

BYD COMPANY LIMITED

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

FINANCIAL HIGHLIGHTS

- c Turnover surged by 77% to RMB4,063 million (2002: RMB2,291 million)
- c Gross profit increased by 39% to RMB1,323 million (2002: RMB954 million)
- c Profit attributable to shareholders increased by 31% to RMB864 million (2002: RMB658 million)
- c Proposed final dividend of RMB0.512 per share (2002: RMB0.284) - the proposed final dividend represents about 32% of the Group's profit attributable to shareholders for 2003
- c Earnings per share was RMB1.60 (2002: RMB1.22)

The board of directors (the "Board") of BYD Company Limited (the "Company" or "BYD") is pleased to announce 2003 was another fast growing year for the Group's business and profitability. The audited consolidated profit attributable to shareholders of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2003 was about RMB864 million, an increase of about 31% over the previous year.

FINANCIAL RESULTS

The audited consolidated profit and loss account for the year ended 31 December, 2003 together with comparative figures for 2002 is set out below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Note</i>	2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	4,063,270	2,290,898
Cost of sales		(2,740,224)	(1,336,514)
Gross profit		1,323,046	954,384
Other revenue	2	68,066	28,178
Distribution costs		(102,392)	(53,844)
Administrative expenses		(315,503)	(142,698)
Other operating income (expenses)		712	(4,550)
Operating profit	4	973,929	781,470
Finance costs	5	(19,961)	(18,097)
Profit before taxation		953,968	763,373
Taxation	6	(61,567)	(59,445)
Profit after taxation		892,401	703,928
Minority interests		(28,540)	(45,625)
Profit attributable to shareholders		863,861	658,303
Dividends	7(b)	(276,224)	(243,866)
Earnings per share - basic	8(a)	RMB1.60	RMB1.22
Earnings per share - diluted	8(b)	N/A	N/A

The audited consolidate balance sheet as at 31 December, 2003 together with comparative figures for 2002 is set out below.

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As as 31 December,	
		2003	2002
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Fixed assets	11	2,381,715	698,526
Intangible assets	12	84,180	4,664
Deferred tax assets	6	11,518	—
Total non-current assets		2,477,413	703,190
Current assets			
Inventories	13	870,379	439,059
Prepayments and other receivables	14	217,206	218,843
Amounts due from related parties		1,043	—
Trade and notes receivables	15	1,493,362	599,468
Restricted bank deposits	16	19,678	—
Cash and bank deposits	17	498,813	1,240,154
Total current assets		3,100,481	2,498,527
Current liabilities			
Trade and notes payables	18	1,192,878	404,219
Accruals and other payables		188,738	129,821
Advances from customers		6,678	1,137
Amounts due to related parties		21,000	—
Taxes payable		2,995	34,161
Provisions	21	7,518	—
Short-term bank loans	19(a)	602,659	—
Long-term loans — current portion	19(b)	16,527	—
Total current liabilities		2,038,993	569,338
Net current assets		1,061,488	1,929,189
Total assets less current liabilities		3,538,901	2,632,379
Non-current liabilities			
Long-term loans, less current portion	19(b)	105,138	—
Minority interests		153,529	60,962
Net assets		3,280,234	2,571,417
Representing:			
Shareholders' equity			
Share capital	20	539,500	539,500
Reserves		2,740,734	2,031,917
Total shareholders' equity		3,280,234	2,571,417

- BASIS OF PREPARATION**
The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.
In the current year, the Company adopted Statement of Standard Accounting Practice 35 "Government Grants and Disclosure of Government Assistance" and SSAP 12 "Income Taxes" issued by the HKSA, which are effective for accounting periods commencing on or after 1 July, 2002 and 1 January, 2003, respectively.
- TURNOVER AND REVENUE**

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Turnover</i>		
- Li-ion batteries	2,113,048	1,173,983
- Nickel batteries	1,249,455	1,109,290
- Automobiles	507,364	—
- Liquid crystal display ("Mobile phone display")	92,007	—
- Plastic housing	72,553	—
- Mould	2,354	—
- Emergency lights	11,572	7,625
- Others	14,917	—
	4,063,270	2,290,898
Other revenue		
- Sales of materials (Note (a))	30,185	12,867
- Processing income	3,116	1,503
- Subsidy income	14,478	11,020
- Interest income	16,431	2,602
- Exchange gains, net	3,856	186
	68,066	28,178
Total revenues	4,131,336	2,319,076
(a) During the year, the Group sold raw materials amounting to approximately RMB251,289,000 with a corresponding cost of raw materials of approximately RMB221,104,000, resulting in other revenue of approximately RMB30,185,000 (2002: RMB12,867,000).		

3. SEGMENT REPORTING

Primary reporting format — business segments

The Group is principally engaged in two main business segments:

- Rechargeable battery and other related products — manufacture and sales of rechargeable batteries principally for mobile phone, Mobile phone display, plastic housing, emergency lights and other products;
 - Automobile and other related products — manufacture and sales of automobiles and battery-powered automobiles and bicycles and moulds.
- An analysis of the Group's revenues and results for the year by business segments is as follows:

	2003	2002	
	Battery and other products	Automobile and other products	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3,553,552	509,718	4,063,270
Segment results	960,308	13,621	973,929
Unallocated costs	—	—	—
Operating profit	973,929	—	973,929
Finance costs	(19,961)	—	(19,961)
Profit before taxation	953,968	—	953,968
Taxation	(61,567)	—	(61,567)
Profit after taxation	892,401	—	892,401
Minority interests	(28,540)	—	(28,540)
Profit attributable to shareholders	863,861	—	863,861
Segment assets	4,371,112	1,206,782	5,577,894
Unallocated assets	—	—	—
Total assets	—	—	5,577,894
Segment liabilities	1,345,683	798,448	2,144,131
Unallocated liabilities	—	—	—
Total liabilities	—	—	2,144,131
Capital expenditure	1,152,919	924,354	2,077,273
Depreciation of fixed assets	75,268	36,058	111,326
Amortisation of goodwill	—	1,785	1,785
Amortisation of development costs	—	3,763	3,763
Amortisation of other intangible assets	1,119	3,671	4,790
Reversal of impairment of fixed assets	—	(4,136)	(4,136)

	2002	
	Battery and other products	Automobile and other products
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2,290,898	—
Segment results	781,470	—
Unallocated costs	—	—
Operating profit	781,470	—
Finance costs	(18,097)	—
Profit before taxation	763,373	—
Taxation	(59,445)	—
Profit after taxation	703,928	—
Minority interests	(45,625)	—
Profit attributable to shareholders	658,303	—
Segment assets	3,201,717	—
Unallocated assets	—	—
Total assets	—	—
Segment liabilities	569,338	—
Unallocated liabilities	—	—
Total liabilities	—	—
Capital expenditure	295,972	—
Depreciation of fixed assets	58,846	—
Amortisation of intangible assets	1,150	—

Secondary reporting format — geographical segments

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

	2003	2002	
	Turnover	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	3,924,037	(2,649,619)	1,274,418
Europe	77,037	(51,449)	25,588
U.S.A.	62,196	(39,156)	23,040
Total	4,063,270	(2,740,224)	1,323,046
	2002	Cost of sales	Gross profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	2,144,708	(1,257,250)	887,458
Europe	98,236	(54,838)	43,398
U.S.A.	47,954	(24,426)	23,528
Total	2,290,898	(1,336,514)	954,384

4. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
After charging -		
Cost of inventories	2,338,912	1,113,284
Staff costs (excluding directors' emoluments) (Note 9)	404,110	247,163
Directors' (including supervisors') emoluments (Note 10(a))	3,441	3,336
Depreciation of fixed assets	111,326	58,846
Amortisation of intangibles		
- Goodwill (included in other operating expenses)	1,785	—
- Development costs (included in administrative expenses)	3,763	—
- Other intangible assets	4,790	1,150
Provision for doubtful receivables	56,245	10,622
Provision (reversal of provision) for inventories obsolescence	24,089	(1,559)
Operating lease expenses on land and buildings	2,690	3,284
Loss on disposal of fixed assets	770	4,834
Provision for warranty	7,518	—
Auditors' remuneration	1,200	1,457
Research and development costs	38,108	30,388
After crediting -		
Reversal of impairment of fixed assets (included in other operating income (expenses))	(4,136)	—
Exchange gains, net	3,856	186
Interest income on bank deposits	16,431	2,602

5. FINANCE COSTS

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	15,909	16,155
Other incidental borrowing costs	4,287	1,942
Total borrowing costs incurred	20,196	18,097
Less: amount capitalised in properties under construction	(235)	—
	19,961	18,097

The capitalisation rate applied to funds borrowed and used for the construction of properties is 4.779% per annum.

6. TAXATION

(a) Income tax

- Hong Kong, U.S.A. and Netherlands profits tax
No Hong Kong, U.S.A. and Netherlands profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong, U.S.A. and Netherlands for the year.
- PRC Enterprise Income Tax ("EIT")

The Company and its subsidiaries registered in the PRC are subject to EIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The generally applicable EIT rate is 33%. However, according to certain rules and regulations issued by local tax authorities, the Company and certain of its subsidiaries are entitled to preferential BIT rate at 15%. Furthermore, the Company and certain of its subsidiaries are also entitled to full exemption from EIT from the first two year and 50% reduction in EIT for the next three to eight years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

The amount of taxation charged to the consolidated profit and loss account represents:	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation	—	—
- Hong Kong profits tax	—	—
- Overseas taxation	73,085	59,445
Deferred taxation	(11,518)	—
	61,567	59,445
(iii) The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	953,968	763,373
Calculated at a taxation rate of 33%	314,809	251,913
Effect of tax concession	(241,724)	(192,468)
	73,085	59,445

(b) Deferred taxation

The movement on the deferred tax assets account is as follow:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	—
Deferred taxation credited to profit and loss account	11,518	—
	11,518	—
Representing:		
- Deferred tax assets arising on receivables and inventories provision	11,518	—
There was no significant unprovided deferred taxation as at 31 December, 2003.		

7. DIVIDENDS

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Pre-listing dividends	—	90,648
Final proposed, of RMB0.512 (2002: RMB0.284) per ordinary share	276,224	153,218
	276,224	243,866

(a) Pre-listing dividends

The Company was formerly incorporated under the name Shenzhen BYD Battery Company Limited ("BYD Industries") as a private limited company. Prior to the listing of the Company's H shares, the respective shareholders of BYD Industries and BYD Li-ion passed ordinary resolutions to declare dividends amounting to RMB33,480,000 and RMB63,520,000, to the then shareholders of BYD Industries and BYD Li-ion, respectively, for the four-month period ended 30 April, 2002.

(b) Final dividend

At a meeting held on 20 February, 2004, the directors proposed a final dividend of RMB0.512 (2002: RMB0.284) per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December, 2004.

8. EARNINGS PER SHARE

(a) Earnings per share - basic

Earnings per share for the year ended 31 December, 2002 was originally calculated only from the date when the BYD Company Limited ("the Company") became a joint stock limited company. As the Company has only become a joint stock limited company and issued share capital on 11 June, 2002, the earnings per share represented only for the period from 11 June, 2002 to 31 December, 2002.

The above calculation of basic earnings per share for the period from 11 June, 2002 to 31 December, 2002 is based on the Group's profit attributable to shareholders for the period of approximately RMB463,668,000 and the weighted average number of 496,786,000 shares in issue during the period from 11 June, 2002 to 31 December, 2002.

To conform to the current year's presentation, the earnings per share for the year 31 December, 2002 has been restated. The calculation of the full year earning per share for the year ended 31 December, 2002 was based on the Group's profit attributable to shareholders for the year ended 31 December, 2002 of approximately RMB658,303,000 and 539,500,000 shares.

The calculation of basic earnings per share for the year ended 31 December, 2003 is based on the Group's profit attributable to shareholders for the year ended 31 December, 2003 of approximately RMB863,861,000 and the number of 539,500,000 shares in issue during the year.

(b) Earnings per share - diluted

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

9. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2003	2002
Wages and salaries	351,184	216,564
Provision for employees' welfare	47,473	29,215
Pension costs — defined contribution plans	5,029	1,093
Post employment medical benefits	424	291
	404,110	247,163

10. DIRECTORS' (INCLUDING SUPERVISORS') EMOLUMENTS

(a) Directors' (including supervisors') emoluments

The aggregate amount of emoluments payable to directors (including supervisors) of the Company during the year are as follows:

	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—
Other emoluments		
- basic salaries, allowances and other benefits in kind	3,409	3,316
- pension	32	20
	3,441	3,336

Directors' (including supervisors') emoluments disclosed above include approximately RMB280,000 (2002: RMB186,900) paid to independent non-executive directors.

The emoluments of the directors (including supervisors) fell within the following bands:

		2003	2002	Number of directors (including supervisors)
	Nil to Hong Kong dollar ("HKD") 1,000,000 (equivalent to approximately RMB1,060,000)	<u>16</u>	<u>16</u>	

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include 4 directors (including supervisors) (2002: 4 directors (including supervisors)) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2002: 1) individual during the year are as follows:

Land use rights comprise land use fees paid for the rights to use the land where the Group's factory buildings in Shenzhen, Shanghai, Beijing and Xian, the PRC are located.

As at 31 December, 2003, the remaining periods of the land use rights where the Group's factory buildings in are as follows:

Located in	Remaining periods
- Shenzhen	46.5 years
- Shanghai	48.8 years
- Beijing	49.5 years
- Xian	49.6 years

12. INTANGIBLE ASSETS

	Goodwill	Development costs	Industrial proprietary rights and patents	Distribution network	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
As at 31 December, 2002	—	—	8,219	—	8,219
Acquisition of a subsidiary	47,599	—	—	48,926	96,525
Additions	—	37,628	75	85	37,788
As at 31 December, 2003	47,599	37,628	8,294	49,011	142,532
Accumulated amortisation					
As at 31 December, 2002	—	—	(3,555)	—	(3,555)
Acquisition of a subsidiary	—	—	—	(44,459)	(44,459)
Amortisation charge	(1,785)	(3,763)	(1,119)	(3,671)	(10,338)
As at 31 December, 2003	(1,785)	(3,763)	(4,674)	(48,130)	(58,352)
Net book value					
As at 31 December, 2003	45,814	33,865	3,620	881	84,180
As at 31 December, 2002	—	—	4,664	—	4,664

	Group	2003	2002
		RMB'000	RMB'000
Raw materials		422,855	168,879
Work-in-progress		415,368	269,278
Finished goods		103,091	40,421
		941,314	478,578
		(70,935)	(39,519)
		870,379	439,059
Less: Provision for inventories obsolescence		—	—

	Group	2003	2002
		RMB'000	RMB'000
Prepayments for purchase of raw materials		74,263	3,039
Prepayments for purchase of fixed assets		73,194	99,333
VAT recoverable		55,625	95,746
Amounts due from employees		3,238	1,318
Others		10,886	19,407
		217,206	218,843

	Group	2003	2002
		RMB'000	RMB'000
1 to 3 months		1,353,698	419,461
4 to 6 months		196,634	209,329
7 to 12 months		31,691	6,609
1 to 2 years		12,505	5,332
2 to 3 years		971	459
Above 3 years		7,308	—
		1,602,807	641,190
		(109,445)	(41,722)
		1,493,362	599,468

16. RESTRICTED BANK DEPOSITS

Restricted bank deposits represented pledged deposits placed with a bank for security against the issuance of certain letters of credit by that bank on behalf of the Group.

17. CASH AND BANK DEPOSITS

	Group	2003	2002
		RMB'000	RMB'000
Cash and bank deposits denominated in:			
- RMB		153,253	168,535
- USD		116,396	112,100
- HKD		223,299	959,199
- Others		5,865	320
		498,813	1,240,154

RMB is not a freely convertible currency.

	Group	2003	2002
		RMB'000	RMB'000
1 to 3 months		956,160	344,955
4 to 6 months		218,437	56,590
7 to 12 months		3,519	1,891
1 to 2 years		11,336	496
2 to 3 years		3,426	287
Above 3 years		—	—
		1,192,878	404,219

	Group	2003	2002
		RMB'000	RMB'000
(a) Short-term bank loans			
Unsecured		602,659	—
As at 31 December, 2003, the Group's short-term loans bore interest rates ranging from 1.929% to 5.841% per annum.		—	—
(b) Long-term loans			
Bank loans - Secured		121,665	—
Less: amount repayable within one year (included in current liabilities)		(16,527)	—
		105,138	—

As at 31 December, 2003, the Group's long-term loans bore interest rates ranging from 4.5% to 6.435% per annum. The secured portion were guaranteed by China Industrial and Weapon Co., Ltd. ("China Industrial") and Xian Huashan Machinery Co., Ltd. ("Huashan Machinery").

As at 31 December, 2003, the Group's long-term loans were repayable as follows:

	Group	2003	2002
		RMB'000	RMB'000
Between 8 to 9 years		105,138	—

	Number of shares	Amount
	2003	2002
	'000	'000
Issued and fully paid	539,500	539,500

	Warranty
	RMB'000
At 1 January, 2003	—
Additional provisions	7,518
Charged to profit and loss account	7,518
Loss: Amounts utilised	—
At 31 December, 2003	7,518

	2003	2002
	RMB'000	RMB'000
Analysis of total provisions		
- Current	7,518	—

The Company gives a two years' quality assurance and after-sale service warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision of approximately RMB7,518,000 has been recognized at the year-end for expected warranty claims based on past experience of the level of repairs and returns. It is expected that the majority of this expenditure will be incurred in the next financial year.

22. RECLASSIFICATION OF COMPARATIVE FIGURES

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

23. SUBSEQUENT EVENTS

On 20 February 2004, the Company entered into two agreements with Shanxi Province Investment Group (limited) Company and Xian Northern Qin Chuan Machinery Industries Company Limited, respectively, pursuant to which the Company will effectively acquire an aggregate of an additional 15% equity interest in BYD Auto QC (an existing 77% subsidiary of the Company) for an aggregate consideration of RMB52,500,000. After the completion of the acquisition, the equity interest of the Company in BYD Auto QC will increase from 77% to 92%.

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on Wednesday, 14 April, 2004 payment of a final dividend of RMB0.512 per share payable on Friday, 21 May, 2004 to persons who are registered shareholders of the Company as at Monday, 15 March, 2004. The final dividend represents about 32% of the Group's profit attributable to shareholders for the year ended 31 December, 2003.

CLOSING REGISTER OF MEMBERS

The Company's register of members will be closed from Monday, 15 March, 2004 to Wednesday, 14 April, 2004 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on Friday, 12 March, 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Global Market

Inevitably affected by the outbreak of SARS in the first half of 2003, the global market sentiment gradually improved later in the second half of the year. Amongst various industries, rechargeable battery industry succeeded to become one of the few that experienced instant and strong rebound right after SARS subsided. The organic growth for the rechargeable battery industry was mainly due to increasing popularity of DIY (Do It Yourself) in European countries that rose the demand for power tools, and the delayed launch of the 2.5G and 3G digital systems that created expectation and demand for new models of mobile handsets as well as other digital devices, etc. Entering into the information technology era, it is believed that portable/digital devices, especially notebook PC, will become the next key growth drive for the rechargeable battery industry.

As for the global mobile handsets market, growing number of market entry made competition fiercer than ever. Quality and cost effectiveness are now two major criteria for handset manufacturers to select rechargeable battery suppliers. Pricing strategies and quality/cost control become crucial for rechargeable battery players in order to sustain market share.

PRC Market

The continual high GDP growth over the past decade in the PRC improved the living standard of its people and thus, a middle class with strong purchasing power has emerged. Rapid urbanization, on the other hand, stimulated the market demand for electronic necessities and communications products. All these created a promising future for the PRC retail market, benefiting consumption goods such as electronic products and vehicles, etc.

Moreover, since the opening up of the PRC market in 1980s, "The World's Manufacturing Base" attracted many international famous brand owners and manufacturers, and created a huge demand for local supply of electronic components such as battery products, handset components etc.

Currently, vehicle ownership per capita in the PRC is relatively low as compared with those Asian and European countries. With rapid urbanization, the growing demand for long-distance in-bound travel, as well as the opening up of the automobile financing market, the demand for automobiles in the PRC will be infinite.

Business Overview

Rechargeable Battery Business

Capitalizing on its solid business foundation, unrivaled R&D capability, unique production processes, as well as high quality and tight cost competitiveness, the Group was able to sustain its leading market share of the rechargeable battery market, and captured the accelerating demand for mobile handset and other portable device in the second half of the year.

For the year ended 31 December, 2003, Nickel and Li-ion batteries recorded sales of over RMB1,249 million and RMB2,113 million respectively, representing an increase of 12.64% and 79.99% as compared with the previous year. While the stable growth for Nickel battery products was mainly led by the growing demand for power tools and electric toys in the global market, the accelerating demand for mobile handset and other digital devices, the urge for cost efficient products under keen competition, as well as the booming orders for packed battery (ie. cell battery with plastic housing) all created dramatic surge in the demand for Li-ion battery products.

In terms of sales volume, the three core products, namely, NiCd, NiMH and Li-ion, have surpassed their respective performance in the previous year and stepped closer to the Group's mission of being the world's no. 1 rechargeable battery manufacturer.

Riding on its R&D expertise, the Group will further extend its reach other applications regimes. The Group will capitalize the promising notebook PC market by producing Li-ion battery for notebook PC, so as to further mature its already extensive product portfolio. To meet with the growing demand, the production plant in Shanghai was completed to enhance production capacity. Production capacity is 200,000 units per day currently.

Battery Related Businesses

With the view to provide a more diversified product range to its mobile handset clients and to improve its product mix, BYD explored horizontally into other battery-related products. Leveraging on its strong foothold in the battery arena, as well as its extensive and internationally renowned clientele, BYD successfully extended into production of mobile handset components, including mobile phone display and plastic housing and tooling. The Group has commenced its mobile phone display production in February 2003, with production capacity reaching 150,000 units/day currently. In 2003, it has also expanded its plastic and tooling capability from battery casing to the whole mobile phone housing. Both products were well received after launch and contributed to the Group's turnover and profit in 2003. Proportion of profit contribution is expected to increase in coming years.

Automobile Business

To echo with the Group's core rechargeable battery business and to create new income sources for the Group, BYD successfully established its foothold in the automobile business by acquiring a 77% equity stake in Xian Qin Chuan Automobile Limited Liability Company, a state-owned mini-car manufacturer in the PRC, at the beginning of 2003 and the acquisition was completed in March 2003. To create the brand name effect, the Company was later renamed as BYD Automobile Company Limited ("BYD Auto QC"). The automobile products were also marketed under the brand name of "BYD". To further consolidate its interest and enhance management efficiency in BYD Auto QC, the Group has agreed to acquire an additional 15% equity interest in BYD Auto QC. Details of the acquisition has been disclosed in a separated announcement dated 20 February, 2004.

The Group has strengthened the management of BYD Auto QC, introducing the concept of stringent cost and quality control as well as competitive pricing strategy. BYD Auto QC has been successfully transformed from a under-performed state-owned enterprise to a sales-oriented and outperforming automobile manufacturer and distributor, with turnover and net profit recorded RMB507 million and RMB10.5 million respectively, representing 12.48% and 1.21% of that of the Group. Despite keen competition in the PRC automobile market, the Group successfully sold approximately 15,400 units of 800cc petrol cars between April to December 2003, the key product of BYD Auto QC.

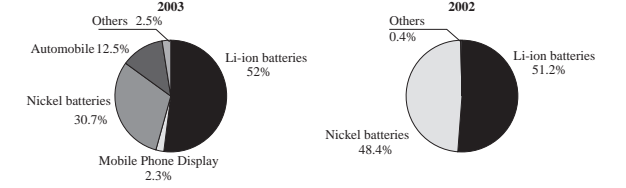
Financial Review

Turnover and Profit Attributable to Shareholders

For the year ended 31 December, 2003, the Group continued to record outstanding growth performance, with turnover and profit attributable to shareholders increasing by 77% and 31% to RMB4,063 million and RMB864 million respectively compared with 2002. Both increments are mainly attributable to the Group's strong capability to gain market share from both existing and new customer. Increase in the overall rechargeable battery consumption was led by the global market recovery for mobile handsets, electronic appliances and other digital applications models, as well as the Group's ability to improve cost efficiency and to introduce new products to further enhance its market potential.

Turnover breakdown by products

While Li-ion battery product still represented the main income source of BYD, the Group successfully enhanced its product mix by introducing more battery-related products such as mobile phone display and plastic housing and tooling as well as non-battery business, namely, automobile business, all of which have started contribution to the Group and the portion is expected to enlarge in coming future.

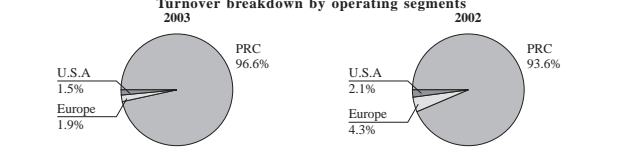


Gross Profit and Margin

The Group's gross profit increased by approximately 39% from RMB 954 million for the year ended 31 December, 2002 to approximately RMB1,323 million for the year ended 31 December, 2003. The increase was mainly due to increase in sales revenue and cost reduction.

To diversify its product range and provide value-added services for its existing international clients, as well as to balance its operational risk by exploring into products with lower gross profit margin, BYD has extended its foothold into the production of packed batteries in recent years. In 2003, the Group's overall sales strategy for Li-ion battery has been changed with focus shifting from cell battery to packed battery with the objective to enhance its intimate relationship with its clients. With the relatively lower gross profit margin of packed batteries, such phenomenon has inevitably lowered the aggregate profit margin and profitability. Coupled with another new product lines, automobile and mobile phone display, offered during the period, the Group's gross profit margin has decreased in 2003. Yet the enlarged share in both corresponding areas did offset the negative effect on profit margin, thus in turn brought significant contributions to the Group's profit. Given the enormous market potential and the measure to enhance relationship with its valuable international clients, it is believed the packed battery market will continue to serve a significant place to the Group's sales in future.

Segmental information



Liquidity and financial resources

The Group generated a net operating cash inflow of RMB422 million during the year ended 31 December, 2003, which has been improved from RMB318 million recorded last year.

The Group's total borrowings, which were all bank loans, as at 31 December, 2003 were RMB724 million, compared with no borrowings as at 31 December, 2002. The maturity profile spread over a period of nine years with RMB619 million repayable within one year, and RMB105 million within eight to nine years. Such increase on borrowings was mainly due to the expansion of production capacity with the objective to fulfill the booming market demand. With the completion of the production plants in Shanghai and Shenzhen, production capacity will be significantly enhanced, bringing enormous growth potentials for BYD in future. For day-to-day liquidity management and maintaining flexibility in funding as well as for capital expenditures, relevant funding requirements are expected to be met by its lasting proceeds and internal cash flow. Also, the Group can access to significant uncommitted short-term borrowing facilities provided by its principal banks. As at 31 December, 2003, the gearing ratio of the Group was 6.9%, calculated on the basis of total borrowing net of cash and cash equivalent over shareholders' equity.

The Group's accounts receivable turnover days were about 94 for the year ended 31 December, 2003 as compared to 76 days in the previous year. Since a large proportion of sales order received in the forth quarter of 2003 was mainly from those reputable clients with long-term and close business relationship. Also, the account receivable turnover recorded in the forth quarter amounted to 84% of the Group's total accounts receivable turnover. Therefore, the accounts receivable turnover days were increased but no material negative impact would be caused to the Group.

Inventory were required to store in the warehouse before delivery and production. Due to different product nature, the commencement of automobile operation has slightly decreased the overall inventory turnover days, from 93 days to 87 days.

Capital Structure

The financial risk management of the Group is the responsibility of the Group's treasury function, which operates according to the policies approved by the top management. As at 31 December, 2003, the Group's borrowings are denominated in RMB and US dollars while its cash and cash equivalents are mainly held in RMB, US dollars and Hong Kong dollars.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time.

Details of the loans remaining outstanding as at 31 December, 2003 is disclosed in Note 19 to the Condensed Accounts. As at 31 December, 2003, the loans were at fixed interest rates.

Details of the Group's asset pledged

As at the date of this announcement, no assets of the Group are pledged.

Use of IPO proceeds

	Planned	HKD million	Latest allocation
Expansion in production capacity and R&D of Li-ion batteries	189		Fully utilized
Development and manufacture of raw materials in Li-ion batteries	94		Fully utilized
Product R&D and manufacture of rechargeable batteries for electric vehicles	85		Fully utilized
Product R&D and manufacture of fuel cells and solar cells	85		—
Product R&D and manufacture of monochrome and colour STN-LCDs	142		Fully utilized
Repayment of bank loans	377		Fully utilized
Potential acquisition(s)	189		—

Exposure to foreign exchange risk

Most of the income and expenditure of the Group are denominated in RMB and USD. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the period under review. The Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

Employment, training and development

As at 31 December, 2003, the Group has a total of 28,000 employees, an increase of 11,000 employees compared with 2002, and total staff costs amounted to about 9.95% of total turnover. The significant increase in staff employment was due to the extension into expansion of battery production capacity as well as automobile business. Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonuses and commissions may be awarded to employees based on performance evaluation. There are drives and encouragements for personal performance and motivation.

Share Capital

	Number of shares issued	Percentage
Domestic shares	390,000,000	72.289
H shares	149,500,000	27.711
Total	539,500,000	100.000

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares since the listing on 31 July, 2002 up to the date of this announcement. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the same period.

Capital Commitment

As at 31 December, 2003, the Group had authorized and contracted for a capital commitment of the acquisition of fixed assets amounting to RMB430 million.

Contingency liability

As at 31 December, 2003, the Group has contingent liabilities of about approximately RMB32 million which is guarantee of bank loans for other companies.

The Group is currently involved in two separate litigation proceedings in U.S.A. and Japan both in relation to alleged patent infringements. Due to the fact that the proceeding in U.S.A. is still in progress and there has not been any material development in respect of the proceeding in Japan since commencement of such proceeding, it is impracticable and premature for the Directors to assess the impact of such proceedings on the Group and its operation. The Directors believe that the Group has not committed the alleged infringements. The Group would vigorously defend against all claims made under the proceedings.

Future Prospect

The market potential of mobile industry and automobile industry are promising. BYD is fully prepared to set off for the two promising markets, with the aim of becoming no.1 rechargeable battery manufacturer in the world, as well as the world-class automobile manufacturer in the PRC, so as to create value in the interest of the Group and the shareholders as a whole.

Rechargeable Battery Business

Looking ahead, BYD will further enhance its core business of R&D, manufacturing and sales of rechargeable batteries products. With the global economic revival, coupled with the imminence of 2.5G and 3G digital era, market demand for rechargeable batteries will be enormous. Demand for Nickel battery products is experiencing healthy and stable growth while Li-ion batteries continues to be the key growth engine for the Group. The Group will further expand for different types of rechargeable batteries (especially Li-ion battery). Also, the Group will further explore the market of packed battery in order to maximise the market share in Li-ion battery and benefit from the economies of scale. The Group's Li-ion battery manufacturing capacity is targeted to reach 1.5 million units/day.

The Group will also further develop new types of Li-ion batteries for various applications such as notebook PC, digital cameras, etc. With the growing demand for notebook PC, it is believed that notebook PC battery products will become another growth drive for the Group following mobile handset, attracting increasing number of order from international PC giants by 2005.

Battery Related Business

Leveraging on the booming demand for mobile handsets and its existing clientele, the Group will further develop mobile phone display and plastic housing and tooling for mobile handset. In future, the Group will further diversify its product range and improve technology. It will strive to strengthen its relationship with current customers so as to increase market share in the PRC, and at the same time, to expand customer base to include international mobile giants, with the aim to become a multi-component supplier to the global mobile industry.

Automobile Business

In line with its battery business, the Group will continue to leverage on its unrivaled R&D, stringent cost and quality control to further strengthen its automobile operation. In future, BYD will not only enhance its production capacity, but also strengthen its R&D to develop automobile models for different capacity, such as 1,600-2,400cc., etc. BYD Auto QC serves as a platform for the Group to expedite its development and production of rechargeable power batteries for electric motor vehicles. Looking forward, with its clear business objective and aggressive sales and marketing remuneration policy, the Group has set a mission to become the leading market player in the domestic automobile market.

SUPPLEMENTARY INFORMATION

Audit committee

The primary duties of the audit committee are to review the financial reporting process of the Group. The audit committee consists of the two independent non-executive Directors, namely Professor Li Guo-xun and Mr. Kang Dian and the non-executive Director, Mr. Lu Xiang-yang. A meeting was convened by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers on 20 February, 2004 to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and risk management and financial reporting matters (including financial statements for the year ended 31 December, 2003 before recommending then to the Board for approval).

Proposed amendments to the Company’s articles of association

The Directors propose to amend the articles of association of the Company in compliance with the amendments to the Listing Rules as announced on 30 January, 2004 and to be effective on 31 March, 2004. The provisions to be amended are (the proposed changes are marked for ease of reference):-

Article 65: A shareholder (including its proxy) shall be entitled to vote on resolutions to be passed in any shareholders’ meetings based on the number of voting shares held. Each shareholder shall have one vote for every share held thereby. However, shareholders of a specific class of shares shall be subject to any privileges or restrictions attaching to such class of shares and shall comply with all applicable laws, regulations and these articles of association. Where any shareholder is, under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, any appendices thereto, any listing agreement or any contracts entered into pursuant thereto and any rulings of The Stock Exchange of Hong Kong Limited (collectively, referred to as the “Exchange Listing Rules”), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Article 66: A resolution put to vote shall be decided on a show of hands unless specifically required under the Exchange Listing Rules to be by poll or demanded by any of the following persons for a poll before or after the declaration of the result of the show of hands:-

- (1) the Chairman of the meeting;
- (2) at least two shareholders present in person or by proxy and entitled to vote;
- (3) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than (inclusive) one-tenth of the total voting rights of all shareholders having the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the Chairman that a resolution has on a show of hands been carried and an entry to that effect in the minutes of the relevant meeting shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

Any demand for a poll may be withdrawn.

Article 72: The following matters shall be resolved by way of special resolutions of the shareholders:-

- (1) any increase or reduction of the registered capital of the Company and the issue of any class of shares, warrants or other securities of similar nature;
- (2) the issue of any debentures;
- (3) the merger, dissolution or winding up of the Company;
- (4) any alteration to the articles of association of the Company;
- (5) any matter as decided by the shareholders by way of ordinary resolutions as having a material effect on the Company and thus require approval by way of special resolution;
- (6) any other matters as required under the Exchange Listing Rules.

Article 87: The Company shall establish a board of directors. The board of directors shall be composed of 6 directors, out of which 1 shall be the chairman of the board, 1 shall be the vice chairman. 2 of the total of 6 directors shall be executive directors, 3 shall be independent directors and 1 shall be external director.

Article 88: Directors shall be elected and appointed by the shareholders. The term of each of the directors shall be three years subject to extension upon re-election.

The appointment and removal of the Chairman and Deputy Chairman shall be decided by a majority of the board of directors. The respective term of the Chairman and the Deputy Chairman shall be three years subject to extension upon re-election.

Any notice of intention to propose a person for election as a director and any notice by such person of his willingness to be elected shall be given no earlier than the day after the despatch of the notice of the meeting appointed for such shareholders meeting and no later than 7 days prior to the date of such meeting.

Article 127: No director, supervisor, manager or senior management personnel shall be allowed to procure the following persons (“related persons”) to do any act which such director, supervisor, manager or other management personnel is prohibited from doing:-

- (1) his/her spouse or children under age;
- (2) his/her trustee or any trustee of any of the persons referred to in (1) above;
- (3) his/her partners or any partners of the persons referred to in (1) above;
- (4) any companies controlled by such director, supervisor, manager or senior management personnel, either on his/her own or jointly with the persons referred to in (1) above;
- (5) the directors, supervisions, managers or senior management personnel of any of the companies referred to in (4) above;
- (6) any other persons who would be regarded as “associates” of the director, supervisor, manager or senior management personnel concerned pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Compliance with the Code of Best Practice under the Listing Rules

The Board is pleased to confirm that the Company has complied with the Code of Best Practice under the Listing Rules during the year under review.

The Board is not aware of any information indicating that the Company did not comply with the Code of Best Practice as set out in the appendix 14 to the Listing Rules at any time during the Period.

Disclosure of information on the Stock Exchange's website

All information required by paragraphs 45(1) to 45(3) of appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

By order of the Board
Wang Chuan-fu
Chairman

Hong Kong, 20 February, 2004

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

Notice of Annual General Meeting

Notice is hereby given that an annual general meeting (the “Annual General Meeting”) of BYD Company Limited (the “Company”) will be held at 11:00 a.m. on Wednesday 14 April, 2004 at Conference Room, Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, People’s Republic of China (“PRC”) to consider and, if thought fit, to pass the following resolutions:-

By way of Ordinary Resolutions:

1. To consider and approve the working report of the Board of Directors of the Company for the year ended 31 December, 2003;
2. To consider and approve the working report of the Supervisory Committee of the Company for the year ended 31 December, 2003;
3. To consider and approve the audited financial statements of the Company as at and for the year ended 31 December, 2003;
4. To consider and approve the final dividend distribution plan of the Company for the year ended 31 December, 2003, and to authorize the Board of Directors of the Company to distribute such dividend to shareholders;
5. To consider and approve the appointment of PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Ltd. (registered accountants in the PRC (excluding Hong Kong)) as the Company’s international and domestic auditors for the financial year 2004, respectively, to hold office until the conclusion of the following annual general meeting, and to determine their remuneration;
6. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting;

By way of special resolutions:

7. To consider and approve the amendments to the Articles of Association of the Company proposed by the Board of Directors of the Company at the meeting of the Board of Directors held on 20 February, 2004 and as set out in the announcement of the Company dated 20 February, 2004 and such other amendments as may be necessary for compliance with the amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as announced on 30 January, 2004 and to be effective on 31 March, 2004 and to authorise the Board of Directors of the Company to take all necessary actions in connection with the adoption of the amendments to the Articles of Association;
8. To consider and, authorise the Board of Directors of the Company to, inter alia:
 - (a) subject to any governmental and/or regulatory approval under the applicable law, issue, allot, and deal with additional H shares of the Company (not exceeding 20 per cent of the aggregate nominal amount of the H shares in issue as at the date of passing of the shareholders’ special resolutions); and
 - (b) if applicable, amend the Company’s Articles of Association accordingly, subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the PRC Company Law (as may be respectively amended from time to time) as well as approval from the relevant PRC governmental authorities; and
9. To consider and approve proposals (if any) put forward at such meeting by any shareholder(s) holding 5 per cent or more of the shares carrying the right to vote at such meeting.

By order of the Board
Wu Jing-sheng
Company secretary

Hong Kong, 20 February, 2004

Notes:

- (A) Holders of the Company’s overseas listed foreign invested shares (in the form of H shares) whose names appear on the Company’s Register of Members which is maintained by Computershare Hong Kong Investor Services Limited at the close of business on Friday 12 March, 2004 are entitled to attend and vote at the Annual General Meeting after completing the registration procedures for attending the meeting.
- (B) Holders of H shares, who intend to attend the Annual General Meeting, must complete and return the written replies for attending the Annual General Meeting to the Office of the Secretary of the Board of Directors of the Company no later than Thursday, 25 March, 2004.

Shareholders can deliver the written replies in person, by post or by facsimile.

Details of the Office of the Secretary to the Board of Directors of the Company are as follows:

Yan An Road
Kuichong, Longgang District
Shenzhen
Guangdong Province
PRC
Tel:(86-755) 8421 8888
Fax:(86-755) 8420 2222

- (C) Each holder of H shares who has the right to attend and vote at the Annual General Meeting is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Annual General Meeting. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. Instrument appointing a proxy of any holder of H Shares (being a body corporate) must be affixed with the corporate seal of such holder of H shares or duly signed by the chairman of its board of directors or by its authorized attorney. For holders of H shares, the power of attorney or other documents of authorization and proxy forms must be delivered to Computershare Hong Kong Investor Services Limited no less than 24 hours before the time appointed for the holding of the Annual General Meeting in order for such documents to be valid.
- (D) The Company’s Register of Members will be closed from Monday 15 March, 2004 to Wednesday 14 April, 2004 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H shares who wish to attend the Annual General Meeting and qualify for entitlement to the 2003 dividend of RMB0.512 per share referred to above must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:00 p.m. on Friday 12 March, 2004 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company.

Computershare Hong Kong Investor Services Limited’s address is as follows:
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

- (E) The Annual General Meeting is expected to last not more than one day. Shareholders or proxies attending the Annual General Meeting are responsible for their own transportation and accommodation expenses.