed Consolidated Financial Information.

Use of IPO Proceeds

According to the Prospectus dated 22nd July 2002, apart from the HK$85,000,000 planned for product R&D and manufacturing of fuel cells and solar cells (HK$700,000 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

Majority of the Group's income and expenditure is denominated in RMB and USD. During the period, the Group did not experience any significant difficulties in its operations or liquidity as a result of the 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 30th June 2005, the Group had over 40,000 employees. During the period, total staff cost accounted for approximately 9.7% of the Group's turnover. Employee remuneration was determined based on their performance, experience and prevailing industry practices, with compensation policies being reviewed on regular basis. Bonuses and commission were also awarded to employees, based on their performance evaluation. Additionally, incentives and encouragement were offered for personal and career development.

Share capital

As at 30th June 2005, share capital of the Company is as follows:

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

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

Capital commitment

As at 30th June 2005, the Group's contracted capital commitments for the acquisition of plants and machinery amounted to approximately RMB524,335,000 (31st December 2004: RMB696,689,000).

Capital expenditures

For the six months ended 30th June 2005, the Group's capital expenditures were approximately RMB1,090,441,000, of which RMB886,241,000 was mainly applied for the expansion of production capacity in respect of batteries and handset components, while the remaining RMB204,200,000 was mainly applied in the automotive business, which include the launching of new models and additions of equipment.

Contingent Liabilities

As at 30th June 2005, the Group had contingent liabilities of approximately RMB3,285,000 as guarantees for bank loans for other companies.

The Group is currently involved in one litigation proceedings in Japan in relation to alleged patent infringements. Due to the fact that there has not been any material development in respect of the proceedings in Japan since commencement of such proceedings, the Directors consider that it is impracticable and premature to assess the impact of such proceedings on the Group and its operations. The Directors of the Company believe that the Group has not committed the alleged infringements and the Group would vigorously defend against all claims under the proceedings.

Pursuant to the factoring agreements entered with a bank as detailed in note 8, the Group agreed to pass to the bank any portion of the factored accounts receivable upon the receipt of settlement from the respective customers up to the transfer amount. The accounts receivable under the factoring agreements which were not transferred to the bank and remained on the balance sheet as at 30 June 2005 amounted to US$9,212,000 (equivalent to approximately RMB 74,709,000). Up to the date of approval of this results announcement, the aggregate amount of accounts receivable factored but remained outstanding to the bank was US$5,000,000 (equivalent to approximately RMB 40,550,000) while the total accounts receivable under the factoring agreements remained outstanding from the customers amounted to US$14,212,000 (equivalent to approximately RMB 115,259,000).

Shareholders with Notifiable Interests

As at 30th June 2005, so far as is known to the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Division 2 and 3 of Part XV of the SFO (Cap.571 of the Laws of Hong Kong), or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:-

Domestic shares of RMB1 each

Name	Number of shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued domestic share %
Guangzhou Rongjie Investment Company Limited *(note 1)*	44,800,700 (L)	8.30	11.49
Yang Long-zhong *(note 2)*	20,717,300 (L)	3.84	5.31

Notes:

1. Mr. Lu Xiang-yang, a director of the Company, is also deemed to be interested in 44,800,700 domestic shares representing approximately 11.49% of the Company's total issued domestic shares which are held by Guangzhou Rongjie Investment Company Limited, a company owned as to 84% by Mr. Lu.
2. Mr. Yang Long-zhong is a senior management personnel responsible for sales function of the Group.

H shares of RMB1 each

Name	Number of shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage of total issued domestic share/H shares %
The Capital Group Companies, Inc.	12,992,600[(L)] *(note 1)*	2.41	8.69
FMR Corp	12,000,000[(L)] *(note 2)*	2.22	8.03

Notes:

(1) The Capital Group Companies, Inc. is deemed to be interested in 12,992,600 H Shares (L) through Capital International, Inc. and Capital Group International, Inc., both of which are controlled corporations of The Capital Group Companies, Inc. Each of these companies were deemed to have the same interest shown above.

(2) FMR Corp is deemed to be interested in 12,000,000 H Shares (L) through Fidelity Management & Research Company, which is a controlled corporation of FMR Corp.

(L) — Long Position, (S) — Short Position, (P) — Lending Pool

The total issued share capital of the Company as at 30th June 2005 was RMB539,500,000, divided into 390,000,000 domestic shares of RMB1 each and 149,500,000 H shares of RMB1 each, all fully paid up.

Directors', Supervisors' and Chief Executive's Interests

At 30th June 2005, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Stock Exchange to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) are as follows:-

Name	Number of shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued domestic shares/ H shares %
Domestic shares			
Mr. Wang Chuan-fu	150,169,100 (L)	27.83	38.50
Mr. Lu Xiang-yang	107,755,600 (L) *(note 1)*	19.97	27.63
Mr. Xia Zuo-quan	32,888,700 (L)	6.10	8.43

(L) — Long Position

Note 1: This includes personal interest of 62,954,900 domestic shares representing approximately 16.14% of the Company's total issued domestic shares held by Mr. Lu and corporate interest held through Guangzhou Rongjie Investment Company Limited. Under the SFO, Mr. Lu is deemed to be interested in 44,800,700 domestic shares representing approximately 11.49% of the Company's total issued domestic shares which are held by Guangzhou Rongjie Investment Company Limited, a company owned as to 84% by Mr. Lu.

Name	Number of shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued domestic shares/ H shares %
H shares			
Mr. Wang Chuan-fu	560,000 (L) *(note 2)*	0.10	0.37

Note 2: According to the legal consultant of the Company, it is legal for Mr. Wang Chuan-fu, being a director the Company, to purchase H shares outside the PRC.

Saved as disclosed above, as at 30th June 2005, none of the Directors, supervisors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Audit Committee

One of the primary duties of the audit committee is to review the financial reporting process of the Group. The audit committee consists of the three independent non-executive Directors, namely Professor Li Guo-xun, Mr. Kang Dian and Mr. Lin You-ren, and one non-executive Director, Mr. Lu Xiang-yang. A meeting was convened by the Company's audit committee, senior management of the Group and the Company's external auditors, PricewaterhouseCoopers on 7th September 2005 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 unaudited interim financial statements for the six months ended 30th June 2005 before recommending them to the Board for approval).

Remuneration Committee

Pursuant to code provision B.1.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code"), the Board of Directors established a Remuneration Committee on 27th June, 2005. The Remuneration Committee comprises Mr. Wang Chuan-fu, Mr. Xia Zuo-quan, Mr. Kang Dian, Professor Li Guo-xun and Mr. Lin You-ren. Pursuant to the Articles of Association of the Company, the terms of reference of the Remuneration Committee are subject to approval by the general meeting of shareholders.

Nomination Committee

Pursuant to the relevant provision of the Code, the Group established a Nomination Committee. The Nomination Committee comprises Mr. Wang Chuan-fu, Mr. Lu Xiang-yang, Mr. Kang Dian, Professor Li Guo-xun and Mr. Lin You-ren, with Mr. Wang Chuan-fu as the Chairman. The Nomination Committee will perform such duties as set out in the Code, including making recommendations to the Board on selection of individuals nominated for directorship.

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 of Best Practice ("Code of Best Practice") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Company. 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.

Disclosure of Information on the Stock Exchange's Website

The electronic version of this announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk). An interim report for the six months ended 30th June 2005 containing all the applicable information required under Appendix 16 to the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange in due course.

By Order of the Board
Wang Chuan-fu
President

Hong Kong, 7th September 2005

This announcement can also be accessed through our Internet website at http://www.byd.com.cn

As at the date of this announcement, the executive directors of the Company are: Wang Chuan-fu and Xia Zuo-quan; the non-executive director of the Company is: Lu Xiang-yang; the independent non-executive directors of the Company are: Li Guo-xun, Kang Dian and Lin You-ren.