



比亞迪股份有限公司  
BYD COMPANY LIMITED

(Stock Code 股份代號 : 1211)

# GREEN TECH FOR TOMORROW

INTERIM REPORT 2010 年中期報告



## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   |          |                      |
|---|----------|----------------------|
| Turnover  | +50.29%  | To RMB24,246 million |
| <hr/>   |          |                      |
| Gross profit  | +63.58%  | To RMB5,177 million  |
| <hr/>   |          |                      |
| Profit attributable to equity holders of the parent | +105.57% | To RMB2,421 million  |
| <hr/>   |          |                      |
| Basic earnings per share                            | +85.24%  | To RMB1.06           |
| <hr/>   |          |                      |

### HIGHLIGHTS

- The automobile business performed well; its turnover increased by approximately 46.34% to approximately RMB12,990 million, representing approximately 53.58% of the total turnover of the Group; and the business was the major driving force for the growth of the Group
- Our position as a global leader in the manufacture of rechargeable batteries was maintained during the period
- The handset components and assembly services business successfully grasped opportunities arisen from market recovery and further enhanced its market share as the handset industry continued to integrate
- Breakthrough was made in the new energy business and it began to contribute to the turnover of the Group

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## OPERATING ENVIRONMENT REVIEW

In the first half of 2010, the global economy gradually recovered from the financial crisis last year and achieved steady growth, driving the rapid growth of enterprises with core competitiveness. However, as a result of the European debt crisis and the volatile capital market, the risks of economic downturn still faced the world. Benefiting from the economic recovery and the urbanization in progress, China's automobile industry achieved impressive growth, especially in the first quarter. In the second quarter, being the off-season for the automobile market, as a result of the effect of the national macroeconomic control policies on the real estate industry and stock market, consumers were less willing to spend on non-necessities, therefore the growth of demand for automobiles slowed down.

In the first quarter of 2010, China's automobile market continued the explosive sales trend from 2009 and the sales growth slowed down in the second quarter, however rapid growth was maintained generally in the first half of the year. According to the statistics of the China Association of Automobile Manufacturers, sales volume of automobiles nationwide exceeded 9 million units in the first half of 2010, a year-on-year increase of approximately 49%. In the first half, all types of automobiles recorded growth to varied extents. Sales volume of sedans were approximately 4.59 million units, a significant year-on-year increase of approximately 41%, among which sales volume of domestic brands accounted for near 32% and continued to occupy a major position in the market. Sales of multi-purpose vehicles (MPV) and sport-utility vehicles (SUV) both grew fast and more than doubled.

As global consumers' confidence and consumption power revived gradually, world handset market started to show signs of recovery. The growth of smart phones has become the key driver for the handset industry. According to statistics produced by leading manufacturers in the industry, the global output of handsets was approximately 661 million units, a year-on-year increase of approximately 12.5%. However, as the market started to recover, new brands and handsets based on new platforms and systems emerged. Faced with increasingly fierce competition, traditional handset manufacturers have to improve their competitiveness by strengthening control over production costs and will become more prudent in choosing suppliers. We, as a one-stop supplier equipped with the ability of vertical integration and the possession of a global production and service platform, are still capable of expanding our market shares during the consolidation process of the handset industry by leveraging our strong brand, cost advantages and leading position.

## BUSINESS REVIEW

The two major businesses of BYD Company Limited ("BYD" or the "Group") represent the automobile business and the IT parts business. The IT parts business mainly consists of the rechargeable battery business, the handset components and assembly services. During the Period, the Group's automobile business continued to achieve satisfactory results and brought considerable revenue and profit to the Group. The automobile business continued to contribute the majority of the Group's revenue and profit. In addition, the Group's rechargeable battery business maintained its world-leading position, with revenue and profit remaining stable. As for its handset components and assembly services, the Group furthered increased its market share by capitalizing on its strategic cooperation with leading handset manufacturers in the world and its outstanding product competitiveness during the Period.

### Automobile Business

BYD has created a sustainable advantage of performance-price ratio by leveraging its operation mode of vertical integration for years. As its customer base expanded, the Group's automobile products received wide recognition. The image and brand awareness of BYD's automobile products has significantly improved, resulting the increase in sales of the Group's vehicles. During the Period, the Group's automobile business delivered satisfactory results with turnover of approximately RMB12,990 million, a significant year-on-year increase of approximately 46.34%.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

By way of the continuous enhancement of product research and development, improvement of its quality control and improvement of its operation efficiency by way of vertical integration, the Group managed to launch a series of new models, as a result its customer base was consolidated and its market share further increased. To date the Group has manufactured and sold over 1 million units of sedans and has established its leading position among the domestic automobile brands. Despite the slow down of the automobile market since the second quarter, BYD Auto maintained rapid growth. During the Period, the Group's total sales volume of automobiles amounted to approximately 286,000 units, a sharp year-on-year increase of over 57.49%. According to the China Association of Automobile Manufacturers, BYD achieved the No.1 growth of sales volume in the sedan industry and continued to rank the first among manufacturers of domestic-brand sedans in the first half of 2010. During the Period, a number of automobile models of the Group achieved outstanding performance. The economy F0 model ranked the first in terms of automobile plate issue. The F6 model, targeted at the middle-to-high-end market, was the champion of sales volume of middle-to-high-end automobiles among domestic brands, and was also the only domestic brand among the top 10 middle-to-high-end automobile models in terms of sales volume. The sales volume of our best-selling F3 was approximately 150,000 units, ranking the first among the single-model sedans nationwide. The Group also worked all out to launch new models, such as the G3 model, the latest quality model of fuel-engined automobile, and made preparation for the launch of BYD's first MPV model M6, which will enrich the Group's product portfolio and bring stable revenue contribution to the Group.

As the industrialization and urbanization progress, energy conservation and emission reduction has become a long-term tendency of the development of the global automobile industry. Electric vehicles characterized by being environment-friendly and energy-conserving are now a focus in the development of world automobile industry. China has determined the development of hybrid power automobiles and electric vehicles as a new direction of the development of China's automobile industry. BYD keeps a close eye on the changes and development in the automobile markets home and abroad while waiting for proper opportunities to promote the commercialization and popularization of new energy vehicles in the markets, with a commitment to becoming a pioneer for the development of new energy vehicles across the globe. During the Period, benefiting from the national subsidy policies for new energy vehicles as well as the fact that electric vehicles had been established as the main target of development of new energy vehicles, BYD's F3DM started to be sold to individual customers in Shenzhen, which represented a milestone in its development. During the Period, the first two batches of electric taxis E6 commenced operation in Shenzhen. The performance of E6 received wide recognition from citizens in general during its demonstration operation, which will lead and drive the reform of the entire automobile industry and help realize the real "Green Urban Transportation".

During the Period, the Group actively expanded its production capacity and distribution network, including facilitating the construction of Changsha automobile production facility and new production plants in Xi'an, and improved the layout of the Group's automobile business in the PRC. Furthermore, BYD is planning the layout of its electric automobile business overseas. It intends to establish regional sales offices in North America and West Europe in order to seize greater market share and generate more revenue.

On 1 March 2010, BYD entered into a memorandum of understanding with Daimler AG ("Daimler"), pursuant to which both parties will cooperate in the PRC in relation to passenger vehicles powered by electric motors which will be developed based on a Daimler architecture to be selected with a newly developed top hat. On 27 May 2010, both parties entered into a joint venture contract in relation to the establishment of Shenzhen BYD Daimler New Technology Co., Ltd. (深圳比亞迪·戴姆勒新技術有限公司) in the PRC with registered capital of RMB600 million and equally held by BYD and Daimler. It is the business goal of the joint venture company to research and develop a new electric car, including technology platform, power-train technology, design and brand and to leverage such complete vehicles into the PRC market. The new electric car to be developed by the joint venture company will combine Daimler's proprietary technologies in electric vehicles structure and safety areas and BYD's outstanding automobile battery and driving technologies. Daimler and BYD will together develop and launch the new electric car under a new brand to be registered and owned by the joint venture company. With the calibers, technologies and equipment from both BYD and Daimler, the joint venture company must be able to grasp the opportunity of the electric vehicle market in the PRC and create a complementary win-win business mode, further facilitating the business of both parties.

## MANAGEMENT DISCUSSIONS AND ANALYSIS

On 18 June 2010, BYD entered into a joint venture contract with Compagnie Générale de Location d'Équipements ("CGL") for the establishment of a joint venture company named BYD Auto Finance Company Limited (比亞迪汽車金融有限公司) in Shenzhen, the PRC, which will engage in financing business for purchase of cars in mainland China, including by way of providing loans to end-customers of new cars. The registered capital of the joint venture company will be RMB500 million, of which BYD will contribute RMB400 million and CGL will contribute Euro equivalent of RMB100 million. The joint venture contract, and more generally the establishment of the joint venture company, is subject to the approval of the relevant PRC governmental authorities and in particular, of the China Banking Regulation Commission.

### IT Parts — Rechargeable Batteries

In the first half of 2010, the global handset market and power tool market was still in the process of recovery. During the Period, the Group's rechargeable battery and other related products business recorded revenues of approximately RMB2,043 million, representing a year-on-year growth of approximately 6.13%. Of which, the sales of lithium batteries was approximately RMB1,025 million, a year-on-year decrease of approximately 20.84%, and the sales of nickel batteries increased by approximately 31.91% year-on-year to approximately RMB810 million. During the Period, BYD maintained its leading position in the rechargeable battery market with dominating global market share.

During the Period, the global handset demand had yet to revive. Faced with fierce competition from smart phones of new brands and new platforms and systems, the sales and profit of the Group's lithium battery business decreased. Nevertheless, with its established leading position in the market and its high-quality, cost-effective products, the Group managed to maintain its strategic cooperation with major world-leading handset manufacturers. In the area of nickel battery business, the economies in the US and Europe gradually recovered, as a result the orders for power tools and toys increased, leading to the recovery of the Group's nickel battery business from the down turn last year. As one of the world's largest nickel battery manufacturers, the Group was able to maintain its market share through its constantly high-quality nickel batteries under favorable or adverse market conditions.

During the Period under review, the Group continued to advance its new energy planning focused on new energy vehicles, solar batteries and energy storage stations, and managed to commence its commercial operation of new energy business. Through the development of solar battery business by way of vertical integration model, the Group's production process covers a complete industry chain from polysilicon, silicon wafer, solar cell, module to solar power station, which can largely minimize production costs and improve production efficiency. During the Period, phase 1 of the Group's solar facilities in Shangluo was substantially completed and recorded sales of approximately RMB200 million, attributable to its product competitiveness and strong market demand. As phase 2 commences production, it's expected that revenue and profit from this business will record sustainable rapid growth.

As an important part of the "Silicon-Iron" strategy of the Group, the energy storage station business also made a major breakthrough during the period. By leveraging on the supporting policies of the State on new energy development, the Group actively participated in new energy projects associated with such policies, including the construction and demonstration operation of solar power stations and energy storage stations. During the Period, two 100KW energy storage stations in Beijing and Shanghai were delivered for use and put into demonstration operation. As for the Wind-PV Energy Storage and Transmission Project with China Electric Power Research Institute, relevant contracts have been signed and delivery of batteries and other related equipment have started. Further, the Group had a number of Megawatt-class energy storage station projects in bidding stage. During the Period, the Group collaborated with renowned overseas residential property developers by installing BYD household energy system for their property developments, which may, through a solar power generation system and together with an energy storage station, achieve complete independence of household energy to power grid systems.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## IT Parts — Handset Components and Assembly Services

The Group continued to provide customers with one-stop vertically integrated supply services. During the Period, the Group managed to seize market share amid improving market conditions, recorded a turnover of approximately RMB9,213 million, a year-on-year increase of approximately 72.83%. With significant increase in sales, the Group's profit from the handset components and assembly services also increased.

For the handset components and assembly services, BYD Electronic (International) Company Limited ("BYD Electronic") is principally engaged in the manufacture and sales of handset components (including handset casings and keypads) and modules incorporated with handset components such as handset casing, microphones, connectors and other handset assembly parts, and the provision of two types of assembly services, including high-level assembly service and PCB assembly service, and the provision of parts and assembly services of other electronic product. During the Period, sales of BYD Electronic, including sales to the Group, amounted to approximately RMB7,468 million, an increase of approximately 96.47% as compared to the same period of 2009. Apart from the handset components and assembly services undertaken by BYD Electronic, the Group's handset component business also includes the production of LCD screens, flexible printed circuit boards, handset camera modules, etc. During the Period, sales of non-BYD Electronic handset components amounted to approximately RMB1,806 million, higher than the same period of 2009.

## PROPOSED ISSUE OF A SHARES

During the Period, the Company proceeded with its plan of A Shares issue. Upon approval at the extraordinary general meeting and the class general meetings held on 30 August 2010, the period of validity of the resolutions in respect of the A Share Issue and the Authorisations had been extended for 12 months till 7 September 2011. For details, please refer to the announcement dated 13 July 2010, the circular dated 14 July 2010, and the announcement dated 30 August 2010 of the Company.

## FUTURE PROSPECTS AND STRATEGIES

### Automobile Business

The development of the automobile industry has been included as an important measure to stimulate the PRC economy. Relevant policies promulgated by the government such as National Plans for Promoting the Automobile Industry and the Reduction of Tax Imposed on Passenger Vehicles with Displacement of 1.6L and under, will facilitate the sustainable development of the automobile industry at the macroeconomic and microeconomic level. The domestic automobile industry is expected to keep modest growth in the future. Looking forward, BYD will endeavor to improve its corporate operation, product quality and the profitability of its distributors and build its four major sales networks in the second half. BYD's best-selling models F3, F6, F0, G3 and F3R are already being distributed in its A1, A2 and A3 networks, and the M6 model, launched in this July, is the first high-end model being distributed in its A4 network and is expected to get satisfactory sales results. In mid-August, the L3 model coupe which has attracted much attention was launched as scheduled, completing the overall plan of the Group in the area of A grade automobiles. In the second half, the Group will launch the S6 model, which represent BYD's extensive experience in technologies, process and quality fields and will further increase the Group's domestic market share as well as the sales volume of the middle-to-high-end vehicles as a percentage of its total sales volume. Meanwhile, the Group will also intensify its efforts to develop overseas market and increase presence in overseas market in order to enhance the influence of its automobile products on the international market.

As the concerns over energy saving and emission reduction have been escalating with time across the globe, governments from different countries have been increasingly supportive of new energy vehicles. According to the Project of 1,000 Units in Ten Cities announced by the PRC government, it is the intention of the State that the operation scale of new energy automobiles will account for 10% of the automobile market in 2012. The Group will continue to put more efforts into the new energy business and expand its electric vehicles production capacity to meet market demand. It will be committed to step up the industrialization of its new energy automobiles in domestic and overseas markets to facilitate the development of the new energy automobile industry.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

BYD will continue to follow the development path of “self-research and development, self-production and self-owned brand”, focus on enhancing brand awareness and reputation, and launch diversified quality automobile products with enhanced competitiveness. The Group aims to become a leading manufacturer of traditional and new energy vehicles in the world.

## **IT Parts — Rechargeable Batteries**

Looking forward to the second half of 2010 and beyond, the global handset market is expected to gradually recover in the context of improvement of the global economy. However, with the launch of a number of smart phones with new platforms and systems, together with the influx of many new brands in the low and medium-end handset market, the competition from smart phones will be increasingly fierce and the traditional handset brands in the PRC and other new emerging markets will be affected to varied degrees. The global handset market is full of uncertainties due to many factors and rechargeable battery business and handset components as well as assembly services may be exposed to many challenges. In the future, the Group will be committed to maintain its strategic cooperative partnership with world-leading handset manufacturers and further diversify the application of battery products to make preparation for developing the new business fields such as electric vehicles and energy power stations. The Group is confident in maintaining steady development of the business, consolidating its leading position in the market and creating a steady source of revenue and profits.

With the social and economic development, the global demand for energy is steadily on the increase. Under the background of increasingly tight energy supply and deteriorating environmental pollution, low-carbon and emission reduction is paid more attention to and supported by governments all around the world. Currently, taking into consideration the accelerating pace to slash global warming by various countries and the focus on green environmental concept set out in the 12th 5-year plan, the new energy business of BYD centres on low carbon, energy saving and emission reduction. In the future, the Group will actively explore the solar battery business and intensify its efforts on the research and development, production and sales of solar battery to make it a new growing momentum of the Group, and we will strive to become a leading new energy manufacturer in the industry.

Energy storage stations can effectively solve the problem of network surfs limits caused by the fluctuation of new energy power and provide a cost-effective, safe and steady solution for application of new energy power and transformation of the global energy structure. By providing customers with complete systems including solar battery products and energy storage stations, the Group will be able to provide one-stop solutions to such issues as new energy power generation, storage, continuous supply and subsequent application of new energy resources. The Group will continue to diversify the application of energy storage stations in the domestic and international markets and actively expand the production capability of energy storage battery in order to consolidate its leading position in the global energy storage field.

New energy business is an important area of BYD’s development. With its technology and cost advantages in the new energy sector, the Group is committed to facilitate its long-term and sustainable development by establishing a strong new energy industry chain and realizing large scale commercialization of new energy industry.

## **IT Parts — Handset Components and Assembly Services**

In the second half of the year, the handset market is expected to recover and the global output of handsets will steadily increase, which will in turn drive the rise in demand for handset components and assembly services. No matter whether the market condition is favorable or adverse, the Group’s vertically integrated strategy, the handset products with high performance-price ratio and constantly increasing ODM capabilities will inevitably attract new customers and drive the increase in its customer orders and market shares. In the future, the Group will continue to focus on improving research and development capability and technologies, and consolidating and improving product quality as well as cost advantages. We will strive to develop an integrated global platform for production and services, so as to further enhance our market position.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

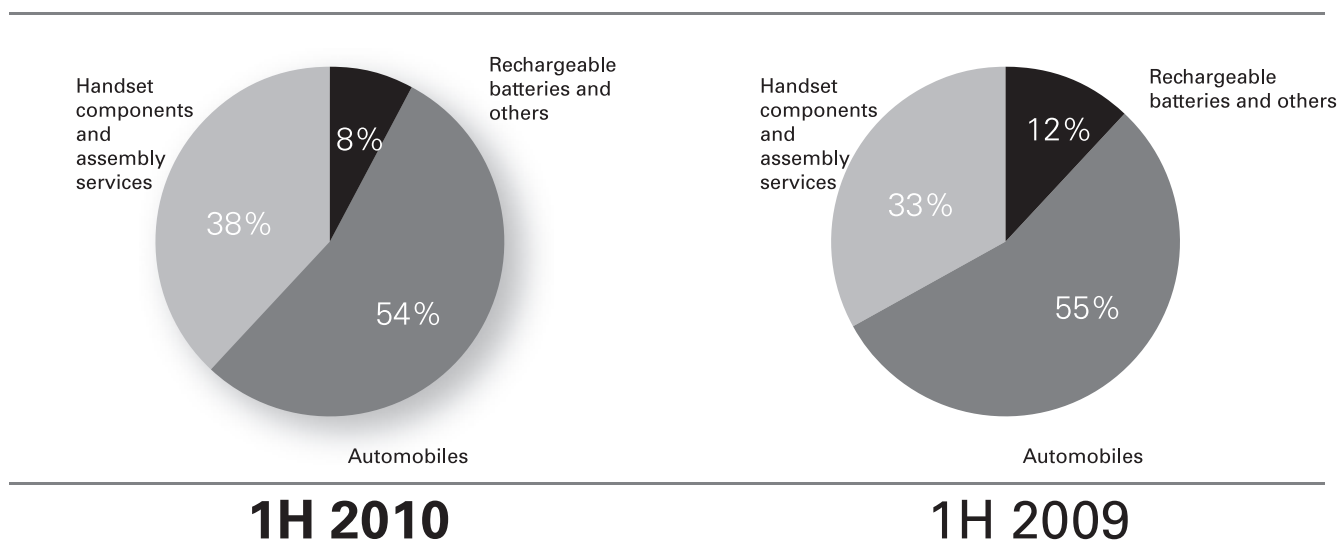
## FINANCIAL REVIEW

### Turnover and Profit attributable to Equity Holders of the Parent Company

During the Period, turnover increased by approximately 50.29% as compared to the same period of 2009, mainly due to the fact that the automobile business and the handset components and assembly services recorded a significant growth during the Period. Profit attributable to equity holders of the parent company increased by approximately 105.57% as compared to the same period of the previous year, which was mainly attributable to the increase in gross profit as a result of the fact that the automobile business benefited from economies of scale and that the Group further deepened its vertical integration.

### Segmental Information

The table below sets out comparisons of the Group's turnover by product category for the six months ended 30 June 2009 and 2010:



During the Period, the turnover of the Group's handset components and assembly services business grew faster than its other two segments, therefore the turnover of the business as a percentage of the total turnover increased.

### Gross Profit and Margin

During the Period, the Group's gross profit increased by approximately 63.58% to approximately RMB5,177 million. Gross profit margin increased slightly from approximately 19.62% in the same period of 2009 to approximately 21.35% in the current period. The slight increase in gross profit margin was mainly due to the increase in gross profit as a result of the remarkable economies of scale of the automobile business and the further deepened vertical integration.



# MANAGEMENT DISCUSSIONS AND ANALYSIS

## Liquidity and Financial Resources

During the Period, BYD generated operating cash inflow of approximately RMB3,157 million, compared with approximately RMB4,966 million for the same period of 2009. Total borrowings as at 30 June 2010, including all bank loans, were approximately RMB6,468 million, compared with approximately RMB3,654 million as at 31 December 2009. The maturity profile of the bank loans and interest thereof spread over a period of ten years, with approximately RMB3,890 million repayable within one year and approximately RMB1,702 million in the second year, approximately RMB1,021 million within three to five years and approximately RMB583 million over five years. The increase in total borrowings was due to increased investment of the Company which led to increased capital requirement. The Group maintained adequate daily liquidity management and capital funding expenditure requirements to regulate internal operating cash flow.

The turnover days of trade and bills receivables were about 61 days for the six months ended 30 June 2010 as compared to approximately 74 days for the same period of 2009. The shortening of turnover days of trade and bills receivables was due to substantial decrease in the amount of trade and bills receivables during the Period as compared with the same period of last year. Inventory turnover days shortened from approximately 83 days for the six months ended 30 June 2009 to approximately 55 days for the six months ended 30 June 2010. The decrease in inventory turnover days was mainly attributable to the substantial increase in sales amount and sales costs while there was little change in average inventory during the Period as compared with the same period of last year.

## Capital Structure

The Group's treasury department is responsible for the Group's financial risk management which operates according to policies implemented and approved by senior management. As at 30 June 2010, borrowings were primarily denominated in Renminbi, while cash and cash equivalents were primarily denominated in Renminbi and US dollar. The Group intended to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure during the Period. The loans remaining outstanding as at 30 June 2010 were at fixed interest rates or floating interest rates for Renminbi loans and foreign currency loans.

## Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are denominated in Renminbi and US dollar. During the Period, the Group has not experienced any significant difficulties in its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt applicable measures to prevent exposure to exchange rate risk.

## Employment, Training and Development

As at 30 June 2010, the Group had over 190,000 employees. During the Period, total staff cost accounted for approximately 12.62% of the Group's turnover. Employees' remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal and career development.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## Share Capital

As at 30 June 2010, the share capital of the Company was as follows:

|                 | <b>Number of<br/>Shares Issued</b> | <b>Percentage (%)</b> |
|-----------------|------------------------------------|-----------------------|
| Domestic shares | 1,482,000,000                      | 65.14                 |
| H shares        | 793,100,000                        | 34.86                 |
| Total           | <u>2,275,100,000</u>               | <u>100.00</u>         |

## Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the Period from 1 January 2010 to 30 June 2010. During the Period, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

## Capital Commitment

Please refer to note 15 to the financial statements for details of capital commitments.

## Contingent Liabilities

Please refer to note 14 to the financial statements for details of contingent liabilities.

## Post Balance Sheet Events

Please refer to note 17 to the financial statements for details of post balance sheet events.

# SUPPLEMENTARY INFORMATION

## CORPORATE GOVERNANCE

### **Compliance with the Code on Corporate Governance Practices (the “Code”)**

The board of the Company (the “Board”) is committed to maintaining and ensuring high standards of corporate governance practices.

The Board puts emphasis on maintaining a quality Board with balance of skill set of directors, high transparency and effective accountability system in order to enhance shareholders’ value. In the opinion of the directors, the Company had during the Period complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules 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 is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly every three months to discuss issues affecting operations of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes that this appointment to the posts of chairman and chief executive officer is beneficial to the business development of the Company.

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding director’s securities transactions. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code during the Period.

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

### **Audit Committee**

The Audit Committee consists of three independent non-executive directors and a non-executive director. A meeting was convened by the Company’s audit committee on 21 August 2010 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control, risk management and financial reporting matters (including reviewing the financial statements for the six months ended 30 June 2010 before recommending them to the Board for approval).

### **Interim Dividend**

The Board does not recommend the payment of interim dividend for the Period (six months ended 30 June 2009: Nil).

## SUPPLEMENTARY INFORMATION

### DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2010, 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 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) were as follows:-

*Domestic shares of RMB1.00 each*

| <b>Name</b>       | <b>Number of domestic shares in which the interested party has or is deemed to have interests or short positions</b> | <b>Approximate percentage of shareholding in total issued share capital %</b> | <b>Approximate percentage of shareholding in total issued domestic shares %</b> |
|-------------------|--|---|---|
| Mr. Wang Chuan-fu | 570,642,580 (L)  | 25.08   | 38.50   |
| Mr. Lu Xiang-yang | 401,810,480 (L)(note 1)  | 17.66   | 27.11   |
| Mr. Xia Zuo-quan  | 124,977,060 (L)  | 5.49  | 8.43  |

*(L) – Long Position*

*Note 1:* These 401,810,480 domestic shares comprise 239,228,620 domestic shares representing approximately 16.14% of the Company's total issued domestic shares held by Mr. Lu and 162,581,860 domestic shares held by Guangzhou Youngy Management & Investment Group Company Limited. Under the SFO, Mr. Lu is deemed to be interested in 162,581,860 domestic shares representing approximately 10.97% of the Company's total issued domestic shares which are held by Guangzhou Youngy Management & Investment Group Company Limited, a company owned as to 89.5% by Mr. Lu.

Saved as disclosed above, as at 30 June 2010, none of the Directors, supervisors or chief executives 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.

## SUPPLEMENTARY INFORMATION

### SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at 30 June 2010, so far as was 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 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 RMB1.00 each*

| <b>Name</b>  | <b>Number of domestic shares in which the interested party has or is deemed to have interests or short positions</b> | <b>Approximate percentage of shareholding in total issued share capital %</b> | <b>Approximate percentage of shareholding in total issued domestic share %</b> |
|--|--|---|--|
| *Guangzhou Youngy Management & Investment Group Company Limited<br>「廣州融捷投資管理集團有限公司」 (note 1) | 162,581,860 (L)  | 7.15  | 10.97  |
| Yang Long-zhong (note 2)   | 78,725,740 (L)   | 3.46  | 5.31   |

*Notes:*

1. Mr. Lu Xiang-yang, a director of the Company, is also deemed to be interested in 162,581,860 domestic shares representing approximately 10.97% of the Company's total issued domestic shares which are held by Guangzhou Youngy Management & Investment Group Company Limited, a company owned as to 89.5% by Mr. Lu.
2. Mr. Yang Long-zhong is a member of the senior management, and is the vice president of the Company and the general manager of the Company's Sales & Marketing Division.

\* For identification purpose only.

## SUPPLEMENTARY INFORMATION

H shares of RMB1.00 each

| Name   | Number of H Shares in which the interested party has or is deemed to have interests or short positions | Approximate percentage of shareholding in total issued share capital % | Approximate percentage of shareholding in total issued H Shares % |
|--|--|--|---|
| Berkshire Hathaway Inc. (Note 1)             | 225,000,000(L)   | 9.89   | 28.37   |
| MidAmerican Energy Holdings Company (Note 1) | 225,000,000(L)   | 9.89   | 28.37   |
| Morgan Stanley (Note 2)                      | 51,716,371(L)  | 2.27   | 6.52  |
|  | 51,152,375(S)  | 2.25   | 6.50  |
| Li Lu (Note 3)                               | 55,511,200(L)  | 2.44   | 7.00  |
| LL Group, LLC (Note 3)                       | 55,511,200(L)  | 2.44   | 7.00  |
| Blackrock, Inc. (Note 4)                     | 46,217,791(L)  | 2.03   | 5.83  |
|  | 551,191(S)   | 0.02   | 0.07  |
| FMR LLC (Note 5)                             | 45,534,890(L)  | 2.00   | 5.74  |
| FIL Limited (Note 6)                         | 39,711,986(L)  | 1.75   | 5.01  |

(L) Long Position, (S) Short Position

Notes:

1. Berkshire Hathaway Inc. was deemed to be interested in 225,000,000 H shares (L) through its controlled corporation, MidAmerican Energy Holdings Company which was directly interested in 225,000,000 H shares.
2. Morgan Stanley was deemed to be interested in 51,716,371 H shares (L) and have a short position in 51,152,375 H shares (S) through its controlled corporations.
3. LL Group, LLC was deemed to be interested in 55,511,200 H shares (L) through its controlled corporation, LL Investment Partners, L.P. Li Lu, as controlling shareholder of LL Group, LLC was also deemed to be interested in 55,511,200 H shares.
4. Blackrock, Inc. was deemed to be interested in 46,217,791 H shares (L) and have a short position in 551,191 H shares (S) through its controlled corporations.
5. FMR LLC was interested as investment manager in 45,534,890 H shares (L) through its controlled corporations, Fidelity Management & Research Company and Fidelity Management Trust Company, Pyramis Global Advisors LLC which were indirectly interested in 42,164,890 and 3,370,000 H shares respectively.
6. FIL Limited was interested as investment manager in 39,711,986 H shares (L).

The total issued share capital of the Company as at 30 June 2010 was RMB2,275,100,000, divided into 1,482,000,000 domestic shares of RMB1.00 each and 793,100,000 H shares of RMB1.00 each, all fully paid up.

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|  |              | <b>For the six months ended</b> |                     |
|--|--------------|---------------------------------|---------------------|
|  | <i>Notes</i> | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|  |              | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|  |              | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| <b>REVENUE</b>   | 5            | 24,245,770                      | 16,132,491          |
| Cost of sales  |              | <u>(19,068,457)</u>             | <u>(12,967,471)</u> |
| Gross profit   |              | 5,177,313                       | 3,165,020           |
| Other income and gains   | 5            | 285,613                         | 145,850             |
| Government grants and subsidies  |              | 87,965                          | 123,722             |
| Selling and distribution costs   |              | (1,014,849)                     | (651,732)           |
| Research and development costs   |              | (702,421)                       | (492,693)           |
| Administrative expenses  |              | (859,461)                       | (665,130)           |
| Other expense  |              | (98,923)                        | (16,218)            |
| Finance costs  | 6            | <u>(101,672)</u>                | <u>(150,610)</u>    |
| <b>PROFIT BEFORE TAX</b>   | 7            | 2,773,565                       | 1,458,209           |
| Income tax expense   | 8            | <u>(185,538)</u>                | <u>(192,202)</u>    |
| <b>PROFIT FOR THE PERIOD</b>   |              | <u>2,588,027</u>                | <u>1,266,007</u>    |
| Attributable to:   |              |                                 |                     |
| Owners of the parent   |              | 2,421,178                       | 1,177,805           |
| Non-controlling interests  |              | <u>166,849</u>                  | <u>88,202</u>       |
|  |              | <u>2,588,027</u>                | <u>1,266,007</u>    |
| Earnings per share attributable to ordinary equity holders of the parent – basic | 9            | <u>RMB1.06</u>                  | <u>RMB0.57</u>      |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   | Notes | For the six months ended |                  |
|---|-------|--------------------------|------------------|
|   |       | 30 June 2010             | 30 June 2009     |
|   |       | (Unaudited)              | (Unaudited)      |
|   |       | RMB'000                  | RMB'000          |
| <b>PROFIT FOR THE PERIOD</b>                                  |       | <u>2,588,027</u>         | <u>1,266,007</u> |
| Exchange differences on the translation of foreign operations |       | 8,843                    | (13,269)         |
| Other comprehensive income/ (loss) for the period, net of tax |       | 8,843                    | (13,269)         |
| Total comprehensive income for the period, net of tax         |       | <u>2,596,870</u>         | <u>1,252,738</u> |
| Attributable to:  |       |                          |                  |
| Owners of the parent  |       | 2,427,543                | 1,169,318        |
| Non-controlling interests                                     |       | <u>169,327</u>           | <u>83,420</u>    |
|   |       | <u>2,596,870</u>         | <u>1,252,738</u> |



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2010

|  | Notes | <b>30 June<br/>2010</b><br><i>(Unaudited)</i><br>RMB'000 | <b>31 December<br/>2009</b><br><i>(Audited)</i><br>RMB'000 |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                    |       |  |  |
| Property, plant and equipment                | 10    | 21,495,826   | 18,906,929   |
| Property under development                   |       | 161,424  | —  |
| Investment properties                        |       | —  | 1,927  |
| Prepaid land lease payments                  |       | 3,622,789  | 1,661,369  |
| Goodwill                                     |       | 65,914   | 58,603   |
| Other intangible assets                      |       | 839,940  | 770,753  |
| Non-current prepayment                       |       | 2,539,642  | 1,953,289  |
| Investments in jointly controlled entities   |       | 49,411   | —  |
| Available for sale investment                |       | 11,139   | —  |
| Deferred tax assets                          |       | 377,746  | 185,927  |
| Total non-current assets                     |       | <u>29,163,831</u>  | <u>23,538,797</u>  |
| <b>CURRENT ASSETS</b>                        |       |  |  |
| Inventories                                  | 11    | 6,720,784  | 4,408,407  |
| Trade and bills receivables                  | 12    | 6,274,636  | 9,792,812  |
| Prepayments, deposits and other receivables  |       | 1,459,765  | 644,032  |
| Derivative financial instruments             |       | —  | 1,000  |
| Pledged deposits                             |       | 89,466   | 33,723   |
| Cash and cash equivalents                    |       | 1,825,945  | 2,316,826  |
| Total current assets                         |       | <u>16,370,596</u>  | <u>17,196,800</u>  |
| <b>CURRENT LIABILITIES</b>                   |       |  |  |
| Trade and bills payables                     | 13    | 11,953,989   | 11,518,658   |
| Other payables and accruals                  |       | 2,520,320  | 2,277,220  |
| Advances from customers                      |       | 2,063,863  | 3,340,965  |
| Deferred income                              |       | 37,801   | 207,831  |
| Derivative financial instruments             |       | —  | 94   |
| Interest-bearing bank borrowings             |       | 3,443,243  | 547,129  |
| Tax payable                                  |       | 287,760  | 236,701  |
| Provision                                    |       | 340,796  | 248,850  |
| Total current liabilities                    |       | <u>20,647,772</u>  | <u>18,377,448</u>  |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>      |       | <u>(4,277,176)</u>                                       | <u>(1,180,648)</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u>24,886,655</u>  | <u>22,358,149</u>  |
| <b>NON-CURRENT LIABILITIES</b>               |       |  |  |
| Interest-bearing bank borrowings             |       | 3,025,000  | 3,106,514  |
| Deferred income                              |       | 1,040,132  | 224,508  |
| Total non-current liabilities                |       | <u>4,065,132</u>   | <u>3,331,022</u>   |
| Net assets                                   |       | <u><u>20,821,523</u></u>                                 | <u><u>19,027,127</u></u>                                   |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 JUNE 2010

|  | <i>Notes</i> | <b>30 June<br/>2010</b><br><i>(Unaudited)</i><br>RMB'000 | <b>31 December<br/>2009</b><br><i>(Audited)</i><br>RMB'000 |
|--|--------------|--|--|
| <b>EQUITY</b>  |              |  |  |
| <b>Equity attributable to equity holders of the Parent</b> |              |  |  |
| Issued capital   |              | 2,275,100  | 2,275,100  |
| Reserves   |              | 16,084,017   | 13,656,474   |
| Proposed dividends   |              | —  | 750,783  |
|  |              | <hr/>  | <hr/>  |
|  |              | 18,359,117   | 16,682,357   |
| <b>Non-controlling interests</b>                           |              | <b>2,462,406</b>   | <b>2,344,770</b>   |
|  |              | <hr/>  | <hr/>  |
| Total equity   |              | <b>20,821,523</b>  | <b>19,027,127</b>  |
|  |              | <hr/> <hr/>  | <hr/> <hr/>  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|  | Issued<br>capital<br>(Unaudited) | Share<br>premium<br>(Unaudited) | Capital<br>reserve<br>(Unaudited) | Statutory<br>surplus<br>reserve fund<br>(Unaudited) | Exchange<br>fluctuation<br>reserve<br>(Unaudited) | Proposed<br>final<br>dividend<br>(Unaudited) | Retained<br>earnings<br>(Unaudited) | Total<br>(Unaudited) | Non-<br>controlling<br>interest<br>(Unaudited) | Total<br>equity<br>(Unaudited) |
|--|----------------------------------|---------------------------------|-----------------------------------|---|---|--|-------------------------------------|----------------------|--|--------------------------------|
| At 1 January 2009                                | 2,050,100                        | 12,480                          | 4,350,293                         | 576,345   | (71,680)  | —  | 4,368,030                           | 11,285,568           | 2,051,804                                      | 13,337,372                     |
| Profit for the period                            | —                                | —                               | —                                 | —   | —   | —  | 1,177,805                           | 1,177,805            | 88,202   | 1,266,007                      |
| Other comprehensive loss                         | —                                | —                               | —                                 | —   | (8,487)   | —  | —                                   | (8,487)              | (4,782)  | (13,269)                       |
| Total comprehensive<br>income / (loss)           | —                                | —                               | —                                 | —   | (8,487)   | —  | 1,177,805                           | 1,169,318            | 83,420   | 1,252,738                      |
| Dividends paid to<br>Non-controlling interest    | —                                | —                               | —                                 | —   | —   | —  | —                                   | —                    | (1,495)  | (1,495)                        |
| Transferred to statutory<br>surplus reserve fund | —                                | —                               | —                                 | 116,377   | —   | —  | (116,377)                           | —                    | —  | —                              |
| At 30 June 2009                                  | <u>2,050,100</u>                 | <u>12,480</u>                   | <u>4,350,293</u>                  | <u>692,722</u>                                      | <u>(80,167)</u>                                   | <u>—</u>                                     | <u>5,429,458</u>                    | <u>12,454,886</u>    | <u>2,133,729</u>                               | <u>14,588,615</u>              |
| At 1 January 2010                                | 2,275,100                        | 1,368,590                       | 4,349,366                         | 1,145,518   | (48,650)  | 750,783                                      | 6,841,650                           | 16,682,357           | 2,344,770                                      | 19,027,127                     |
| Profit for the period                            | —                                | —                               | —                                 | —   | —   | —  | 2,421,178                           | 2,421,178            | 166,849  | 2,588,027                      |
| Other comprehensive income                       | —                                | —                               | —                                 | —   | 6,365   | —  | —                                   | 6,365                | 2,478  | 8,843                          |
| Total comprehensive income                       | —                                | —                               | —                                 | —   | 6,365   | —  | 2,421,178                           | 2,427,543            | 169,327  | 2,596,870                      |
| Final 2009 dividends declared                    | —                                | —                               | —                                 | —   | —   | (750,783)                                    | —                                   | (750,783)            | —  | (750,783)                      |
| Dividends paid to<br>Non-controlling interest    | —                                | —                               | —                                 | —   | —   | —  | —                                   | —                    | (51,691)                                       | (51,691)                       |
| At 30 June 2010                                  | <u>2,275,100</u>                 | <u>1,368,590*</u>               | <u>4,349,366*</u>                 | <u>1,145,518*</u>                                   | <u>(42,285)*</u>                                  | <u>—</u>                                     | <u>9,262,828*</u>                   | <u>18,359,117</u>    | <u>2,462,406</u>                               | <u>20,821,523</u>              |

\* These reserve amounts comprise the consolidated reserves of RMB16,084,017,000 in the consolidated statement of financial position as at 30 June 2010.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

|   | For the six months<br>ended 30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2010<br>(Unaudited)<br>RMB'000      | 2009<br>(Unaudited)<br>RMB'000 |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>  | 3,156,930                           | 4,966,295                      |
| <b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>   | (5,562,910)                         | (2,237,488)                    |
| <b>NET CASH INFLOW/(OUTFLOW )FROM FINANCING ACTIVITIES</b>                                  | 1,880,114                           | (2,366,655)                    |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                 | (525,866)                           | 362,152                        |
| Cash and cash equivalents at beginning of period  | 2,316,826                           | 1,701,397                      |
| Effect of foreign exchange rate changes, net  | 34,985                              | (8,741)                        |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | 1,825,945                           | 2,054,808                      |
| Analysis of balances of cash and cash equivalents   |                                     |                                |
| Cash and bank balances  | 1,825,945                           | 2,054,808                      |
| Non-pledged time deposits with original maturity of less<br>than three months when acquired | —                                   | —                              |
|   | <u>1,825,945</u>                    | <u>2,054,808</u>               |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 1. CORPORATE INFORMATION

BYD Company Limited is a joint stock limited liability company (the "Company") registered in the People's Republic of China (the "PRC"). The Company's H shares have been listed on the Stock Exchange of Hong Kong Limited since 31st July 2002.

The principal activities of the Group are the research, development, manufacture and sale of rechargeable batteries, automobiles and related products, handset components, LCD and other electronic products.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement, and should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

Despite the Group's net current liabilities of approximately RMB4,277,176,000 as at 30 June 2010, the interim condensed consolidated financial statements have been prepared on a going concern basis on the basis of the directors' contention that the Group will be able to generate sufficient net cash inflows and new funding in the future to meet all its obligation as and when they fall due and will also be able to secure the financial support of its bankers, including the renewal of the Group's short term bank loans upon the maturity date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the new standards and interpretations as noted below.

|  |   |
|--|---|
| HKFRS 1(Revised)   | <i>First-time Adoption of Hong Kong Financial Reporting Standards</i>   |
| HKFRS 1 Amendments   | <i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards Additional Exemptions for First-time Adopters</i>                 |
| HKFRS 2 Amendments   | <i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>   |
| HKFRS 3 (Revised)  | <i>Business Combinations</i>  |
| HKAS 27 (Revised)  | <i>Consolidated and Separate Financial Statements</i>   |
| Amendments to HKFRS 5 included<br>in <i>Improvements to HKFRSs</i><br>issued in October 2008 | <i>Amendments to HKFRS 5 Non-current<br/>Assets Held for Sale and Discontinued Operations – Plan to Sell<br/>the Controlling Interest in a Subsidiary</i> |
| HKAS39 Amendments  | <i>Amendments to HKAS 39 Financial Instruments: Recognition and<br/>Measurement – Embedded Derivatives</i>  |
| Annual Improvements Project  | <i>Improvements to HKFRSs 2009</i>  |
| HK-Interpretation 4 (Revised in<br>December 2009)  | <i>Leases – Determination of the Length of Lease Term in respect of<br/>Hong Kong Land Leases</i>   |
| HK(IFRIC)-Int 17   | <i>Distributions of Non-cash Assets to Owners</i>   |

The adoption of the above new standards and interpretations has had no material effect on the interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009

## 4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the rechargeable battery and other products segment comprises the manufacture and sale of lithium-ion batteries and nickel batteries principally for mobile phones, electric tools and other portable electronic instruments and new energy products;
- (b) the mobile handset components and assembly service segment comprises the manufacture and sale of components for mobile handset and electronic products such as housing, keypad and the provision of assembly services and ect;
- (c) the automobiles and related products segment comprises the manufacture and sale of automobiles, automobile accessories and auto-related moulds and components; and
- (d) the "others" segment comprises, principally, non-manufacturing business of the Group.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, goodwill, derivatives financial instruments ,available for sale investment and other unallocated head office and corporate assets, as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 4. SEGMENT INFORMATION (cont'd)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009, respectively.

### Six months ended 30 June 2010

|   | Battery and<br>other products<br><i>RMB'000</i> | Mobile<br>handset<br>components<br>and<br>assembly<br>service<br><i>RMB'000</i> | Automobiles<br>and related<br>products<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|---|---|---|--|--------------------------|-------------------------|
| <b>Segment revenue</b>  |   |   |  |                          |                         |
| Revenue from external customers   | 2,042,470                                       | 9,213,124   | 12,990,176   | —                        | 24,245,770              |
| Intersegment sales  | 138,657   | 216,186   | 51,432   | —                        | 406,275                 |
| Others including other gross<br>income from sales of raw materials<br>and disposal of scrap materials | 105,834   | 149,085   | 361,654  | —                        | 616,573                 |
| Taxes and surcharges  | 1,652   | 3,413   | 397,199  | —                        | 402,264                 |
|   | <u>2,288,613</u>                                | <u>9,581,808</u>  | <u>13,800,461</u>  | <u>—</u>                 | <u>25,670,882</u>       |
| Reconciliation:   |   |   |  |                          |                         |
| Elimination of intersegment sales   |   |   |  |                          | (406,275)               |
| Elimination of other gross income   |   |   |  |                          | (616,573)               |
| Elimination of taxes and surcharges   |   |   |  |                          | (402,264)               |
| Revenue – sales to external customers   |   |   |  |                          | <u>24,245,770</u>       |
| <b>Segment results</b>  | 185,902   | 719,040   | 2,059,060  | (83)                     | 2,963,919               |
| Reconciliation:   |   |   |  |                          |                         |
| Elimination of intersegment results   |   |   |  |                          | (46,457)                |
| Interest income   |   |   |  |                          | 9,888                   |
| Dividend income and unallocated gains   |   |   |  |                          | 221,014                 |
| Corporate and other unallocated expenses  |   |   |  |                          | (273,127)               |
| Finance costs   |   |   |  |                          | (101,672)               |
| Profit before tax   |   |   |  |                          | <u>2,773,565</u>        |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009

## 4. SEGMENT INFORMATION (cont'd)

Six months ended 30 June 2009

|   | <b>Battery and<br/>other products</b><br><i>RMB'000</i> | <b>Mobile<br/>handset<br/>components<br/>and<br/>assembly<br/>service</b><br><i>RMB'000</i> | <b>Automobiles<br/>and related<br/>products</b><br><i>RMB'000</i> | <b>Others</b><br><i>RMB'000</i> | <b>Total</b><br><i>RMB'000</i> |
|---|---|---|---|---------------------------------|--------------------------------|
| <b>Segment revenue</b>  |   |   |   |                                 |                                |
| Revenue from external customers   | 1,924,583   | 5,330,827   | 8,876,806   | 275                             | 16,132,491                     |
| Intersegment sales  | 80,151  | 37,589  | 179   | —                               | 117,919                        |
| Others including other gross income from<br>sales of raw materials and disposal<br>of scrap materials | 66,452  | 84,074  | 238,645   | —                               | 389,171                        |
| Taxes and surcharges  | 2,520   | 3,544   | 277,300   | 9                               | 283,373                        |
|   | <u>2,073,706</u>  | <u>5,456,034</u>  | <u>9,392,930</u>  | <u>284</u>                      | <u>16,922,954</u>              |
| Reconciliation:   |   |   |   |                                 |                                |
| Elimination of intersegment sales   |   |   |   |                                 | (117,919)                      |
| Elimination of other income and gain  |   |   |   |                                 | (389,171)                      |
| Elimination of taxes and surcharges   |   |   |   |                                 | <u>(283,373)</u>               |
| Revenue – sales to external customers   |   |   |   |                                 | <u>16,132,491</u>              |
| <b>Segment results</b>  |   |   |   |                                 |                                |
|   | 193,558   | 167,462   | 1,279,093   | (177)                           | 1,639,936                      |
| Reconciliation:   |   |   |   |                                 |                                |
| Elimination of intersegment results   |   |   |   |                                 | (682)                          |
| Interest income   |   |   |   |                                 | 9,977                          |
| Dividend income and unallocated gains   |   |   |   |                                 | 174,121                        |
| Corporate and other unallocated expenses  |   |   |   |                                 | (214,533)                      |
| Finance costs   |   |   |   |                                 | <u>(150,610)</u>               |
| Profit before tax   |   |   |   |                                 | <u>1,458,209</u>               |



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 4. SEGMENT INFORMATION (cont'd)

The following table presents segment assets of the Group's operating segments as at 30 June 2010 and 31 December 2009:

### At 30 June 2010

|  | <b>Battery and<br/>other products</b> | <b>Mobile<br/>handset<br/>components<br/>and<br/>assembly<br/>service</b> | <b>Automobiles<br/>and related<br/>products</b> | <b>Others</b>  | <b>Total</b>      |
|--|---------------------------------------|---|---|----------------|-------------------|
|  | <i>RMB'000</i>                        | <i>RMB'000</i>  | <i>RMB'000</i>                                  | <i>RMB'000</i> | <i>RMB'000</i>    |
| <b>Segment assets</b>                                  | 5,651,270                             | 14,002,730  | 25,096,414                                      | 2,003          | 44,752,417        |
| Reconciliation:  |                                       |   |   |                |                   |
| Elimination of intersegment receivables                |                                       |   |   |                | (2,177,462)       |
| Elimination of intersegment sales<br>unrealized profit |                                       |   |   |                | (42,085)          |
| Corporate and other unallocated assets                 |                                       |   |   |                | 3,001,557         |
| Total assets   |                                       |   |   |                | <u>45,534,427</u> |

### At 31 December 2009

|  | <b>Battery and<br/>other products</b> | <b>Mobile<br/>handset<br/>components<br/>and<br/>assembly<br/>service</b> | <b>Automobiles<br/>and related<br/>products</b> | <b>Others</b>  | <b>Total</b>      |
|--|---------------------------------------|---|---|----------------|-------------------|
|  | <i>RMB'000</i>                        | <i>RMB'000</i>  | <i>RMB'000</i>                                  | <i>RMB'000</i> | <i>RMB'000</i>    |
| <b>Segment assets</b>                                  | 5,773,634                             | 13,889,389  | 19,309,739                                      | 2,221          | 38,974,983        |
| Reconciliation:  |                                       |   |   |                |                   |
| Elimination of intersegment receivables                |                                       |   |   |                | (867,842)         |
| Elimination of intersegment<br>sales unrealized profit |                                       |   |   |                | (55,244)          |
| Corporate and other unallocated assets                 |                                       |   |   |                | 2,683,700         |
| Total assets   |                                       |   |   |                | <u>40,735,597</u> |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009

## 5. REVENUE, OTHER INCOME AND GAINS

### Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of assembly services rendered during the period.

|                         | <b>For the six months ended</b> |                     |
|-------------------------|---------------------------------|---------------------|
|                         | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|                         | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|                         | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Sales of goods          | 20,244,818                      | 14,822,430          |
| Assembly service income | 4,000,952                       | 1,310,061           |
|                         | <u>24,245,770</u>               | <u>16,132,491</u>   |

Other income and gains

|                            | <b>For the six months ended</b> |                     |
|----------------------------|---------------------------------|---------------------|
|                            | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|                            | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|                            | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Bank interest income       | 9,888                           | 9,977               |
| Gain on disposal of scrap  | 119,634                         | 65,164              |
| Foreign exchange gain, net | —                               | 2,434               |
| Others                     | 156,091                         | 68,275              |
|                            | <u>285,613</u>                  | <u>145,850</u>      |

## 6. FINANCE COSTS

|                                   | <b>For the six months ended</b> |                     |
|-----------------------------------|---------------------------------|---------------------|
|                                   | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|                                   | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|                                   | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Interest on bank borrowings       | 82,844                          | 182,345             |
| Bank charges for discounted notes | 47,222                          | 6,102               |
|                                   | <u>130,066</u>                  | <u>188,447</u>      |
| Less: Interest capitalised        | <u>(28,394)</u>                 | <u>(37,837)</u>     |
|                                   | <u>101,672</u>                  | <u>150,610</u>      |

The average capitalisation rate for the year used to determine the amount of borrowing costs eligible for capitalisation was 5.11% (six months ended 30 June 2009: 6.81%).

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 7. PROFIT BEFORE TAX

The Group profit before tax is arrived after charging:

|  | <b>For the six months ended</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|  | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|  | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Cost of inventories sold                                   | 15,195,353                      | 11,546,944          |
| Cost of services provided                                  | 3,827,458                       | 1,262,148           |
| Depreciation   | 961,881                         | 727,109             |
| Amortisation of other intangible assets                    | 82,116                          | 83,136              |
| Impairment of property, plant and equipment                | —                               | 362                 |
| Impairment of trade receivables                            | 9,958                           | 6,544               |
| Impairment losses of trade receivables reversed            | (42,232)                        | (17,210)            |
| Impairment of inventories                                  | 45,646                          | 158,379             |
| Loss on disposal of items of property, plant and equipment | 24,910                          | 9,992               |

## 8. INCOME TAX

|                                 | <b>For the six months ended</b> |                     |
|---------------------------------|---------------------------------|---------------------|
|                                 | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|                                 | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|                                 | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Current-Mainland China          | 377,358                         | 171,795             |
| Current-Hong Kong               | —                               | 2,520               |
| Deferred                        | (191,820)                       | 17,887              |
| Total tax charge for the period | 185,538                         | 192,202             |

Taxes on profits assessable have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Company and its subsidiaries registered in the PRC are subject to Corporate Income Tax. On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which became effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic-invested and foreign-invested enterprises from 1 January 2008 has decreased from 33% to 25%. Pursuant to the transitional arrangement under the New CIT Law, the income tax rate applicable to certain PRC subsidiaries will only be gradually increased to the unified rate of 25% over a 5-year transitional period.

Certain subsidiaries operating in Mainland China are approved to be high and new technology enterprises and are entitled to enjoy reduced enterprise income tax rates of 15% of the estimated assessable profits for the period.

Certain subsidiaries operating in Mainland China are entitled to exemptions from income tax for the two years commencing from their first profit-making year of operation and thereafter, entitled to a 50% relief from income tax for the next three years.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2009

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

|   | <b>For the six months ended</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>30 June 2010</b>             | <b>30 June 2009</b>  |
|   | <i>RMB'000</i>                  | <i>RMB'000</i>       |
| Earnings  |                                 |                      |
| Profit attributable to ordinary equity holders of the Company, as in the basic earnings per share calculation   | <u>2,421,178</u>                | <u>1,177,805</u>     |
|   |                                 |                      |
|   | <b>Numbers of shares</b>        |                      |
|   | <b>30 June 2010</b>             | <b>30 June 2009</b>  |
| Shares  |                                 |                      |
| Weighted average number of ordinary shares in issue during the period in the basic earnings per share calculation, as adjusted to reflect the bonus share issue during the period | <u>2,275,100,000</u>            | <u>2,050,100,000</u> |

No diluted earnings per share amount has been presented for the period as no diluting events existed during these period.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired assets with a cost of RMB3,624,802,000 (six months ended 30 June 2009:RMB2,455,990,000) on additions to property, plant and equipment.

Assets with a net book value of RMB46,890,000 were disposed of by the group during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB22,458,000), resulting in a net loss on disposal of RMB24,910,000 (six months ended 30 June 2009: loss of RMB9,992,000).

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 11. INVENTORIES

|                           | <b>30 June<br/>2010</b> | <b>31 December<br/>2009</b> |
|---------------------------|-------------------------|-----------------------------|
|                           | <i>(Unaudited)</i>      | <i>(Audited)</i>            |
|                           | <i>RMB'000</i>          | <i>RMB'000</i>              |
| Raw materials             | 2,373,031               | 1,558,455                   |
| Work-in-progress          | 1,926,321               | 1,078,292                   |
| Finished goods            | 2,058,613               | 1,413,567                   |
| Mould held for production | 362,819                 | 358,093                     |
|                           | <u>6,720,784</u>        | <u>4,408,407</u>            |

## 12. TRADE AND BILLS RECEIVABLES

For sales under automobiles and related products segment, payment in advance, mainly in the form of bank bills, is normally required. For sales under other segments, the Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months. An aged analysis of the trade and bills receivables as at 30 June 2010 and 31 December 2009, based on invoice date, and net of provision is as follows:

|                    | <b>30 June<br/>2010</b> | <b>31 December<br/>2009</b> |
|--------------------|-------------------------|-----------------------------|
|                    | <i>(Unaudited)</i>      | <i>(Audited)</i>            |
|                    | <i>RMB'000</i>          | <i>RMB'000</i>              |
| Within 3 months    | 6,067,124               | 9,327,142                   |
| 3 to 6 months      | 190,926                 | 454,501                     |
| 6 months to 1 year | 16,586                  | 9,882                       |
| Over 1 year        | —                       | 1,287                       |
|                    | <u>6,274,636</u>        | <u>9,792,812</u>            |

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

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 13. TRADE AND BILLS PAYABLES

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

|                    | <b>30 June<br/>2010</b> | <b>31 December<br/>2009</b> |
|--------------------|-------------------------|-----------------------------|
|                    | (Unaudited)             | (Audited)                   |
|                    | RMB'000                 | RMB'000                     |
| Within 3 months    | 11,075,043              | 10,742,058                  |
| 3 to 6 months      | 756,952                 | 593,652                     |
| 6 months to 1 year | 64,531                  | 84,658                      |
| 1 to 2 years       | 29,479                  | 58,301                      |
| 2 to 3 years       | 24,313                  | 33,809                      |
| Over 3 years       | 3,671                   | 6,180                       |
|                    | <u>11,953,989</u>       | <u>11,518,658</u>           |

The trade payables are non-interest-bearing and are normally settled within terms of 30 to 120 days. The directors are of the opinion that the carrying amounts of trade and bills payables approximate their fair values.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 14. CONTINGENT LIABILITIES

- (a) In June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for allegations in connection with the use of confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Hong Kong High Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations arising from the June 2007 Action. In essence, the Plaintiffs allege that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000 and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the Company has given an indemnity in favour of other defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the Company to the indemnified parties will not cover loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents. The service of writs on all of the Defendants has been duly acknowledged.

On 2 November 2007, the Company and its subsidiary BYD Hong Kong Limited which had been served with the writ at that time, applied for a stay of the legal proceedings. The hearing of the stay application took place on 11 and 12 June 2008 and the judgement in respect of the stay application was handed down on 27 June 2008. The stay application was turned down and an order was issued, of which the legal cost for the application of stay by the Plaintiff is to be borne by the Company and its subsidiary BYD Hong Kong. The legal cost, if not agreed, will be determined by the court. On 2 September 2009, the above-mentioned Plaintiffs make an amendment to the writ with the High Court of the Hong Kong Special Administration Region for inclusion of Foxconn Precision Component (Beijing) Co., Ltd. as a Plaintiff. The Group also filed a counterclaim on 2 October 2009 against the Plaintiffs, including Foxconn Precision Component (Beijing) Co., Ltd., the documents of which have been served on all parties of the Plaintiffs. The counterclaim mainly related to the release of defamatory remarks to prejudice of the Defendants' reputation and the interference with the Defendants' business, and the request for remedies by the Plaintiffs.

Based on the legal opinions issued by the Group's litigation legal counsels to the Group, the ultimate outcome of the litigation is not yet determinable given the early stage of the proceedings. Accordingly no liability accrual has been recorded by the Group.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 14. CONTINGENT LIABILITIES (cont'd)

- (b) On 24 July 2009, Shenzhen BYD Auto Company Limited ("BYD Auto SZ"), a wholly-owned subsidiary of the Company as the transferee signed the Equity Transfer Agreement with an independent third party, namely Foshan Weishang Technology Development Group Co. Ltd. ("Foshan Weishang") as transferor, in relation to BYD Auto SZ's acquisition of the entire equity interests in Hunan Midea Coach Manufacturing Co. Ltd ("Hunan Midea") which is wholly owned by Foshan Weishang at a consideration of RMB60,000,000. The procedures for industrial and commercial registration of the equity transfer have been completed on 7 August 2009 and Hunan Midea has changed its name to Changsha BYD Bus Co., Ltd ("Changsha BYD Bus") on 7 August 2009.

On 24 July 2009, the State-owned Assets Supervision and Administration Commission of the Kunming Municipal People's Government (the "Applicant") filed an arbitration application with China International Economic and Trade Arbitration Commission, Shanghai Commission to request Yunnan Midea Automobile Holding Co., Ltd. ("Yunnan Midea") and Changsha BYD Bus to pay transformation fees in the sum of RMB30,297,000 to it and bear the default fine of RMB6,969,000 for failing to make advance payment of the transformation fees as well as the arbitration fees for the case and fees reasonably incurred by the Applicant for handling the case. The case was derived from the "Agreement for the Acquisition of the Property Right of Yunnan Coach Factory" signed by the Applicant and Yunnan Midea and Hunan Midea on 31 July 2004 which stipulated that Yunnan Midea and Hunan Midea acquired Yunnan Coach Factory at nil consideration by bearing the transformation fees. However, Yunnan Midea and Hunan Midea have not paid the transformation fees.

The case has yet no outcome. Pursuant to the "Equity Transfer Agreement" signed by BYD Auto SZ and Foshan Weishang, Foshan Weishang shall assume all corresponding legal responsibilities in respect of the contingent liabilities, pending matters and property risks of Hunan Midea prior to the transfer of assets as stipulated in the "Equity Transfer Agreement". Foshan Weishang signed a document on 13 August 2009, pursuant to which it undertakes to assume all fees related to legal services incurred, all fees and costs payable by Changsha BYD Bus in respect of its participation in the arbitration case; all liabilities, indebtedness and responsibilities brought by the verdict of this arbitration case, and all losses suffered by Changsha BYD Bus due to such arbitration case. In addition, Midea Group Co., Ltd ("Midea Group") issued a Letter of Undertaking on 3 September 2009 pursuant to which it is agreed that Midea Group and Foshan Weishang shall assume rights and obligations of Changsha BYD Bus involving the said arbitration case and shall jointly and severally bear liabilities thereof. It is also undertaken that Midea Group and Foshan Weishang shall deal with all matters arising from the above arbitration dispute, and shall bear the full costs incurred and undertake all responsibilities arising therefrom (including but not limited to the transformation fees, liquidated damages, arbitration fees and handling costs that shall be assumed according to the ruling in the arbitration award).

The case was derived from the matters prior to the transfer of equity from Changsha BYD Bus to BYD Auto SZ. The obligation of potential risks of the case has been explicitly stipulated in the related equity transfer agreement, and Foshan Weishang and Media Group has respectively undertaken to assume all costs and losses payable by Changsha BYD Bus in respect of its participation in the arbitration case. Therefore, there will not bring material adverse impact to the Group. As it is not probable that the outcome of the arbitration will result in the economic benefit outflow from the Group, no liabilities has been accrued by the Group.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 14. CONTINGENT LIABILITIES (cont'd)

- (c) On 9 November 2009, Nokia announced that it would initiate a charger exchange program and recommended the users to exchange the chargers for free replacement. The reason for the program was that the plastic covers of a limited number of the Nokia-branded chargers manufactured by a subsidiary of the Company could come loose and detach, exposing the internal components of the charger and may potentially pose an electrical shock hazard. The models of the chargers announced by Nokia are AC-3E and AC-3U manufactured during the period from 15 June 2009 to 9 August 2009 and AC-4U manufactured during the period from 13 April 2009 to 25 October 2009. As at 30 June 2010, the Company obtained from its customers replacement registrations of 26,080 by the end-users, with trend of decline in number of registration for replacement.

On 28 December 2009, the subsidiary of the Company received an invoice amounted to EUR1,539,376 from Nokia. The amount had been accrued as a liability as at 31 December 2009 and had been paid in 2010. Due to the ongoing of the charger exchange program, the Company is still under further discussion with Nokia for further details. During the reporting period, the subsidiary of the Company resumed the supply of the same models of chargers in the charger exchange program to Nokia. The potential compensation could not be reasonably estimated and accordingly, no further liability has been accrued by the Group. The Group expects that the charger exchange program does not and will not have any material impact on its financial and operating conditions or its business prospect.

- (d) On 15 July 2010, the Ministry of Land and Resources of the People's Republic of China announced the unlawful occupation of land by BYD Auto Co.,Ltd. in respect of its expansion project in Hu County, Shaanxi Province. According to the Ministry of Land and Resources, in July 2009, BYD Auto Co.,Ltd. ("BYD Auto"), a subsidiary of the Company, entered into an agreement with the Management Committee of Xi'an Hi-tech Industries Development Zone of Shaanxi Province (the "Management Committee of Xi'an Hi-tech Zone"), pursuant to which BYD Auto agreed to invest in an expansion project for automobile and engine with an annual production capacity of 200,000 units (BYD Automobile Plant II) in Caotang Science and Technology Industrial Foundation in the Xi'an Hi-tech Industries Development Zone (the "Xi'an Hi-tech Zone") located in Hu County, Xi'an Province. In December 2009, when the parties had not signed the land transfer agreement and the related land use rights had not been received by BYD Auto, BYD Auto commenced the construction of the expansion project, being BYD Automobile Plant II. Currently 7 buildings of plants and staff dormitories, a mixing plant and roads in the factory area have been completed, occupying land of 736.65 mu, of which there were 681.03 mu of farm land. This incident involved unlawful acts such as the pre- expropriation by a local government violating rules, the unlawful occupation of land by an enterprise, ect., and the Ministry of Land and Resources has ordered Shaanxi Department of Land and Resources together with supervisory authorities to seriously investigate and deal with this incident.

As of 30 June 2010, the carrying value of the aforesaid construction in progress was RMB149 million. Currently, the incident is at the stage of investigation by relevant state land and resource authorities. As the construction of the expansion project (BYD Automobile Plant II) has not been completed and the plant has not commenced operation, the Company considers that this event does not have a material adverse impact on business operation of the company. Currently, the Company is actively working with relevant governmental authorities to tackle and deal with this issue and is gradually perfecting the relevant procedures in respect of land use. As the adverse impact that may be brought by the investigation conclusion cannot be measured in a reliable way, no provision has been made by the Group.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 15. COMMITMENTS

The Group had the following capital commitments:

|  | <b>30 June<br/>2010</b> | <b>31 December<br/>2009</b> |
|--|-------------------------|-----------------------------|
|  | <i>(Unaudited)</i>      | <i>(Audited)</i>            |
|  | <i>RMB'000</i>          | <i>RMB'000</i>              |
| Contracted but not provided for                                  |                         |                             |
| Buildings ( <i>Note 1</i> )                                      | 1,550,908               | 1,637,591                   |
| Plant and machinery ( <i>Note 2</i> )                            | 3,401,999               | 2,387,516                   |
| Capital contribution in respect of investments in joint ventures | 316,040                 | —                           |
|  | <u>5,268,947</u>        | <u>4,025,107</u>            |

*Notes 1:* Included in the above capital commitment is a commitment with regards to the under-mentioned BYD Automobile Plant II project, the Shaoguan Base project and the Changsha Sedan project with the total amount of RMB65,504,000;

*Note 2:* Included in the above capital commitment is a commitment with regards to the under-mentioned BYD Automobile Plant II project, the Shaoguan Base project and the Changsha Sedan project with the total amount of RMB453,882,000;

### (a) BYD Automobile Plant II Project

BYD Auto Co., Ltd. ("BYD Auto"), a subsidiary of the company, entered into an investment agreement with the Management Committee of Xi'an Hi-tech Zone. According to the agreement, BYD Auto proposed to establish an additional new production plant in Xi'an Hi-tech Zone to accommodate the planned annual output of approximately 400,000 units of automobiles and components (the "BYD Automobile Plant II Project"). Total investment of the project will amount to RMB5 billion. BYD Auto promised that the total capacity of BYD Auto would not be less than 500,000 units of automobiles per year in 2012 and 600,000 per year in 2013 and the sales of the products will be accomplished in Xi'an Hi-tech Zone .

### (b) Shaoguan Base Project

Shenzhen BYD Auto Co. Ltd. ("Shenzhen BYD Auto"), a fully-owned subsidiary of the company, entered into an investment agreement with People's Government of Shaoguan City, Guangdong Province. According to the agreement, Shenzhen BYD Auto proposed to build a state-level test track and automobile component production plant within the Dongguan-Shaoguan Industrial Transferred Zone (the "Shaoguan Base Project"). Total investment of the project will amount to approximately RMB1.5 billion. Shenzhen BYD Auto undertook that Shaoguan BYD would be fully commissioned in two years after the land use right obtained and the gross output is expected to exceed RMB1 billion in three years and the fiscal contribution to the tax revenue approximately RMB80 million per year .

### (c) Changsha Sedan Project

Shenzhen BYD Auto, a subsidiary of the Company, entered into BYD Automobile Park investment agreement with the Management Committee of Hunan Environmental Industrial Park and the Changsha Economic Commission. According to the agreement, Shenzhen BYD Auto proposed to establish a production project with an annual output of approximately 400,000 units of automobiles in the Hunan Environmental Industrial Park. Total investment of the project will amount to approximately RMB3 billion. Shenzhen BYD Auto undertook that the gross output is expected to exceed RMB10 billion after the plants had fully commissioned for three years.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

## 16. RELATED PARTY TRANSACTIONS

- (a) The Group did not carry out any material related party transactions during the period.
- (b) Compensation of key management personnel of the Group:

|                              | <b>For the six months ended</b> |                     |
|------------------------------|---------------------------------|---------------------|
|                              | <b>30 June 2010</b>             | <b>30 June 2009</b> |
|                              | <i>(Unaudited)</i>              | <i>(Unaudited)</i>  |
|                              | <i>RMB'000</i>                  | <i>RMB'000</i>      |
| Short term employee benefits | 17,363                          | 10,248              |
| Pension scheme contributions | 10                              | 9                   |
|                              | <hr/>                           | <hr/>               |
|                              | 17,373                          | 10,257              |
|                              | <hr/> <hr/>                     | <hr/> <hr/>         |

## 17. POST BALANCE SHEET EVENTS

On 13 July, 2010, the Board of Directors of the Company considered and resolved that the period of validity of “the resolution in respect of the Company’s initial public offering and listing of A Shares” and “the resolution in respect of the grant of authority to the Board of Directors to deal with the matters for the initial public offering and listing of A Share”, which was passed at the Second Extraordinary General Meeting, the First H Shares Glass Meeting and the First Domestic Shares Class Meeting of 2009 held on 8 September, 2009, be extended to twelve months, that is, up to 7 September, 2011. The aforesaid matter is pending to be approved at the Extraordinary General Meeting and the class meeting intended to be held by the Company on 30 August, 2010.

## 18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 21 August 2010.