

## Half Year Results to 30 June 2002

- Turnover +61% to RMB950 million

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- Gross Profit +166% to RMB396 million

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- Profit Attributable to Shareholders +393% to RMB256 million

## Highlights

- Leading position in the global market further consolidated

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- Reputable customer base further expanded

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- Expanding demand for Li-ion battery accounted for about 65% of the Group's turnover increase

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- Strong financial position to become debt-free after the IPO

# CHAIRMAN STATEMENT

It gives me a great pleasure to report the unaudited results of BYD Company Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 June 2002 (the "Period").

To prepare for the funding needs for its future growth and to enhance its international reputation, the Company conducted an initial public offering ("IPO") in July 2002 and the Company's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 July 2002 (the "Listing"). The Company's IPO was a success with the over-allotment option granted to the underwriters having been fully exercised on 14 August 2002. The following table illustrates the shareholding structure of the Company as at the date of this report:

Shareholders	Number of Shares	Approximate percentage of holding %
<i>Domestic shares:</i>		
Guangzhou Rongjie Investment Company Limited ("Guangzhou Rongjie") (Note 1)	44,800,700	8.304
Mr. Wang Chuan-fu ("Mr. Wang")	150,169,100	27.835
Mr. Lu Xiang-yang ("Mr. Lu")	62,954,900	11.669
Mr. Xia Zuo-quan ("Mr. Xia")	32,888,700	6.096
Three individual investors (Note 2)	10,961,800	2.032
Management shareholders (Note 3)	88,224,800	16.353
<i>H shares:</i>		
Holder of H shares	149,500,000	27.711
	<u>539,500,000</u>	<u>100.000</u>

Notes :

- (1) Guangzhou Rongjie is a company established in the PRC, the issued share capital of which is owned by Mr. Lu as to 84% and by other investors as to the remaining 16%.
- (2) The three individual investors are Ms. Dai Chang, Ms. Ku Wei-ni and Ms. Jia Yan-xiu.
- (3) These are 33 investors who are directors and/or management personnel of the Group.

Net proceeds of about HK\$1.57 billion were raised from the IPO and such net proceeds will be used for the purposes as stated in the Company's prospectus dated 22 July 2002 (the "Prospectus").

## BUSINESS REVIEW

During the Period, the Group continuously focused on its core business of development, manufacture and sale of rechargeable batteries for an extensive range of electronic devices. Due to its competitive edges in Research and Development ("R&D"), quality control, delivery time and pricing, the Group's brand name was well-established in the rechargeable battery industry. The Group managed to obtain orders from numerous reputable local and international electronic device manufacturers and achieved significant increases of 61% in turnover to become approximately RMB 950,448,000 and 393% in profit attributable to shareholders to become RMB255,882,000 during the Period compared with the first half of 2001.

The R&D team works hard to develop innovative products and flexible production processes. As at the date of this report, the Group has obtained 18 patents and is in the process of applying for registration of another 19 patents in the PRC. These patents are valuable assets of the Group, as they help sustain the Group's unrivaled competitive position in the industry. The Group is well aware that it is crucial to protect its technological know-how and production methodologies. By its recent implementation of Enterprise Resources Planning System, the Group further enhanced the management information system and hence further improved its operational efficiency.

# CHAIRMAN STATEMENT (cont'd)

## PROSPECTS

The interim results serve to illustrate the Group's commitment to growth and profitability. Looking ahead, the Group will further expand its business in terms of product range and production capacity.

### 1) Rechargeable Battery Business

The Group will further enhance its R&D capabilities in order to develop more innovative products and improve its production methodologies. It will also focus on expanding production capacity for various types of rechargeable batteries so as to meet the increasing demand of its expanding customer base. Looking forward, the Group plans to establish a plant in Shanghai to focus on R&D and manufacturing of Li-ion batteries. The project is expected to be completed around the second quarter of 2003 with an estimated daily production capacity of about 0.3 million units of Li-ion batteries.

Leveraging on its existing strengths, affluent financial resources and customer base, for the rest of the year and in the future, the Group will continue to penetrate its market share of Li-ion batteries, especially in the mobile phone market as well as the notebook computer market. It will further increase its production capacity so as to expand the market share in NiCd and NiMH batteries. The Group is well-prepared to capture the tremendous potential in both the global and the PRC rechargeable battery markets and to become the global leader in the rechargeable batteries industry in three year's time.

It is also one of the Group's strategies to establish a stable and prosperous clientele by acquiring customers with renowned brand names in various application regimes for each of the Group's major rechargeable battery categories. Such clients include Motorola, TTI, Kyocera, Panasonic, VTech, Phillips, Bosch, Bird, TCL and Konka. Looking forward, the Group will continue to boost its sales volume by capturing more market share from its existing customers. It also strives to expand its customer base by introducing new clients from different application regimes. During the Period, the Group started supplying products to new clients such as Ericsson, Symbol, Legrand, Logitech, Makita and UTStarcom. The Group has started the delivery of Li-ion battery packs to Nokia in small volume since the third quarter of 2002.

The Group will also develop other new products to cater for the evolving market demand in the long run. Aware of the growing demand of environmental friendly and energy-saving rechargeable batteries, the Group is developing batteries for electric vehicles, fuel cells and solar cells so as to fulfil the ever-changing needs and demands in lifestyle.

### 2) Other Rechargeable Battery-Related Business

To expand its scope of business, the Group will diversify into other rechargeable battery-related products, including the development and manufacture of monochrome and color STN-LCDs for mobile phones. This will create synergies and cost efficiency for the Group in marketing and distributing STN-LCD products as both rechargeable batteries and STN-LCDs, to a certain extent, share the similar group of customers.

With its successful Listing, the Group will be able to build a platform on the global equity market for funding purposes. The listing status will further help implement the Group's plan to improve operation and management efficiency and to position the Group as a leading player in the global rechargeable battery market. We believe that the PRC is becoming the global manufacturing power house and with the Group's increasing global recognition, the Group is well prepared to capitalise on the opportunities to become the largest portable power solution provider in the world in three years' time.

**Wang Chuan-fu**  
Chairman

Hong Kong, 26 August 2002