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Interim Results for the six months ended 30 June 2003

- Turnover +56 % to RMB1,485,262,000

- Operating profit +22 % to RMB381,604,000

- Profit attributable to shareholders +27 % to RMB325,447,000

- Earnings per share (Basic) +28 % to RMB0.60

Highlights

- Achieved outstanding performance despite the challenging global market environment, with turnover and profit attributable to shareholders increased by 56% and 27% to approximately RMB1,485 million and approximately RMB325 million respectively

- Continued to expand its customer base (e.g. Nokia and Black & Decker, etc) by offering quality products at competitive prices in a flexible production scheme

- Commenced production of LCD and automobile for additional income

- Consolidated global leadership of the Group

CHAIRMAN'S STATEMENT

It is my pleasure to present the unaudited results of BYD Company Limited ("the Company" or "BYD") and its subsidiaries ("the Group") for the six months ended 30 June 2003 ("the Period").

Market Overview

The first half of 2003 was a challenging period for global rechargeable battery manufacturers. During the Period, the global market demand for rechargeable batteries was influenced by the global mobile handset industry, which, due to its product cycle, has undergone a transitional period. Mobile phone market has been shifting from a growing market to a mature market. Consumers lose interest of changing their mobile phone because of delay of 3G launches and lack of new attractive value-added services.

As for the domestic mobile handset market, though the growth momentum remained strong, the market itself experienced an adjustment after being over-heated in the first quarter. Increase in the number of market entrants has led to a more competitive market environment, thus lowered overall margin for mobile handset players.

In respect of other applications regimes, the declined global economy, especially for retail markets, brought by the outbreak of SARS had inevitably affected the sales volume and unit price of various electronic devices and thus called for warnings on inventory level and stringent cost control. However, in view of the foreseeable growth in power tools and various personal electronics digital devices, market potentials for rechargeable batteries are enormous. The Group is well placed to capitalize on the post-SARS industry recovery and takes firm step to become the no. 1 global rechargeable batteries manufacturer.

Business Review

Given its sound business model, unique and flexible production process, unrivaled R&D, stringent quality and cost control as well as international brand recognition, BYD has proved able to cope with difficult times. Though being slightly affected by the SARS outbreak and the global market transition, the Group has quickly restored to normal and has sustained a strong growth momentum one year after its initial public offerings. The Group managed to achieve, once again, encouraging results for the six months ended 30 June 2003. Turnover and profit attributable to shareholders increased by 56% and 27% to RMB1,485,262,000 and RMB325,447,000 respectively as compared with that of the first half of 2002.

The increase of profit attributable to shareholders is attributable to improved R&D, product technology, and unique and flexible production process that effectively control production cost. As a result, it attracted both new clients and raising orders from existing clients and allowed the Group to further benefit from the economies of scale. Despite of the adverse market environment, sales for all kinds of battery products in general have all increased during the Period. Amongst all, Li-ion batteries recorded a more than proportionate sales increase than other battery products.

In terms of sales volume, the Group has again proved its market leadership during the Period, with the sales of its core battery products, namely, NiCd, NiMH and Li-ion, continued to rank first, second and third in the global rechargeable battery market respectively in the first half of 2003.

During the Period, demand for Li-ion batteries, led mainly by international and domestic mobile handset manufacturers, continued to represent the major growth drive for the Group, demonstrating a 49% of the aggregate turnover. Though the challenging market environment for mobile handset slightly affected the inventory level of the handset manufacturers, it has however created a growth drive for the sales of BYD's products. Leveraged on its unique semi-automated production process and economies of scale, the Group was able to offer quality battery products at a competitive price level and thus the prime choice of all mobile handset market players.

Thanks to the Group's product quality, delivery time, and proven track record in handling large orders, all the elements of which have managed to distinguish the Group from other market players and attracted a fast growing international client base including rising share from Motorola, TTI, Kyocera, Panasonic, VTech, Phillips, Bosch, Bird, TCL, UTStarcom, Konka, Ericsson, Symbol, Legrand, Logitech and Makita, as well as orders from new clients such as Nokia. Besides consolidating its market leadership in the mobile handset battery sector, the Group strives to further expand its leading position into other application sectors. During the Period, the Group successfully secured new orders from its power tools client Black & Decker, making the client base more extensive and comprehensive.

CHAIRMAN'S STATEMENT (cont'd)

Business Review (cont'd)

While focusing on its core batteries business, the Group also stepped forward to explore the potential of other products. In March 2003, the Group successfully acquired 77% equity stake in Xian Qin Chuan Automobile Limited Liability Company ("Qin Chuan"), a state-owned mini-car manufacturer in the PRC. The consideration of RMB269,500,000 was settled in cash. The fair value of the net identifiable assets of Qin Chuan at the date of acquisition was approximately RMB288,184,000. The acquisition echoes with the Group's core business and served as an excellent platform to expedite its development and production of rechargeable power batteries for electric motor vehicles. In 2002, Qin Chuan has sold 17,000 units of Flyers 800cc petrol cars. During the first half of 2003, Qin Chuan sold approximately 10,000 units of 800cc petrol cars. It is expected that the subsidiary will achieve 30,000 units sales target in 2003. Qin Chuan was renamed as BYD Automobile Company Limited in May 2003.

Future Prospect and Strategies

In future, the Group will continue to focus on the R&D, manufacturing and sales of rechargeable batteries products. In view of the growing demand, the Group will further expand its production capacity for various types of rechargeable batteries including Li-ion and Nickel batteries. Construction of new manufacturing facility in Songjiang, Shanghai, has completed. Construction of BYD Industrial Park (Phase III) will also be completed by the end of 2003. The Group also plans to establish a new plant in Beijing to provide service to clients in that area. Overall, we are looking forward to a quite strong second half and believe that our annual target of 2003 will be achieved.

Entering into the 3G digital era, the global usage of various portable electronic devices is expected to grow tremendously. Looking forward, the Group will leverage on its R&D expertise to further develop Li-ion batteries products catering for 3G mobile phone services and personal electronic digital devices such as digital cameras, MP3 players and especially notebook computers. The Group will also be engaged in the product research, development and manufacture of rechargeable batteries for electric motor vehicles, after completion of acquisition of Qin Chuan.

The Group will continue to enhance its production quality to capture a greater market share for Li-ion and Nickel batteries, including mobile handset, notebook computers and power tools application, and to further expand its client base by securing orders from international renowned manufacturers such as Nokia and Black & Decker.

As for the electric motor vehicles business, the Group will strive to further strengthen and explore the growth potential of operation. Due to the limited oil resources and increasing environmental protection consciences, the growth potential for electric vehicle and automobile is enormous. The Group will leverage on the production experiences of Qin Chuan on motor vehicle to develop and produce rechargeable batteries for electric motor vehicles. It is believed that the acquisition represents a good investment opportunity to the Group and is in the interest of the Group and the shareholders as a whole.

Looking ahead, BYD is fully prepared to reach for another new height and become the leading market player in the global rechargeable batteries industry.

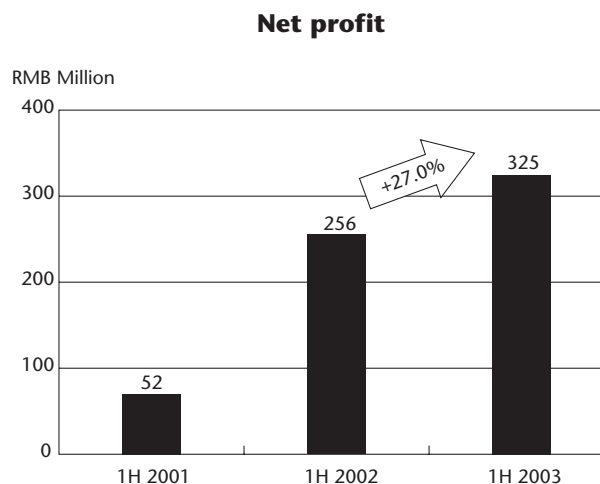
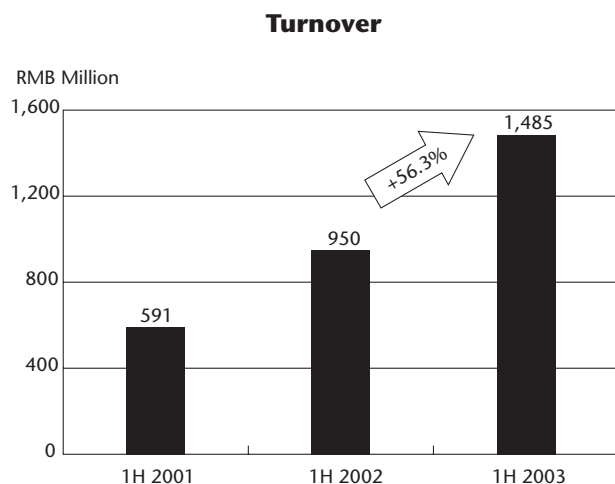
Wang Chuan-fu
Chairman

Hong Kong, 19 August 2003

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover



Gross Profit

The group's gross profit increased by 30% reached RMB513,404,000 compared with corresponding period of last year.

Net Profit

During the Period, Li-ion batteries, with its demand mainly come from global mobile handset manufacturers, continued to be the major income drive for the Group. Though the challenging market environment for mobile handset slightly affected the inventory level of the handset manufacturers, it has however created a huge demand for cost effective battery products. Leveraged on its unique semi-automated production process and economies of scale, the Group was able to offer quality battery products at a competitive price level and thus the prime choice of all mobile handset market players. Li-ion batteries continued to be the major growth drive for the Group's net profit and recorded a higher ratio of sales compared with last year.

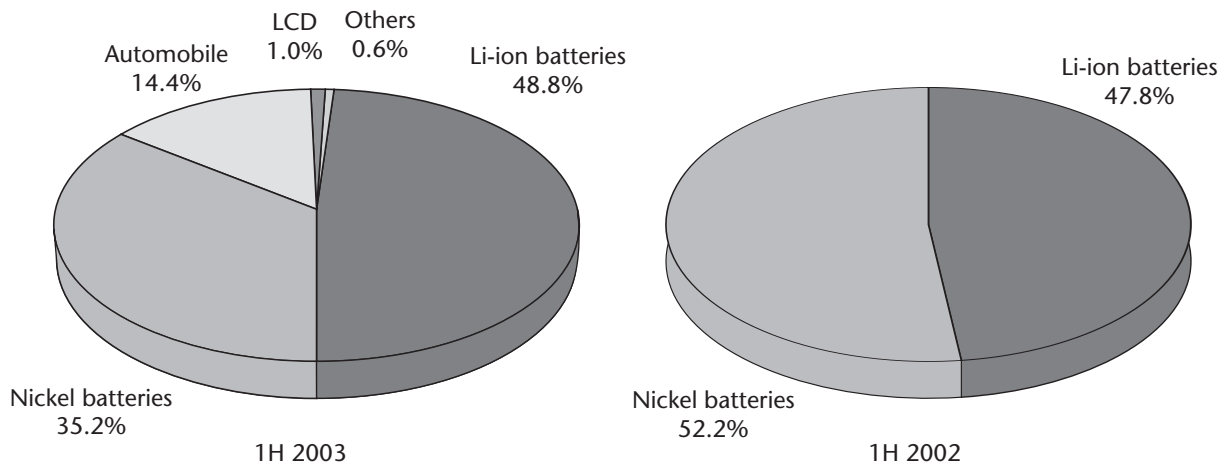
The surge of net profit by 27% was not only attributable to the increased sales in Li-ion battery product, but also the improved R&D, product technology, and unique and flexible production process that effectively control production cost, which allowed the Group to further benefit from the economies of scale. Thus despite of the adverse market environment, sales for all kinds of BYD's battery products in general have all increased during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

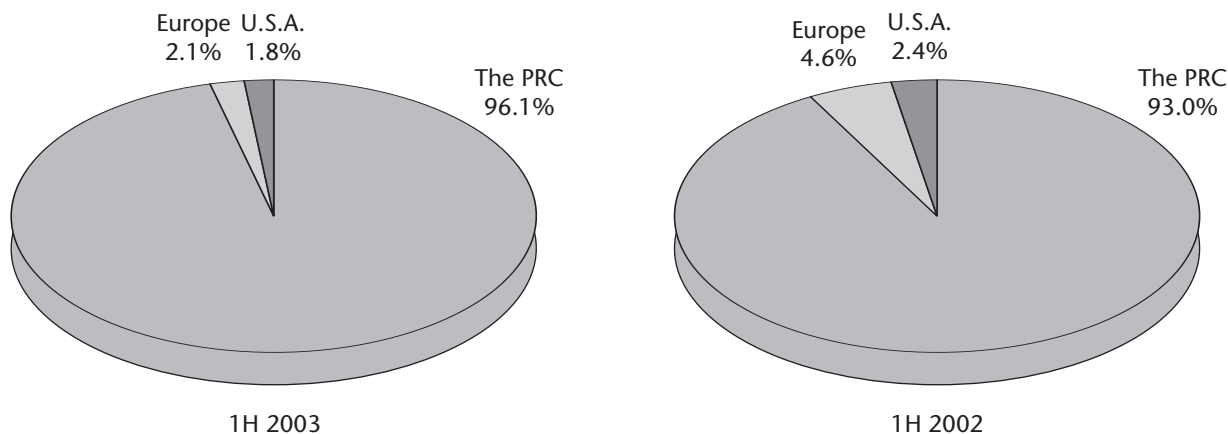
FINANCIAL REVIEW (cont'd)

Segmental Information

A comparative analysis of turnover by key product types is as follows:



A comparative analysis of turnover by geographical segment, as determined by location of its operation, is as follows:



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL REVIEW (cont'd)

Liquidity and Financial Resources

The Group generated a net operating cash inflow of approximately RMB82,792,000 during the six months ended 30 June 2003. The Group was in a net cash position as at 30 June 2003.

The Group's total borrowings, which were all bank loans, as at 30 June 2003 were RMB433,385,000, compared with no borrowings as at 31 December 2002. The maturity profile spread over a period of nine years with RMB283,938,000 repayable within one year, RMB20,000,000 within three to four years and RMB129,447,000 within eight to nine years. For day-to-day liquidity management and maintaining flexibility in funding as well as for capital expenditures, relevant funding requirements are expected to be met by its listing proceeds and internal cash flow. Also, the Group can access to significant uncommitted short-term borrowing facilities provided by its principal banks.

The Group's accounts receivable turnover was about 87 days for the six months ended 30 June 2003, increasing from 76 days for the year ended 31 December 2002. The increase was namely due to the increase in sales and the delay in delivery during the period of SARS.

Inventory were required to store in the warehouse for the chemicals to become stable before packaging. Due to the increase in sales, inventory turnover day increased from 93 days for the year ended 31 December 2002 to 106 days during the Period.

During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2003.

Capital Structure

The financial risk management of the Group is the responsibility of the Group's treasury function, which operates according to the policies approved by the top management. As at 30 June 2003, the Group's borrowings are primarily denominated in RMB while its cash and cash equivalents are held in RMB and US dollars.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. At this stage, however, with the receipt of the listing proceeds and its strong cash flow, there are no immediate requirements for further debt financing.

Details of the loans remaining outstanding as at 30 June 2003 is disclosed in Note 12 to the Condensed Accounts. As at 30 June 2003, the loans were at fixed interest rates.

Use of IPO Proceeds

	Planned <i>HK\$ Million</i>	Latest Allocation <i>HK\$ Million</i>
• Expansion in production capacity and R&D of Li-ion batteries	189	Fully Utilized
• Development and manufacture of raw materials in Li-ion batteries	94	Fully Utilized
• Product R&D and manufacture of		
– Rechargeable batteries for electric vehicles	85	6
– Fuel cells and solar cells	85	—
– Monochrome and colour STN-LCDs	142	111
• Repayment of bank loans	377	Fully Utilized
• Potential acquisition(s)	189	—

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL REVIEW (cont'd)

Details of the Group's Asset Pledged

As the date of this report, no asset of the Group is pledged other than those disclosed in Note 12 to the Condensed Accounts.

Exposure to Foreign Exchange risk

Most of the income and expenditure of the Group are denominated in RMB and U.S. dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period. The Group believes that it will have sufficient foreign exchange to meet its foreign exchange requirements.

Employment, Training and Development

As at 30 June 2003, the Group had a total of over 19,000 employees, an increase of 3,000 employees compared with that at 31 December 2002, and total staff costs approximately 10% of total turnover during the Period. Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on performance evaluation. There are drives and incentives to encourage personal performance and motivation.

Share Capital

As at the date of this report, the share capital of the Company is as follows:

	Number of shares issued	Percentage
		%
Domestic shares	390,000,000	72.289
H shares	149,500,000	27.711
Total	<u>539,500,000</u>	<u>100.000</u>

SUPPLEMENTARY INFORMATION

Capital Commitment

As at 30 June 2003, the Group had authorized and contracted for a capital commitment of the acquisition of property, plant and equipment amounting to RMB169,548,000.

Contingent Liabilities

As at 30 June 2003, the Group had contingent liabilities of about approximately RMB236,735,000 composing letters of credit of approximately RMB124,672,000, guarantee of bank loans for another company of approximately RMB2,300,000 and discounted notes of approximately RMB109,763,000.

The Group is currently involved in two separate litigation proceedings in the U.S.A. and Japan both in relation to alleged patent infringements. Due to the fact that the proceeding in the U.S.A. is still in progress and the proceeding in Japan is at an initial stage, it is impracticable and premature for the directors of the Company 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 proceedings.

Shareholders with notifiable interests

As at 30 June 2003, 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 Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO"), 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 shares %
Guangzhou Ronjie Investment Company Limited (<i>note 1</i>)	44,800,700 (<i>L</i>)	8.304	11.487
Yang Long-zhong (<i>note 2</i>)	20,717,300 (<i>L</i>)	3.840	5.312

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 shareholding of total issued H shares %
The Capital Group Companies, Inc.	25,895,500 (<i>L</i>)	4.800	17.321
FMR Corp.	9,227,500 (<i>L</i>)	1.710	6.172
J.P. Morgan Chase & Co (<i>note 3</i>)	14,068,000 (<i>L</i>) 13,991,000 (<i>P</i>)	2.608 2.593	9.410 9.359
Morgan Stanley (<i>note 4</i>)	13,334,340 (<i>L</i>) 3,830,000 (<i>S</i>)	2.472 0.710	8.919 2.562
Schroder Investment Management North America, Inc.	9,703,000 (<i>L</i>)	1.799	6.490

SUPPLEMENTARY INFORMATION (cont'd)

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

Notes:

1. Mr. Lu Xiang-yang, a director of the Company, is also deemed to be interested in 44,800,700 domestic shares representing about 11.487% 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.
3. J.P. Morgan Chase & Co is taken to be interested in 9.410% of the Company's total issued H shares through the following companies:-
 - (a) 13,991,000 H shares (representing approximately 9.359% of the Company's total issued H shares) held by JPMorgan Chase Bank all of which is subject to the lending pool; and
 - (b) 77,000 H shares (representing approximately 0.051% of the Company's total issued H shares) held by J.P. Morgan Whitefriars Inc..
4. Morgan Stanley is taken to be interested in a long position of 8.919% and a short position of 2.562% of the Company's total issued H shares through the following companies:-
 - (a) a long position of 9,492,340 H shares (representing approximately 6.349% of the Company's total issued H shares) held by Morgan Stanley Investment Management Company;
 - (b) a long position of 1,012,000 H shares (representing approximately 0.677% of the Company's total issued H shares) and a short position of 1,000,000 H shares (representing approximately 0.669% of the Company's total issued H shares) held by Morgan Stanley & Co International Limited;
 - (c) a long position of 2,712,000 H shares (representing approximately 1.814% of the Company's total issued H shares) and a short position of 2,712,000 H shares (representing approximately 1.814% of the Company's total issued H shares) held by Morgan Stanley & Co Incorporated; and
 - (d) a long position of 118,000 H shares (representing approximately 0.079% of the Company's total issued H shares) and a short position of 118,000 H shares (representing approximately 0.079% of the Company's total issued H shares) held by MSDW Equity Finance Services I (Cayman) Limited.

Directors', Supervisors' and Chief Executives' Interests

As at 30 June 2003, the interests and short positions of each director, supervisor and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) are as follows:-

Domestic Shares

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 %
Mr. Wang Chuan-fu	150,169,100 (L)	27.835	38.505
Mr. Lu Xiang-yang	107,755,600 (L) (note)	19.973	27.629
Mr. Xia Zuo-quan	32,888,700 (L)	6.096	8.433

(L) - Long Position

Note: This includes personal interest of 62,954,900 domestic shares representing approximately 16.142% 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 11.487% 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.

SUPPLEMENTARY INFORMATION (cont'd)

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its listed shares during the six months ended 30 June 2003. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's listed shares in the first half of 2003.

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 8 July 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The primary duties of the audit committee are to review the financial reporting process of the Group. The audit committee is to review the financial reporting process of the Group. The audit committee consists of the two independent non-executive Directors, namely Professor Li Guo-xun and Mr. Kang Dian and the non-executive Director, Mr. Lu Xiang-yang. A meeting was convened by 19 August, 2003 by the Company's audit committee, senior management of the Group and the Company's external auditors, PricewaterhouseCoopers to review the Group's financial statements, the accounting principles and practices and practices adopted by the Group and to discuss scope of review, internal control and risk management and financial reporting matters (including the unaudited interim financial statements for the six months ended 30 June 2003 before recommending them to the Board for approval).

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 under the Listing Rules.

None of the Directors is aware of any information that would reasonably indicate that the Group is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in the Appendix 14 to the Listing Rules during the Period.

By Order of the Board
Wang Chuan-fu
Chairman

Hong Kong, 19 August 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

(Expressed in Renminbi ("RMB"))

	Note	Unaudited	
		Six months ended 30 June	
		2003	2002
		RMB'000	RMB'000
Turnover	2, 3	1,485,262	950,448
Cost of sales		(971,858)	(554,695)
Gross profit		<u>513,404</u>	<u>395,753</u>
Other revenue	3	11,694	10,948
Distribution costs		(41,774)	(24,461)
Administrative expenses		(101,720)	(70,715)
Operating profit	4	<u>381,604</u>	<u>311,525</u>
Finance costs		(8,285)	(12,746)
Profit before taxation		<u>373,319</u>	<u>298,779</u>
Taxation	5	(27,968)	(24,030)
Profit after taxation		<u>345,351</u>	<u>274,749</u>
Minority interests		(19,904)	(18,867)
Profit attributable to shareholders		<u><u>325,447</u></u>	<u><u>255,882</u></u>
Dividends	6(a)	—	—
Earnings per share – basic	7	<u><u>RMB0.60</u></u>	<u><u>RMB0.47</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

(Expressed in RMB)

	Note	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
Non-current assets			
Property, plant and equipment	8	1,671,187	696,031
Intangible assets	8	58,575	7,159
Total non-current assets		<u>1,729,762</u>	<u>703,190</u>
Current assets			
Inventories	9	709,596	439,059
Prepayments and other receivables		308,865	218,843
Amounts due from related parties	15	777	1,003
Accounts and notes receivables	10	840,663	599,468
Cash and bank deposits		665,095	1,240,154
Total current assets		<u>2,524,996</u>	<u>2,498,527</u>
Current liabilities			
Accounts and notes payables	11	789,925	450,930
Accruals and other payables		148,152	83,110
Advances from customers		10,869	1,137
Taxes payable		(9,357)	34,161
Dividends payable		330	—
Short-term bank loans	12(a)	235,000	—
Long-term bank loans - current portion	12(b)	48,938	—
Total current liabilities		<u>1,223,857</u>	<u>569,338</u>
Net current assets		<u>1,301,139</u>	<u>1,929,189</u>
Total assets less current liabilities		<u>3,030,901</u>	<u>2,632,379</u>
Non-current liabilities			
Long-term bank loans, less current portion	12(b)	149,447	—
Minority interests		138,492	60,962
Net assets		<u>2,742,962</u>	<u>2,571,417</u>
Representing:			
Shareholders' equity			
Share capital	13	539,500	539,500
Reserves		2,203,462	2,031,917
Total shareholders' equity		<u>2,742,962</u>	<u>2,571,417</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

(Expressed in RMB)

Unaudited Six months ended 30 June 2003

	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Cumulative translation adjustments	Retained earnings	Total
	RMB'000	RMB'000 (Note 13(c))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2003	539,500	1,523,080	—	27,007	13,503	(263)	468,590	2,571,417
Profit attributable to shareholders for the period	—	—	—	—	—	—	325,447	325,447
Appropriation	—	—	—	14,605	7,303	—	(21,908)	—
Dividends (Note 6(b))	—	—	—	—	—	—	(153,218)	(153,218)
Translation adjustments	—	—	—	—	—	(684)	—	(684)
As at 30 June 2003	539,500	1,523,080	—	41,612	20,806	(947)	618,911	2,742,962

Unaudited Six months ended 30 June 2002

	Paid-in/ share capital	Share premium	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Cumulative translation adjustments	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2002	30,000	—	27,000	37,833	18,916	(10)	218,570	332,309
Capitalisation of retained earnings (Note 13(a))	70,000	—	—	—	—	—	(70,000)	—
Capitalisation of reserves (Note 13(b))	290,000	868	(27,000)	(52,893)	(26,446)	6	(184,535)	—
Profit attributable to shareholders for the period	—	—	—	—	—	—	255,882	255,882
Appropriation	—	—	—	25,713	12,857	—	(38,570)	—
Dividends (Note 6(b))	—	—	—	—	—	—	(90,648)	(90,648)
Translation adjustments	—	—	—	—	—	140	—	140
As at 30 June 2002	390,000	868	—	10,653	5,327	136	90,699	497,683

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

(Expressed in RMB)

	Unaudited	
	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow generated from operations	166,839	142,365
Interest paid	(6,902)	(12,159)
Overseas taxation paid	(77,145)	(20,835)
Net cash inflow from operating activities	82,792	109,371
Cash flows used in investing activities		
Interest received	3,767	385
Proceeds from disposal of property, plant and equipment	45	20,303
Purchase of subsidiary, net of cash acquired	(251,184)	—
Acquisition of property, plant and equipment	(307,334)	(60,727)
Acquisition of intangible assets	(2,118)	(1,699)
Net cash outflow used in investing activities	(556,824)	(41,738)
Cash flows used in financing activities		
Proceeds from bank loans	201,707	179,000
Repayments of bank loans	(148,832)	(189,000)
Dividends paid	(153,218)	—
Net cash used in financing activities	(100,343)	(10,000)
(Decrease)/ increase in cash and cash equivalents	(574,375)	57,633
Cumulative effect on translations	(684)	140
Cash and cash equivalents at beginning of period	1,240,154	86,039
Cash and cash equivalents at end of period	665,095	143,812

NOTES TO THE CONDENSED ACCOUNTS

30 June 2003

(Expressed in RMB unless otherwise stated)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) Number 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and have been reviewed by the audit committee.

These condensed accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2002 except that the Group has changed certain of its accounting policy following its adoption of SSAP 12 “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group’s accounting policies and the effect of adopting the new policy are set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively. However, there has been no material effect on either the consolidated interim accounts or the comparative figure presented.

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

2. SEGMENT INFORMATION

The Group is principally engaged in two main business segments:

Battery and other products — manufacture and sale of rechargeable batteries and other products

Automobile — manufacture and sale of automobile

An analysis of the Group's revenue and results for the six months ended 30 June 2003 by business segments is as follows:

	Unaudited		
	Six months ended 30 June 2003		
	Battery and other products	Automobile	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	1,270,735	214,527	1,485,262
Segment results	375,576	6,028	381,604
Unallocated costs			—
Operating profit			381,604
Finance costs			(8,285)
Profit before taxation			373,319
Taxation			(27,968)
Minority interests			(19,904)
Profit attributable to shareholders			325,447

	Unaudited		
	Six months ended 30 June 2002		
	Battery and other products	Automobile	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	950,448	—	950,448
Segment results	311,525	—	311,525
Unallocated costs			—
Operating profit			311,525
Finance costs			(12,746)
Profit before taxation			298,779
Taxation			(24,030)
Minority interests			(18,867)
Profit attributable to shareholders			255,882

There are no sales between the business segments.

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

2. SEGMENT INFORMATION (cont'd)

Secondary reporting format — geographical segments

Although the Group's two business segments are managed on a nation-wide basis, the Group conducts the majority of its business activities in three geographical areas, namely the People's Republic of China ("the PRC"), Europe and the United States of America ("U.S.A.") No segment assets and liabilities are presented as over 90% of the Group's assets are located in the PRC.

An analysis by geographical segment, as determined by location of assets is as follows:

	Unaudited		
	Six months ended 30 June 2003		
	Turnover	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	1,427,667	(936,278)	491,389
Europe	30,960	(19,615)	11,345
U.S.A.	26,635	(15,965)	10,670
Total	<u>1,485,262</u>	<u>(971,858)</u>	<u>513,404</u>

	Unaudited		
	Six months ended 30 June 2002		
	Turnover	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	884,129	(520,031)	364,098
Europe	44,115	(23,591)	20,524
U.S.A.	22,204	(11,073)	11,131
Total	<u>950,448</u>	<u>(554,695)</u>	<u>395,753</u>

3. TURNOVER AND OTHER REVENUE

Revenues recognised for the six months ended 30 June 2003 are as follows:

	Unaudited	
	Six months ended 30 June 2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover		
– Li-ion batteries	724,735	453,929
– Nickel batteries	523,245	496,519
– Automobile	214,527	—
– Liquid crystal display	14,326	—
– Others	8,429	—
Total turnover	<u>1,485,262</u>	<u>950,448</u>
Sales of scrap materials	2,556	4,822
Subsidy income	5,371	5,741
Interest income	3,767	385
Total other revenue	<u>11,694</u>	<u>10,948</u>
Total revenue	<u>1,496,956</u>	<u>961,396</u>

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

4. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
After charging –		
Cost of inventories	803,685	455,068
Staff costs (exclude directors' emoluments)		
– Wages and salaries	154,334	89,760
– Pension cost – defined contribution	1,242	452
– Post employment medical benefits	204	121
Provision for employees' welfare	19,863	12,713
Directors' (including supervisors) emoluments	1,668	663
Depreciation of property, plant and equipment	44,167	24,077
Amortisation of goodwill	595	—
Amortisation of other intangible assets	2,173	576
Interest expense	6,902	12,159
Provision for doubtful receivables	2,761	9,633
Provision for/(reversal of provision for) inventory obsolescence	7,185	(3,926)
Operating lease expenses on land and buildings	2,040	1,458
Loss on disposal of property, plant and equipment	46	8,914
Reversal of impairment of property, plant and equipment	(128)	—
Exchange losses, net	1,027	414
Auditors' remuneration	1,796	326
Research and development costs	18,208	22,041

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

5. TAXATION

(a) Income tax

(i) 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 six months ended 30 June 2003.

(ii) 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 applicable EIT rates are as follows:

Entities registered in the PRC	Applicable EIT rate
The Company	33%
Shenzhen BYD Lithium Battery Company Limited ("BYD Li-ion")	33%
Shenzhen BYD Electronics Company Limited ("BYD Electronics")	33%
BYD Automobile Company Limited ("BYD Auto") (Note 2)	33%
Shanghai BYD Company Limited ("BYD SH")	N/A (Note 1)
Shanghai BYD Elec-bicycle Company Limited ("BYD Bicycle")	N/A (Note 1)
Beijing BYD Battery Company Limited ("BYD BJ")	N/A (Note 1)
Beijing BYD Mould Company Limited ("BYD Mould")	N/A (Note 1)
Shenzhen BiOu Company Limited ("BYD BiOu")	N/A (Note 1)

Note 1: BYD SH is a company newly established in 2002 and BYD Bicycle, BYD BJ, BYD Mould and BYD BiOu are companies newly established in 2003. As at the date of this report, those newly-established companies are still in its pre-operating stage and the applicable EIT rate has not yet been determined by the relevant PRC local tax bureau.

Note 2: Formerly known as Xian Qin Chuan Automobile Limited Liability Company.

In accordance with a circular issued by Shenzhen local government, being qualified as "High-technology Enterprises" registered in Shenzhen, the Company, BYD Li-ion and BYD Electronics are entitled to a preferential EIT rate of 15%. The Company and BYD Li-ion are further entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next eight years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. 1997 and 1999 were the first profitable years for the Company and BYD Li-ion, respectively.

In accordance with a circular issued by Shenzhen local government, BYD Electronics is entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. 2001 was the first profitable year for BYD Electronics.

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

5. TAXATION (cont'd)

(a) Income tax (cont'd)

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation		
– Hong Kong profits tax	—	—
– Overseas taxation	27,968	24,030
Deferred taxation	—	—
	<u>27,968</u>	<u>24,030</u>

(iii) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Unaudited	
	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	373,319	298,779
Calculated at a taxation rate of 33%	123,195	98,597
Effect of preferential tax rates granted	(95,227)	(74,567)
	<u>27,968</u>	<u>24,030</u>

(b) Deferred taxation

There was no significant unprovided deferred taxation as at 30 June 2003.

6. DIVIDENDS

(a) No interim dividends have been proposed as at the date of this report (2002: Nil).

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

	Unaudited	
	Six months ended 30 June	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Pre-listing dividends (<i>Note (i)</i>)	—	90,648
2002 final dividends, of RMB0.284 per ordinary share (<i>Note (ii)</i>)	153,218	—
	<u>153,218</u>	<u>90,648</u>

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

6. DIVIDENDS (cont'd)

(i) *Pre-listing dividends*

At a meeting held on 30 April 2002, the respective shareholders of Shenzhen BYD Battery Company Limited ("BYD Industries"), the name adopted by the Company prior to the completion of the reorganisation, and BYD Li-ion, a subsidiary of the Company, passed ordinary resolutions to declare pre-IPO dividends in aggregate amounting to RMB90,648,000 to the then shareholders of BYD Industries and BYD Li-ion before the listing of the Company's H shares on the main board of The Stock Exchange of Hong Kong Limited. These dividends have been reflected as an appropriation of retained earnings for the six months ended 30 June 2002.

(ii) *Final dividend*

At a meeting held on 14 February 2003, the directors of the Company proposed a final dividend of RMB0.284 per ordinary share. These proposed dividends have been reflected as an appropriation of retained earnings for the six months ended 30 June 2003.

7. EARNINGS PER SHARE

(a) **Earnings per share — basic**

Basic earnings per share for the six months ended 30 June 2002 is calculated based on the Company's profit attributable to shareholders for the six months ended 30 June 2002 of approximately RMB255,882,000 and the weighted average number of 539,500,000 ordinary shares in issue during the period. In determining the weighted average number of shares in issue during the period, the conversion of registered capital of RMB390,000,000 into share capital and the capitalisation issue of 149,500,000 shares (Note 13(b)/(c)) were deemed to have occurred on 1 January 2002.

The calculation of earnings per share for the six months ended 30 June 2003 is based on the Group's profit attributable to shareholders for the six months ended 30 June 2003 of approximately RMB325,447,000 and the weighted average number of 539,500,000 ordinary 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.

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

8. CAPITAL EXPENDITURE

	Property, plant and equipment	Goodwill	Other intangible assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount as at 1 January 2003	696,031	—	7,159	703,190
Acquisition of subsidiary (Note 14)	711,952	47,599	4,467	764,018
Additions	307,334	—	2,118	309,452
Disposals	(91)	—	—	(91)
Depreciation/amortisation charge	(44,167)	(595)	(2,173)	(46,935)
Reversal of impairment charge	128	—	—	128
	<hr/>	<hr/>	<hr/>	<hr/>
Closing net book amount as at 30 June 2003	<u>1,671,187</u>	<u>47,004</u>	<u>11,571</u>	<u>1,729,762</u>

As at 30 June 2003, certain of the Group's machineries with net book value of approximately RMB216,901,000 were mortgaged as collateral to secure the Group's short-term bank loans (Note 12(a)).

9. INVENTORIES

	Unaudited 30 June 2003	Audited 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	308,717	168,879
Work-in-progress	369,214	269,278
Finished goods	85,696	40,421
	<hr/>	<hr/>
	763,627	478,578
Provision for inventories obsolescence	(54,031)	(39,519)
	<hr/>	<hr/>
	<u>709,596</u>	<u>439,059</u>

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

10. ACCOUNTS AND NOTES RECEIVABLES

The ageing analysis of accounts and notes receivables is as follows:

	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
1 to 3 months	737,060	419,461
4 to 6 months	129,565	209,329
7 to 12 months	11,519	6,609
1 to 2 years	8,781	5,332
2 to 3 years	119	459
Above 3 years	9,580	—
	<hr/>	<hr/>
	896,624	641,190
Provision for doubtful receivables	(55,961)	(41,722)
	<hr/>	<hr/>
	<u>840,663</u>	<u>599,468</u>

Credit policy

The Group adopted a prudent approach in granting credit to its customers. No credit term was granted to customers except for those with sound financial background and good repayment histories. A predetermined maximum credit term has been set for each customer.

11. ACCOUNTS AND NOTES PAYABLES

The ageing analysis of accounts and notes payables is as follows:

	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
1 to 3 months	599,229	376,965
4 to 6 months	109,187	57,524
7 to 12 months	67,596	13,214
1 to 2 years	6,582	2,940
2 to 3 years	3,862	287
Above 3 years	3,469	—
	<hr/>	<hr/>
	789,925	450,930
	<hr/>	<hr/>
	<u>789,925</u>	<u>450,930</u>

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

12. BORROWINGS

(a) Short-term bank loans

	Unaudited 30 June 2003	Audited 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Secured	5,000	—
Unsecured	230,000	—
	<u>235,000</u>	<u>—</u>

As at 30 June 2003, the Group's short-term bank loans were denominated in RMB, bore interest at rates ranging from 4.78% to 5.84% per annum and the secured portion were guaranteed by certain of the Group's machineries (Note 8).

(b) Long-term bank loans

	Unaudited 30 June 2003	Audited 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Unsecured	20,000	—
Secured	178,385	—
	<u>198,385</u>	<u>—</u>
Less: amount repayable within one year (included in current liabilities)	48,938	—
	<u>149,447</u>	<u>—</u>

As at 30 June 2003, the Group's long-term bank loans were denominated in RMB, bore interest at rates ranging from 4.5% to 6.435% per annum and the secured portion were guaranteed by Xian Huashan Machinery Co., Ltd. and China Industrial and Weapon Co., Ltd. (Note 15(b)).

As at 30 June 2003, the Group's long-term bank loans were repayable as follows:

	Unaudited 30 June 2003	Audited 31 December 2002
	<i>RMB'000</i>	<i>RMB'000</i>
Between 3 to 4 years	20,000	—
Between 8 to 9 years	129,447	—
	<u>149,447</u>	<u>—</u>

Borrowings represent short-term and long-term bank loans of BYD Auto, a subsidiary of the Company.

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

13. SHARE CAPITAL

The details of share capital of the Company are as follows:

	Number of shares		Amount	
	Unaudited 30 June 2003 '000	Audited 31 December 2002 '000	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
Issued and fully paid				
– 539,500,000 shares of RMB1 each	539,500	539,500	539,500	539,500

- (a) On 10 January 2002, retained earnings amounting to RMB70,000,000 were capitalised as paid-up capital. The increase in capital had been verified by Shenzhen Great Land Certified Public Accountants, certified public accountants registered in the PRC, and approved by Shenzhen Municipal Administration for Industry and Commerce (“SMAIC”).
- (b) On 11 June 2002, the registered capital of the Company was increased from RMB100,000,000 to RMB390,000,000 divided into 390,000,000 domestic shares of RMB1 each, all of which were issued and paid up, by way of capitalisation of reserves, upon the conversion of the Company from a limited liability company to a joint stock limited company. The increase in capital had been approved by State Economic and Trade Commission of the PRC and SMAIC.
- (c) 149,500,000 H shares of RMB1 each were issued upon the Company’s listing at Hong Kong dollar 10.95 (equivalent to approximately RMB11.62) each and were fully paid up for cash, resulting in a share premium of approximately RMB1,522,212,000 after deducting the transaction costs in relation to the issuing of new H shares of approximately RMB65,478,000 of which approximately RMB2,354,000 were recorded as deferred assets as at 31 December 2001.

14. ACQUISITION

On 31 March 2003, the Group acquired an aggregate of 77% equity interest in Qin Chuan, a limited liability company established in the PRC, which is engaged in the manufacturing of automobile. The consideration of RMB269,500,000 was settled in cash. The fair value of the net identifiable assets of Qin Chuan at the date of acquisition was approximately RMB288,184,000. The resulting goodwill of approximately RMB47,599,000 will be amortised on a straight-line basis over 20 years. The acquired business contributed revenues of approximately RMB214,527,000 and operating profit of approximately RMB6,028,000 to the Group for the period from 31 March 2003 to 30 June 2003.

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

Property, plant and equipment (Note 8)	711,952
Borrowings	(380,510)
Other assets less liabilities	(43,258)
	<hr/>
Fair value of net assets	288,184
Equity interest	77%
	<hr/>
Net assets acquired	221,901
Goodwill (Note 8)	47,599
	<hr/>
Total purchase consideration	269,500
	<hr/> <hr/>

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

15. RELATED PARTY TRANSACTIONS

Parties are considered to be related if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common control or common significant influence.

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Chuan-fu	Director and shareholder of the Company (27.835% shareholding)
Mr. Xia Zuo-quan	Director and shareholder of the Company (6.096% shareholding)
BYD Battery (U.S.A.) Corporation	Company controlled by Mr. Xia Zuo-quan
Xin Ya Di Co., Ltd.	Company controlled by Mr. Wang Chuan-fu
China Industrial and Weapon Co., Ltd.	One of BYD Auto's ultimate shareholders

(b) Transactions with related parties

For the six months ended 30 June 2003, the Group had the following significant transactions with its related parties:

	Unaudited Six months ended 30 June	
	2003	2002
	RMB'000	RMB'000
BYD Battery (U.S.A.) Corporation		
– Sales of finished goods	—	141
Xin Ya Di Co., Ltd.		
– Sale of land use right	—	20,000
China Industrial and Weapon Co., Ltd.		
– Guarantee for the Group's borrowings (Note 12(b))	178,385	—

(c) Balances with related parties

As at 30 June 2003, the Group had the following significant balances with its related parties:

	Unaudited 30 June 2003	Audited 31 December 2002
	RMB'000	RMB'000
Due from related parties:		
– Mr. Wang Chuan-fu	776	981
– Mr. Xia Zuo-quan	1	22
	777	1,003

NOTES TO THE CONDENSED ACCOUNTS (cont'd)

30 June 2003

(Expressed in RMB unless otherwise stated)

16. COMMITMENTS

(a) **Capital commitments**

	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
Authorised and contracted for		
– Acquisition of property, plant and equipment	169,548	190,547

(b) **Operating lease commitments**

As at 30 June 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
Within 1 year	412	820
After 1 year but within 5 years	301	—
	<u>713</u>	<u>820</u>

17. CONTINGENT LIABILITIES

(a) As at 30 June 2003, the Group had the following significant contingent liabilities:

	Unaudited 30 June 2003 RMB'000	Audited 31 December 2002 RMB'000
Discounted notes	109,763	—
Guarantee of bank loans for other company	2,300	2,300
Letters of credit issued	124,672	176,628
	<u>236,735</u>	<u>178,928</u>

(b) The Group is currently involved in two separate litigation proceedings in the U.S.A. and Japan both in relation to alleged patent infringements. Due to the fact that the proceeding in the U.S.A. is still in progress and the proceeding in Japan is at an initial stage, it is impracticable and premature for the directors of the Company 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 proceedings.

18. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.