比亞迪股份有限公司
BYD COMPANY LIMITED

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

(Stock Code: 1211)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

Turnover	+99%	To RMB12,939 million
Gross Profit	+88%	To RMB2,738 million
Profit attributable to equity holders of the Company	+122%	To RMB1,117 million
Basic earnings per share	+122%	To RMB2.07
Final dividend per share		RMB0.4

HIGHLIGHTS

- Maintained its leading position in rechargeable batteries industry
- Recorded 169% growth in turnover of handset components business
- Recorded 414% growth in turnover and successfully achieved turnaround in automobiles business

FINANCIAL RESULTS

The board of directors (the "Board") of BYD Company Limited (the "Company" or "BYD") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 (the "Year") together with comparative figures in 2005.

The Board recommended the payment of a final dividend of RMB0.4 per share for the year ended 31 December 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 RMB'000	2005 RMB'000 (Restated)
REVENUE	5	12,938,917	6,498,330
Cost of sales		(10,200,734)	(5,043,785)
Gross profit		2,738,183	1,454,545
Other income and gains	5	157,026	46,670
Selling and distribution costs		(480,177)	(170,089)
Administrative expenses		(850,197)	(583,512)
Other expenses		(136,748)	(12,258)
Finance costs	7	(246,942)	(142,508)
PROFIT BEFORE TAX	6	1,181,145	592,848
Tax	8	(53,075)	(90,041)
PROFIT FOR THE YEAR		1,128,070	502,807
Attributable to:			
Equity holders of the parent	9	1,117,334	503,013
Minority interests		10,736	(206)
		1,128,070	502,807
DIVIDEND			
Proposed final	10	215,800	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT — Basic (RMB)	11	2.07	0.93

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 RMB'000	2005 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		7,592,885	5,263,643
Investment properties		2,101	—
Prepaid land lease payments		195,866	198,709
Goodwill		58,603	58,603
Other intangible assets		412,447	270,032
Deferred tax assets	14	10,414	30,976
Total non-current assets		8,272,316	5,821,963
CURRENT ASSETS			
Inventories		3,156,918	2,231,556
Trade receivables	12	1,550,925	1,590,839
Bills receivable	12	656,456	257,338
Factored trade receivables		787,018	275,355
Prepayments, deposits and other receivables		256,125	281,961
Due from related parties		765	1,265
Derivative financial instruments		5,181	22,898
Restricted bank deposits		83,765	48,050
Cash and cash equivalents		1,617,312	682,129
Total current assets		8,114,465	5,391,391
CURRENT LIABILITIES			
Trade and bills payables		3,322,022	1,985,715
Bank advances on factored trade receivables		787,018	275,355
Other payables and accruals		688,432	407,764
Advances from customers		429,010	181,889
Derivative financial instruments		3,863	19,172
Interest-bearing bank and other borrowings		4,223,713	2,195,024
Deferred tax liabilities	14	8,255	—
Tax payable		26,943	75,859
Provision		13,193	3,157
Total current liabilities		9,502,449	5,143,935
NET CURRENT ASSETS/(LIABILITIES)		(1,387,984)	247,456
TOTAL ASSETS LESS CURRENT LIABILITIES		6,884,332	6,069,419
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,513,146	1,829,669
Derivative financial instruments		3,545	—
Total non-current liabilities		1,516,691	1,829,669
Net assets		5,367,641	4,239,750
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	539,500	539,500
Reserves	16	4,537,164	3,635,809
Proposed final dividend		215,800	—
		5,292,464	4,175,309
Minority interests		75,177	64,441
Total equity		5,367,641	4,239,750

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2006

1. CORPORATE INFORMATION

BYD Company Limited is a joint stock limited liability company (the "Company") incorporated 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 31 July 2002. The registered office of the Company is located at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group finances its capital intensive operations by obtaining credit terms from suppliers and interest-bearing bank borrowings. It had net current liabilities as at 31 December 2006 of RMB1,387,984,000. The directors are of the opinion that, taking into account the funding from banks, the Group has sufficient working capital for its present requirements. Hence, the financial statements have been prepared on a going concern basis.

On 15 March 2007, the Group entered into a loan extension agreement with the EXPORT-IMPORT BANK OF CHINA, RMB450 million of current portion of long term bank loans have been rolled-over for one year.

On 15 March 2007, the Group entered into a loan extension agreement with the China Merchants Bank, RMB100 million of current portion of long term bank loans have been rolled-over for 17 months.

On 15 March 2007, the Group entered into a loan extension agreement with the China Construction Bank, RMB150 million of current portion of long term bank loans have been rolled-over for 15 months.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) *HKAS 21 The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) *HKAS 39 Financial Instruments: Recognition and Measurement*

Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(c) *HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. The Group has determined based on this interpretation that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 Leases. However, the adoption of this interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	Group and Treasury Share Transactions

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10 and HK(IFRIC)-Int11 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006 and 1 March 2007, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. PRIOR YEAR ADJUSTMENT

The Company undertook intensive effort in 2006 to enhance its operation system and refine upon the techniques applied in the production process of its automobile business, which involved extensive review of various research and development stages in 2006 and earlier periods. As a result of such review, certain of the research and development expenditure capitalised in prior years are expensed as then incurred in accordance to Hong Kong Accounting Standards 38 Intangible Assets. Corresponding adjustments have been applied retrospectively and certain comparative amounts have been restated. Development costs capitalised were decreased by RMB25,738,000 as at 31 December 2005 and the basic earning per share was decreased by RMB0.05 for the year 2005. The effects on the financial result for the year 2005 and earlier periods is summarised below.

	Group RMB '000
Effect on the financial result for the year ended 31 December 2005	
Increase in administrative expenses	25,738
Decrease in profit of year ended 31 December 2005	(25,738)
Effect on the financial result for years ended 31 December 2004	
Increase in administrative expenses	42,811
Decrease in profit of year ended 31 December 2004	(42,811)
Effect on the financial result for years ended 31 December 2003	
Increase in administrative expenses	23,372
Decrease in profit of year ended 31 December 2003	(23,372)
Decrease in retained profits at 31 December 2005	(91,921)

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the battery and other products segment comprises the manufacture and sale of rechargeable batteries principally for mobile phones, emergency lights and other battery related products.

(b) the handset components segment comprises the manufacture and sale of LCD and other handset components.

(c) the automobile and related products segment comprises the manufacture and sale of automobiles and auto-related moulds and components.

(d) the "others" segment comprises, principally, the new factory which has been just set up and other non-manufacturing parts of the Group.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No assets and liabilities information by geographical segment is presented as over 90% of the Group's assets are located in Mainland China.

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.

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	Battery and other products RMB'000	Handset components RMB'000	Automobile and related products RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	4,567,393	5,134,509	3,232,178	4,837	12,938,917
Segment results	411,114	901,522	116,181	(730)	1,428,087
Finance costs					(246,942)
Profit before tax					1,181,145
Tax					(53,075)
Profit for the year					1,128,070
Assets and liabilities:					
Segment assets	4,803,129	4,645,229	4,170,314	264,419	13,883,091
Unallocated assets					2,503,690
Total assets					16,386,781
Segment liabilities	1,579,734	1,525,594	1,324,402	31,181	4,460,911
Unallocated liabilities					6,554,684
Total liabilities					11,015,595
Other segment information:					
Depreciation and amortisation	208,927	165,240	150,069	1,465	525,701
Recognition of prepaid land lease payment	4,979	631	1,860	—	7,470
Capital expenditure	582,995	1,180,905	1,000,693	248,442	3,013,035
Write-down of inventories to net realisable value	35,560	53,163	—	—	88,723
Impairment of trade receivables	24,944	31,373	—	—	56,317
Product warranty provision	—	—	38,451	—	38,451

Year ended 31 December 2005	Battery and other products RMB'000	Handset components RMB'000	Automobile and related products RMB'000 (restated)	Total RMB'000 (restated)
Segment revenue:				
Sales to external customers	3,963,438	1,906,298	628,594	6,498,330
Segment results (restated)	571,053	281,348	(116,665)	735,736
Finance costs				(142,508)
Profit before tax				593,228
Tax				(90,041)
Profit for the year				503,187
Assets and liabilities:				
Segment assets	5,639,915	2,107,152	2,406,930	10,153,997
Unallocated assets				1,059,357
Total assets				11,213,354
Segment liabilities	506,351	(102,467)	2,174,641	2,578,525
Unallocated liabilities				4,395,079
Total liabilities				6,973,604
Other segment information:				
Depreciation and amortisation	178,292	80,704	99,548	358,544
Recognition of prepaid land lease payments	1,496	189	559	2,244
Capital expenditure	940,569	422,364	569,307	1,932,240
Write-down of inventories to net realisable value	58,026	7,436	2,675	68,137
Impairment of trade receivables	2,715	36,313	(236)	38,792
Product warranty provision	—	—	3,429	3,429

(b) **Geographical segments**

The following tables present revenue information for the Group's geographical segments for the years ended 31 December 2006.

Year ended 31 December 2006	PRC	Europe	United States of America	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	8,408,770	1,363,989	908,369	2,257,789	12,938,917

The following tables present revenue information for the Group's geographical segments for the years ended 31 December 2005.

Year ended 31 December 2005	PRC	Europe	United States of America	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	4,552,080	558,856	472,429	914,965	6,498,330

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of revenue, other income and gains is as follows:

	Notes	Group 2006	Group 2005
		RMB'000	RMB'000
Revenue			
Sale of goods		12,917,599	6,466,565
Construction contracts		21,318	31,765
		12,938,917	6,498,330
Other income			
Subcontracting income		2,626	993
Bank interest income	6	13,956	6,938
Government grants and subsidies		11,143	675
Net rental income	6	219	—
Sale of scraps		73,664	27,511
Others		49,114	390
		150,722	36,507
Gains			
Fair value gains:			
Derivative instruments - transactions not qualifying as hedges		5,181	10,163
Gain on disposal of items of property, plant and equipment		1,123	—
		157,026	46,670

Government grants have been received for setting up research activities in Mainland China. The government grants released have been recognised as income upon receipt. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the balance sheet. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging /(crediting):

	Group 2006	Group 2005
	RMB'000	RMB'000 (Restated)
Cost of inventories sold	8,944,132	4,017,389
Depreciation	476,532	346,092
Amortisation of intangible assets other than development costs	15,768	3,314
Recognition of prepaid land lease payments	7,470	2,244
Research and development costs:		
Deferred expenditure amortised	33,401	6,894
Current year expenditure	140,555	106,749
	173,956	113,643
Minimum lease payments under operating leases:		
Land and buildings located in Mainland China	10,431	7,288
Auditors' remuneration	3,074	2,400
Employee benefits expense (including directors' remuneration		
Wages and salaries	1,263,275	589,262
Welfare	79,792	40,308
Pension scheme contributions	90,361	21,755
	1,433,428	651,325
(Gain)/loss on disposal of items of property, plant and equipment	(1,123)	10,809
Foreign exchange differences, net	24,172	10,037
Impairment of trade receivables	56,317	38,792
Write-down of inventories to net realisable value	88,723	68,137
Product warranty provision:		
Additional provision	38,451	3,429
Fair value gains, net		
Derivative instruments - transactions not qualifying as hedges	(1,668)	—
Net rental income	(219)	—
Bank interest income	(13,956)	(6,938)

7. FINANCE COSTS

	Group 2006	Group 2005
	RMB'000	RMB'000
Interest on bank borrowings wholly repayable within five years	233,145	137,438
Bank charges for discounted notes	16,126	20,456
Total interest	249,271	157,894
Less: Interest capitalised	(6,224)	(15,386)
	243,047	142,508
Other finance costs:		
Unrealised loss on interest rate swaps	3,895	—
	246,942	142,508

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.41%.

8. TAX

No provision for Hong Kong, United States, Hungary, Netherlands, Japan and Denmark profits tax has been made for the year as the Group did not generate any assessable profits from there during the year. Taxes on profits assessable elsewhere 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.

	2006	2005
	RMB'000	RMB'000
Group:		
Current — Mainland China		
Charge for the year	74,080	106,643
Over provision in prior years	(33,312)	—
Deferred (note 14)	12,307	(16,602)
Total tax charge for the year	53,075	90,041

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group	2006		2005	
	RMB'000	%	RMB'000 (Restated)	%
Profit before tax	1,181,145		590,645	
Tax at the statutory tax rate	177,172	15	88,597	15
Lower tax rate for specific provinces or local authority	(29,563)	(2.5)	(22,233)	(3.8)
Income not subject to tax	(127,528)	(10.8)	—	—
Expenses not deductible for tax	55,807	4.7	2,113	0.4
Tax losses not recognised	38,347	3.2	21,564	3.7
Tax losses utilised from previous periods	(27,848)	(2.4)	—	—
Adjustments in respect of current tax of previous periods	(33,312)	(2.8)	—	—
Tax charge at the Group's effective rate	53,075	4.5	90,041	15.2

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of RMB39,691,000 (2005: profit of RMB252,334,000) which has been dealt with in the financial statements of the Company (note 16(b)).

10. DIVIDENDS

Shares

	2006	2005
	RMB'000	RMB'000
Proposed final — RMB0.4 (2005: Nil) per ordinary share	215,800	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the company of RMB1,117,334,000 (2005: RMB503,013,000 (restated)), and the number of ordinary shares in issue during the year which is 539,500,000 (2005: 539,500,000).

No diluted earnings per share amounts have been presented for the years ended 31 December 2006 and 2005 as no diluting events existed during these years.

12. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group 2006	Group 2005	Company 2006	Company 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Within three month	2,667,529	1,537,434	522,595	891,074
Three to six months	199,928	229,284	99,869	187,831
Six months to one year	97,732	78,898	17,689	33,084
Over one year	29,210	2,561	—	—
	2,994,399	1,848,177	640,153	1,111,989

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group 2006	Group 2005	Company 2006	Company 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Within three months	2,671,655	1,644,451	564,038	651,285
Three to six months	549,432	299,886	99,895	86,061
Six months to one year	67,309	15,735	43,942	6,826
One to two years	18,537	19,989	373	2,869
Two to three years	7,641	5,654	3,689	—
Over three years	7,448	—	437	—
	3,322,022	1,985,715	712,374	747,041

The trade payables are non-interest-bearing and are normally settled on 30 to 120 days terms.

14. DEFERRED TAX

Deferred tax liabilities

Group

	Construction contracts revenue	Development costs	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2006	—	—	—
Deferred tax charged to the income statement during the year (note 8)	6,754	1,501	8,255
At 31 December 2006	6,754	1,501	8,255

Deferred tax assets

Group

	Depreciation in excess of depreciation allowance	Impairment of trade receivables	Impairment of inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	4,215	14,356	12,405	30,976
Deferred tax credited/(charged) to the income statement during the year (note 8)	6,199	(14,356)	(12,405)	(20,562)
At 31 December 2006	10,414	—	—	10,414

Group

	Depreciation in excess of depreciation allowance	Impairment of trade receivables	Impairment of inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	—	8,003	6,371	14,374
Deferred tax credited to the income statement during the year (note 8)	4,215	6,353	6,034	16,602
At 31 December 2005	4,215	14,356	12,405	30,976

Company

	Depreciation in excess of depreciation allowance	Impairment of trade receivables	Impairment of inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	3,456	8,962	5,451	17,869
Deferred tax credited/(charged) to the income statement during the year	2,929	(8,962)	(5,451)	(11,484)
At 31 December 2006	6,385	—	—	6,385

Company

	Depreciation in excess of depreciation allowance	Impairment of trade receivables	Impairment of inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	—	3,959	5,202	9,161
Deferred tax credited to the income statement during the year	3,456	5,003	249	8,708
At 31 December 2005	3,456	8,962	5,451	17,869

The Group has tax losses arising in Mainland China of RMB161,340,000 (2005: RMB331,234,000) that are available for offsetting against future taxable profits of the companies in which the losses arose within five years after the occurrence of tax losses. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	Group 2006	Group 2005	Company 2006	Company 2005
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses	12,101	24,843	—	—
Deductible temporary differences	13,763	—	8,696	—
	25,864	24,843	8,696	—

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint venture entity as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

15. SHARE CAPITAL

Shares	2006	2005
	RMB'000	RMB'000
Issued and fully paid:		
539,500,000 (2005: 539,500,000) ordinary shares of RMB1 each	539,500	539,500

16. RESERVES

(a) **Group**

Pursuant to the relevant laws and regulations for business enterprises, a portion of the profits of the Group's entities which are incorporated in the PRC has been transferred to the statutory surplus reserve fund and the statutory welfare fund which are restricted as to use.

(b) **Company**

	Notes	Share premium account	Capital reserve	Statutory surplus reserve fund	Statutory welfare fund	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005		1,523,080	(225,407)	125,823	62,913	567,010	2,053,419
Profit for the year	9	—	—	—	—	252,334	252,334
Appropiation to statutory surplus reserve fund		—	—	24,362	12,181	(36,543)	—
At 31 December 2005		1,523,080	(225,407)	150,185	75,094	782,801	2,305,753
Loss for the year	9	—	—	—	—	(39,691)	(39,691)
Proposed final 2006 dividend		—	—	—	—	(215,800)	(215,800)
At 31 December 2006		1,523,080	(225,407)	150,185	75,094	527,310	2,050,262

The Company's capital reserve represents the excess of the net assets of the subsidiaries acquired pursuant to the reorganisation completed on 11 June 2002 in preparation for the Company's listing, over the nominal value of the Company' consideration in exchange therefore.

17. CONTINGENT LIABILITIES

The Group is involved in a litigation sentenced in Jiangsu Province in relation to the dispute of alleged battery quality sold by the Group to one of its customers. According to the terms of the first sentence, the Group would pay a total amount of RMB10,074,000 to the customer. The bank deposit of the Group amounting to RMB25,229,000 and US$2,361,000 were frozen by the court as at 31 December 2006 in this regard.

A provision of RMB10,074,000 for liability in respect of this matter has been made in the Group's financial statements as at 31 December 2006. However, the Group is seeking appeal.

18. POST BALANCE SHEET EVENTS

Pursuant to the resolution for approval in a shareholders' meeting held on 30 January 2007, the Company entered into a deed of gift (the "Deed of Gift") with Golden Link Worldwide Limited ("Golden Link"), the immediate holding company of BYD Electronic, and 35 employees of the Group (the "Participants") pursuant to which the Company has agreed to procure Golden Link to transfer, and Golden Link has agreed to transfer, by way of gift, the entire beneficial interest in the 9% shares in BYD Electronic ("Awarded Shares") to HSBC Trustee (the "Trustee") for the benefit of the Participants. The Awarded Shares will be transferred to and held by the Trustee on trust for the Participants. The Participants shall procure the Trustee to hold, administer and exercise all rights of a shareholder attaching to the Awarded Shares in such manner and in all respects according to the terms and conditions of the Trust Deed for a period no shorter than five years from the date of acquisition, during which the Trustee and the Participants shall be restricted from disposing of any of the Awarded Shares. Once the Awarded Shares are transferred to the Trustee under the Deed of Gift for the benefit of the Participants, the Company, Golden Link or any subsidiary of the Company will cease to have any interest, right (i.e., title and ownership to the Awarded Shares, such as the rights to receive dividend and to vote at shareholders' meetings) or control over the Awarded Shares or any obligations towards the Participants under the Deed of Gift.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to confirm with the current year's presentation and accounting treatment.

20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2007.

MANAGEMENT DISCUSSIONS AND ANALYSIS

Operating environment review

In 2006, the global handset market continued to post strong growth. According to the latest statistics of the market research company, Gartner, global handset output in 2006 was approximately 990 million units, representing an increase of approximately 21% from 810 million in 2005. Leveraging on their extensive industry experience and strong brand advantages as well as more competitive selling prices and multi-functional products, leading international handset suppliers have further increased their market share in the global handset market. Other handset suppliers have experienced a decline in their market share and faced difficulties. Therefore, competition in the global handset market has become more intense with the profitability of handset suppliers being suppressed.

In the global handset market, the growth in global handset output was mainly attributable to emerging markets such as India, China and Brazil, the demand in emerging markets for low- and medium-end handsets was enormous. In order to meet the growing demand in the emerging markets so as to increase their global market share, leading international handset suppliers have actively launched various series of low- and medium-end handset products and successfully developed ultra low cost handsets, which drove rapid growth in their global handset output. A decline in the average selling price of handsets as a result of the increase in the production of low-and-medium-end handset has urged leading international handset suppliers to implement more stringent cost control measures and seek for more cost-effective components suppliers or sub-contractors in order to ensure their profitability and competitiveness.

As for the domestic handset market, facing the immense competition from international handset suppliers in expanding their market share and the large portion of illegal handsets selling in the market, domestic handset suppliers continued to face an overall difficult operating environment. In view of this, some domestic handset manufacturers developed the emerging markets with low-end low-grade handsets and made efforts in maintaining their existing market share.

During the Year, international metal prices continued to increase. In particular, the price of nickel has rocketed, resulting in an increase in the production cost of nickel batteries and creating substantial pressure on the product's gross profit.

The vigorous development of economy has driven a continued increase in people's living standard and stimulated market demand for automobiles. The automobile industry in China was affected by unfavourable factors such as an increase in vehicle sales tax, oil prices and import tariff for vehicles and vehicle components. However, market demand for automobiles maintained a healthy upward trend with satisfactory growth in the overall production and sales volume. In 2006, production and sales volume of sedan in China's automobile market reached 3,830,000 vehicles, representing a growth of more than 37% year on year. Domestic automobile brands accounted for a market share of 26%, demonstrating that domestic self-owned brands have successfully occupied a position in the market.

Business Review

The two major businesses of BYD are IT parts business and the automobile business. The IT parts business is mainly divided into rechargeable batteries and handset components. During the Year, the Group's rechargeable batteries business maintained steady growth. The handset components business recorded a rapid growth. The automobile business also started to contribute to the Group's profits.

IT Parts — Rechargeable Batteries

In 2006, the Group's rechargeable batteries business posted satisfactory growth and recorded sales of RMB4,499,223,000, representing an increase of 16% over 2005. Sales of lithium-ion battery products recorded a strong growth, with sales increasing by 37% over the last year to RMB2,872,769,000. Affected by high raw material prices, the nickel battery product business experienced a decline, with sales dropping 8% over last year to RMB1,626,454,000.

During the Year under review, the Group continued to maintain its global leading position in rechargeable batteries.

As for the lithium-ion batteries, the Group has made efforts in developing long term relationship with the leading international handset suppliers and increased its global market share by leveraging on its excellent product quality and cost-effective competitive edge. On one hand, through strengthening its partnership with existing leading international handset suppliers, the Group further increased the number of orders received from existing customers. On the other hand, the Group has actively developed relationship with new leading international handset suppliers and secured new orders. This resulted in the global supply of lithium-ion batteries highly concentrated in a few manufacturers, including BYD, while other small manufacturers and new entrants found it difficult to compete in the market, thus creating tremendous opportunities for the Company to further expand its market share. Meanwhile, the Group has made a breakthrough in the research and development of power batteries.

Being one of the few manufacturers with the capability of providing high-quality nickel batteries, BYD is also a global leading nickel battery supplier. In 2006, with sustained high raw material prices, some major customers of nickel batteries tended to be prudent and conservative when placing their orders and postponed non-urgent orders, leading to a decline in sales of nickel batteries. In terms of the sales of nickel batteries, the Group continued to occupy a leading position in the market by capitalizing on its competitive edge and pricing capability. During the Year under review, the upsurge in the price of nickel directly increased the production cost of nickel batteries, which created pressure on the gross profit of the product.

IT Parts — Handset Components

The Group provides one-stop handset components supply services for its customers. This has effectively helped customers reduce their purchasing cost and increase their operating efficiency while shortening the time for the launch of new handset products in the market, resulting in wide recognition from customers. In 2006, the Group's handset components business posted remarkable growth with sales of more than RMB5,134,509,000, representing an increase of 169% over last year.

The Group's handset component business provides diversified product portfolio for customers, including plastic cases, key-pads, camera modules, LCD/LCM and flexible printed circuits. In 2006, the handset component business posted a strong growth. The growth of plastic cases and key-pads was particularly remarkable. This fully demonstrated the Group's strong capability in the research and development, innovation of precision plastic parts as well as excellent service standards, and successfully established the Group's market position as a crucial "one-stop handset component supplier" in the world.

By leveraging on its good and long-term partnership with the international global handset suppliers, the Group has successfully grasped continuously emerging market opportunities to become one of the handset component providers most well received by the international handset suppliers. During the Year under review, the Group not only secured new orders for handset components from various leading international handset suppliers but also secured more orders from other leading international handset suppliers, making the handset components business one of the major driving forces for the growth of the Group during the year.

Automobiles Business

In 2006, through the continued optimization of the production technique, the improvement of the sales network and the implementation of a cost-effective sales strategy, the Group had maintained a strong growth momentum for the automobiles business. During the Year under review, the automobiles business recorded a turnover of RMB3,232,178,000, representing a tremendous increase of 414% year on year. Total sales of the Group amounted to 55,038 vehicles, representing an increase of 244% year on year. A total of 46,307 F3 were sold. Being a self-owned brand automobile with the fastest growth in 2006, BYD's F3 has maintained monthly sales of approximately 4,000 vehicles and became one of the best single automobile models among self-owned brand mid-grade vehicles with splendid sales.

BYD's F3 has excellent quality that meets international standards and a competitive edge of value for money. With its excellent quality, competitive pricing and sound after-sales services, BYD's F3 series has been well received by consumers. During the Year under review, the Group's F3 has become one of the best-selling automobiles under domestic brands for several consecutive months, making F3 the major automobile model in the domestic market. It gained wide recognitions from the industry, including awards such as "Automobile with the Highest Value for Money" (最佳性價比汽車), "Automobile with the Best Appearance" (最佳外形設計汽車), and "CCTV Self-innovation Award" (CCTV自主創新獎).

Currently, the Group is well coordinated in management, research and development and production. Given its wholly independent research and development capability, the Group has not only enjoyed significant cost advantages but also possesses strong capability, enabling it to launch new products and respond to the market promptly. During the year under review, given the great demand for the Group's automobile products in the market, the Group's automobile production capacity increased each month, with the production capacity utilization reaching the highest level at the end of the year.

Future Prospects and Strategies

IT parts — rechargeable batteries

Looking ahead, the Group anticipates that the growth of the global handset market will remain strong. International handset suppliers will further expand their market share by actively exploring the emerging markets. The strong momentum in the industry has provided tremendous business opportunities for the future development of the Group. The Group will continue to strengthen its cooperation with international customers and focus on developing relationships with new international handset suppliers and increasing the supply volume so as to ensure the steady growth of the lithium-ion battery business. As for the nickel battery market, through the consolidation process of eliminating small players during the year, it is envisaged that global market demand will stabilize in 2007. Meanwhile, the Group will strive to increase its battery product applications and step up its efforts in cost control with a view to increasing its market share and strengthening its leading market position in the rechargeable battery industry.

IT parts — handset components

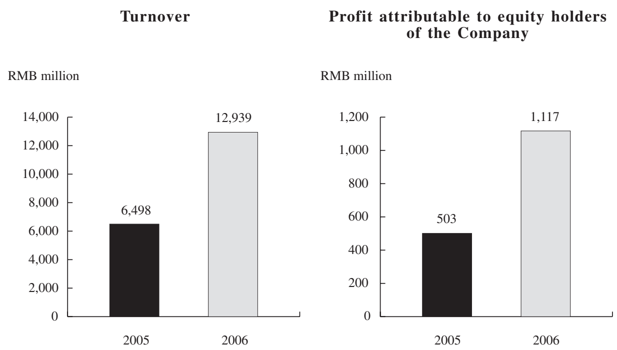
BYD will continue to cooperate closely with both domestic and overseas handset manufacturers to secure more orders for supplying handset components and will actively develop relationships with new international handset suppliers and leading domestic handset suppliers. To consolidate its leading market position as a one-stop handset component provider, the Group anticipates that the handset component business will continue to grow rapidly and become a major revenue driver and profit contributor of the Group. The Group also plans to further develop its handset assembly services for customers in 2007 to further drive the growth of the handset components business, thereby strengthening its leading position as a one-stop component provider for domestic and overseas handset manufacturers.

Automobiles business

As the GDP continues to increase, the penetration rate of antomobiles will also increase. This presents a vast space for the development of the automobile industry in China. The F3 series has gained extensive support from consumers. This marks the recognition of the Group's automobile business by the market. Therefore, the Group anticipates that the automobile business will continue to post satisfactory growth in 2007. The Group will promptly increase its production capacity, establish highly effective sales channels and further optimize the system for after-sales services with a focus on driving technological improvement and innovation so as to launch new models of automobiles in a timely manner. In addition, the Group plans to enrich its product lines and launch three new models of automobiles in 2007 so as to meet the various needs of consumers. The Group is confident that overall sales will keep rising and the development of the automobile business will gradually improve. BYD will pursue a development path of "self-development, self-production and self-owned brands" and is aimed at providing quality services for consumers and is determined to become one of the leaders in the automobile market of the PRC.

Financial Review

Turnover and Profit Attributable to Equity Holders of the Company

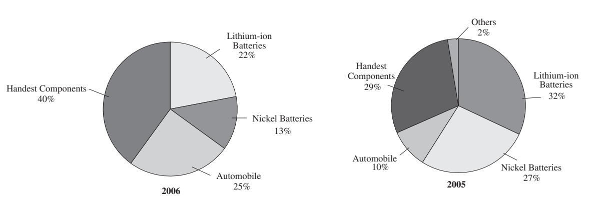


Turnover increased substantially during the Year mainly due to the strong growth brought by the handset components business and automobiles business. Strong growth in handset components business and turnaround in automobiles business contributed to the substantial increase in profit attributable to the equity holders of the Company.

Segmental Information

Set out below are the Group's turnovers in terms of product categories for the year ended 31 December 2006 and 2005:

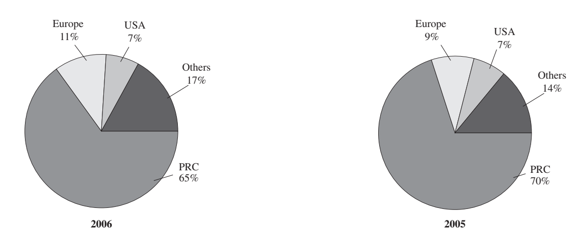
A breakdown of turnover in terms of product categories and their proportion



During the Year, the proportion of revenue from handset component business increased due to substantial increase in sales of handset component products. Handset component business became the greatest turnover contributor of the Group. Regarding the automobiles business, brought by the impressive sales of F3, the automobiles business recorded a strong growth in sales in 2006, creating a growth driver to the Group's turnover. Despite a slight increase in turnover contribution from the rechargeable battery business, the proportion of revenue from the rechargeable battery business decreased due to the substantial growth in the handset components business and the automobiles business.

Set out below are the Group's turnovers in terms of geographical segments, as determined by location of its operations for the six months ended 31 December 2006 and 2005:

A breakdown of turnover in terms of geographical locations of customers and their proportion



Gross Profit and Margin

The Group's gross profit increased by approximately 88% to approximately RMB2,738,183,000 for the year ended 31 December 2006. Gross profit margin dropped from 22.4% in 2005 to 21.2% in 2006. Decrease in gross profit margin was mainly brought about by (1) decrease in proportion of revenue from higher margined lithium-ion battery products, (2) sharp increase in cost of nickel battery production due to soaring of raw material prices and (3) increase in proportion of automobile sales.

Liquidity and financial resources

BYD generated net operating cash inflow of approximately RMB2,501,767,000 for the year ended 31 December 2006, compared with RMB1,514,859,000 for the year ended 31 December 2005. Total borrowings as at 31 December 2006, including all bank loans were approximately RMB5,736,859,000, compared with approximately RMB4,024,693,000 as at 31 December 2005. The maturity profile spread over a period of five years, with RMB4,223,713,000 repayable within one year, RMB665,000,000 in the second year and RMB848,146,000 within three to five years. On 15 March 2007, the Group entered into a loan extension agreement with several banks in China, RMB700 million of current portion of long term bank loans have been rolled-over for over one year. The increase in total borrowings was to fund numerous projects, R&D investment volume and enhance production capacity. The Group maintains adequate daily liquidity management and capital funding expenditure requirements to regulate internal operating cashflow.

Accounts receivable turnover days were about 72 days for the year ended 31 December 2006 as compared to approximately 106 days for the year ended 31 December 2005. Inventory turnover days decreased from 135 days for the year ended 31 December 2005 to 96 days for the Year.

Capital Structure

The Group's treasury function is responsible for the Group's financial risk management which operates according to policies implemented and approved by top management. As at 31 December 2006, borrowings were primarily denominated in RMB and USD, while cash and cash equivalents were mainly denominated in RMB and USD. The Group's intentions to maintain an appropriate mix of financial equity and debt were to ensure an efficient capital structure during the Year. The loans remaining outstanding as at 31 December 2006 were at fixed interest rates or floating interest rates for RMB loans and floating interest rates for foreign currency loans.

Exposure to Foreign Exchange Risk

Most of the Group's income and expenditure are denominated in RMB and USD. During the Year, the Group did not experience any significant difficulties in its operations or liquidity, due to fluctuations in currency exchange rates. The directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements.

Employment, Training and Development

As at 31 December 2006, the Group had over 90,000 employees. During the Year, total staff cost accounted for approximately 11% of the Group's turnover. Employee remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. In addition, incentives and encouragement were offered for personal and career development.

Closure of Register of Members

The register of members of the Company will be closed from 10 May 2007 (Thursday) to 8 June 2007 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend to be approved at the Annual General Meeting and to attend and vote at such meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Hopewell Centre, Rooms 1712-1716, 17th Floor, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on 9 May 2007 (Wednesday).

Share Capital

As at 31 December 2006, the share capital of the Company was as follows:

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

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares since the listing on 31 July 2002 and up to 31 December 2006. During the Year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Capital Commitment

As at 31 December 2006, the Group had capital commitment of RMB1,504,852,000 (31 December 2005: RMB757,845,000).

Contingent Liabilities

Please refer to note 17 to the audited consolidated financial statements for contingent liabilities as at 31 December 2006.

Financing

The management is confident of the prospects of the overall business development of the Group. To meet the need for sustained development in the future, the Group has actively undertaken studies to consider taking diversified and effective financing measures to finance the long-term development of all businesses and develop an even larger development platform and space in the capital market for the Group. This will enable the Group's business structure to be professional and increase the transparency of operation. This will also enable the intrinsic value of the Group's operations to be more fully reflected.

Restatement of accounts

The Company undertook intensive effort in 2006 to enhance its operation system and refine upon the techniques applied in the production process of its automobile business, which involved extensive review of various research and development stages in 2006 and earlier periods. As a result of such review, certain of the research and development expenditure capitalised in prior years are expensed as then incurred in accordance to Hong Kong Accounting Standards 38 Intangible Assets. Corresponding adjustments have been applied retrospectively and certain comparative amounts have been restated. Development costs capitalised were decreased by RMB25,738,000 as at 31 December 2005 and the basic earning per share was decreased by RMB0.05 for the year 2005.

SUPPLEMENTARY INFORMATION

Corporate Governance

Compliance with the Code on Corporate Governance Practices (the " Code")

The Board is committed on maintaining and ensuring high standards of corporate governance practices.

The Board emphasizes on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company had during the Year 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 between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly every three months to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes that this appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

Compliance with the Model Code for Securities Transactions by Director 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 directors' 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 for the Year.

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 16 March 2007 to review the accounting policies and practices adopted by the Group and to discuss auditing, internal control and risk management and financial reporting matters (including reviewing the annual results for the year ended 31 December 2006 before recommending them to the Board for approval).

Disclosure of Information on the Stock Exchange's Website

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

By Order of the Board
Wang Chuan-fu
Chairman

Hong Kong, 16 March 2007

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