



比亞迪股份有限公司
BYD Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1211)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

Financial Highlights		
Turnover	+58.1%	to RMB6,426 million
Gross profit	+26.4%	to RMB1,705 million
Profit attributable to shareholders	+20.0%	to RMB1,037 million
Basic earnings per share	+20.0%	to RMB1.92
Proposed final dividend per share	+12.7%	to RMB0.577
Highlights		
— Achieved significant increase in turnover and profit attributable to shareholders amid fierce market competition during the year		
— Maintained its leading position in the PRC rechargeable battery industry and continued to increase market share		
— Recorded significant increase in sales in Li-ion batteries of 65.7% and secured increasing orders from existing customers		
— Expanded product portfolio to new handset component products, which have achieved satisfactory results during the year		

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 31st December, 2004 (the “Year”) together with comparative figures for 2003.

The audited consolidated profit and loss account for the Year together with comparative figures for 2003 is set out below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2004

(Expressed in Renminbi (“RMB”))

	Note	2004 RMB'000	2003 RMB'000
Turnover	2	6,425,753	4,063,270
Cost of sales		(4,720,863)	(2,714,910)
Gross profit		1,704,890	1,348,360
Other revenue	2	34,082	42,752
Distribution costs		(160,341)	(102,392)
Administrative expenses		(401,535)	(315,503)
Other operating (expense) income		(760)	712
Operating profit	4	1,176,336	973,929
Finance costs	5	(66,323)	(19,961)
Profit before taxation		1,110,013	953,968
Taxation	6(a)	(64,426)	(61,567)
Profit after taxation		1,045,587	892,401
Minority interests		(8,586)	(28,540)
Profit attributable to shareholders		1,037,001	863,861
Dividends	7	311,292	276,224
Earnings per share - basic	8(a)	RMB1.92	RMB1.60
- diluted	8(b)	N/A	N/A

The audited consolidated balance sheet as at 31st December, 2004 together with comparative figures for 2003 is set out below:

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER, 2004

(Expressed in RMB)

	Note	2004 RMB'000	2003 RMB'000
Non-current assets			
Fixed assets	10	4,100,043	2,381,715
Intangible assets	11	225,338	84,180
Deferred tax assets	6(b)	14,374	11,518
		4,339,755	2,477,413
Current assets			
Inventories	12	1,494,243	870,379
Prepayments and other receivables	13	352,530	217,206
Amounts due from related parties		282	1,043
Trade and notes receivable	14	1,910,638	1,493,362
Restricted bank deposits	15	23,870	19,678
Cash and bank deposits	16	682,540	498,813
		4,464,103	3,100,481
Current liabilities			
Trade and notes payable	17	1,636,125	1,192,878
Accruals and other payable		310,350	189,408
Advances from customers		25,527	6,678
Amounts due to related parties		20,330	20,330
Taxes payable		6,114	2,995
Provision for warranty		4,969	7,518
Short-term bank loans	18(a)	2,202,183	602,659
Long-term bank loans — current portion	18(b)	257,716	16,527
		4,463,314	2,038,993
Net current assets		789	1,061,488
Total assets less current liabilities		4,340,544	3,538,901
Non-current liabilities			
Long-term bank loans, less current portion	18(b)	236,854	105,138
Minority interests		59,198	153,529
Net assets		4,044,492	3,280,234
Represented by:			
Share capital		539,500	539,500
Reserves		3,504,992	2,740,734
		4,044,492	3,280,234

1 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 Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. TURNOVER AND REVENUE

	2004 RMB'000	2003 RMB'000
Turnover		
- Lithium-ion batteries	3,501,293	2,113,048
- Nickel batteries	1,547,001	1,249,455
- Liquid crystal display (“LCD”) for mobile phones	666,236	92,007
- Automobiles	389,321	509,718
- Precise plastic parts	273,159	72,553
- Battery charger for mobile phones	27,347	—
- Emergency lights	8,790	11,572
- Other mobile phone spare parts	12,606	14,917
	6,425,753	4,063,270
Other revenue		
- Sales of materials (Note (a))	7,855	4,871
- Processing income	958	3,116
- Subsidy income	5,558	14,478
- Interest income	16,207	16,431
- Exchange gains, net	3,504	3,856
	34,082	42,752
Total revenue	6,459,835	4,106,022

(a) During the year, the Group sold raw materials to some of its suppliers amounting to approximately RMB17,503,000 (2003: RMB17,048,000) with a corresponding cost of raw materials of approximately RMB9,648,000 (2003: RMB12,177,000) resulting in other revenue of approximately RMB7,855,000 (2003: RMB4,871,000).

3. SEGMENT REPORTING

Primary reporting format — business segments

The Group is principally engaged in three main business segments:

- (i) Battery and other products — manufacture and sale of rechargeable batteries (principally for mobile phones), battery chargers, emergency lights and other battery-related products;
- (ii) Handset components — manufacture and sale of LCD and precise plastic parts;
- (iii) Automobile and related products — manufacture and sale of automobiles, battery-powered automobiles/ bicycles and auto-related moulds.

An analysis of the Group's revenues and results for the Year by business segments is as follows:

	2004			
	Battery and other products RMB'000	Handset components RMB'000	Automobile and related products RMB'000	Total RMB'000
Turnover	5,097,037	939,395	389,321	6,425,753
Segment results	1,105,950	118,530	(48,144)	1,176,336
Unallocated costs	—	—	—	—
Operating profit	—	—	—	1,176,336
Finance costs	—	—	—	(66,323)
Profit before taxation	—	—	—	1,110,013
Taxation	—	—	—	(64,426)
Profit after taxation	—	—	—	1,045,587
Minority interests	—	—	—	(8,586)
Profit attributable to shareholders	—	—	—	1,037,001
Segment assets	5,573,003	1,243,535	1,987,320	8,803,858
Unallocated assets	—	—	—	—
Total assets	—	—	—	8,803,858
Segment liabilities	2,050,149	1,038,469	1,611,550	4,700,168
Unallocated liabilities	—	—	—	—
Total liabilities	—	—	—	4,700,168
Capital expenditure	1,063,868	340,942	699,180	2,103,990
Depreciation of fixed assets	131,191	36,101	55,092	222,384
Amortisation of development costs	—	—	9,912	9,912
Amortisation of other intangible assets	1,163	—	750	1,913

	2003			
	Battery and other products RMB'000	Handset components RMB'000	Automobile and related products RMB'000	Total RMB'000
Turnover	3,388,992	164,560	509,718	4,063,270
Segment results	957,720	2,588	13,621	973,929
Unallocated costs	—	—	—	—
Operating profit	—	—	—	973,929
Finance costs	—	—	—	(19,961)
Profit before taxation	—	—	—	953,968
Taxation	—	—	—	(61,567)
Profit after taxation	—	—	—	892,401
Minority interests	—	—	—	(28,540)
Profit attributable to shareholders	—	—	—	863,861
Segment assets	4,032,398	338,714	1,206,782	5,577,894
Unallocated assets	—	—	—	—
Total assets	—	—	—	5,577,894
Segment liabilities	1,030,369	315,314	758,448	2,144,131
Unallocated liabilities	—	—	—	—
Total liabilities	—	—	—	2,144,131
Capital expenditure	961,913	191,006	924,354	2,077,273
Depreciation of fixed assets	60,765	14,503	36,058	111,326
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)

Secondary reporting format — geographical segments

An analysis by geographical segment, as determined by location of customers, is presented below. No segment assets and liabilities are presented as over 90% of the Group's assets are located in the People's Republic of China (the “PRC”).

	Turnover RMB'000	2004 Cost of sales RMB'000	Gross profit RMB'000
PRC	6,135,814	(4,511,464)	1,624,350
Europe	142,984	(105,953)	37,031
U.S.A.	146,955	(103,446)	43,509
Total	6,425,753	(4,720,863)	1,704,890

	Turnover RMB'000	2003 Cost of sales RMB'000	Gross profit RMB'000
PRC	3,924,037	(2,624,305)	1,299,732
Europe	77,037	(51,449)	25,588
U.S.A.	62,196	(39,156)	23,040
Total	4,063,270	(2,714,910)	1,348,360

4. OPERATING PROFIT

Operating profit is stated after charging and crediting the following:

	2004 RMB'000	2003 RMB'000
After charging -		
Cost of inventories	4,064,063	2,338,912
Staff costs (excluding directors' emoluments)	611,416	404,110
Directors' (including supervisors') emoluments	1,687	1,587
Depreciation of fixed assets	222,384	111,326
Amortisation of intangibles	—	475
- Goodwill (included in other operating expenses)	3,093	1,785
- Development costs (included in administrative expenses)	9,912	3,763
Other intangible assets	1,913	4,790
Provision for doubtful receivables	24,738	56,245
Write-down of inventory to net realisable value	21,343	24,089
Operating lease expenses on buildings	5,807	2,690
Loss on disposal of fixed assets	475	770
Provision for warranty	2,287	7,518
Auditors' remuneration	1,800	1,200
Litigation settlements	19,920	—
Research and development costs	69,284	38,108
After crediting -		
Reversal of impairment of fixed assets (included in other operating expenses)	—	4,136
Exchange gains, net	3,504	3,856
Interest income on bank deposits	16,207	16,431
Negative goodwill recognised	82	—

5. FINANCE COSTS

	2004 RMB'000	2003 RMB'000
Interest on borrowings	62,140	15,909
Bank charges for discounted notes	6,249	—
Other bank charges	5,332	4,287
Total borrowing costs incurred	73,721	20,196
Less: amount of interest capitalised in construction-in-progress	(7,398)	(235)
	66,323	19,961

The capitalisation rate applied to funds borrowed and used for the construction of properties is 3.97% (2003: 4.78%) per annum.

6. TAXATION

(a) Income tax

(i) Hong Kong, U.S.A. and Netherlands profits tax

No Hong Kong, U.S.A. and Netherlands profits tax was provided for as the Group had no assessable profit arising in or derived from Hong Kong, U.S.A. and Netherlands for the year (2003: Nil).

(ii) PRC Enterprise Income Tax (“EIT”)

The Company and its subsidiaries registered in the PRC are subject to EIT on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. The generally applicable EIT rate is 33%. However, according to certain rules and regulations promulgated by the local tax authorities, the Company and certain of its subsidiaries are entitled to preferential EIT rate at 7.5%. Furthermore, the Company and certain of its subsidiaries are also entitled to full exemption from EIT for the first two years 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:

	2004 RMB'000	2003 RMB'000
Current taxation		
- Hong Kong profits tax	—	—
- Overseas taxation	67,282	73,085
Deferred taxation	(2,856)	(11,518)
	64,426	61,567

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:

	2004 RMB'000	2003 RMB'000
Profit before taxation	1,110,013	953,968
Calculated at a taxation rate of 33%	366,304	314,809
Expense not deductible for taxation purpose	12,567	23,870
Effect of tax concession	(314,445)	(277,112)
	64,426	61,567

(b) Deferred taxation

Deferred taxation is calculated in full on temporary differences under liability method using a principal taxation rate of 7.5% (2003: 7.5%).

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

	2004 RMB'000	2003 RMB'000
At 1st January	11,518	—
Deferred taxation credited to profit and loss account	2,856	11,518
At 31st December	14,374	11,518
Representing:		
Deferred tax assets arising from provision for doubtful receivables and inventory obsolescence	14,374	11,518

The amounts shown in the balance sheet include the following:

	2004 RMB'000	2003 RMB'000
Deferred tax assets to be recovered after more than 12 months	14,374	11,518

7. DIVIDENDS

	2004 RMB'000	2003 RMB'000
Final, proposed, of RMB0.577 (2003: RMB0.512) per share	311,292	276,224

At a meeting held on 24th March, 2005, the directors proposed a final dividend of RMB0.577 (2003: RMB0.512) per share. This proposed dividend is not reflected as a dividend payable as at the end of the Year, but will be reflected as an appropriation of retained earnings for the year ending 31st December, 2005.

8. EARNINGS PER SHARE

(a) Earnings per share - basic

The calculation of basic earnings per share for the year ended 31st December, 2004 is based on the Group's profit attributable to shareholders for the year ended 31st December, 2004 of approximately RMB1,037,001,000 and the weighted average 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. 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:

	2004 RMB'000	2003 RMB'000
Fees	—	—
Other emoluments	—	—
- basic salaries, allowances and other benefits in kind	1,677	1,577
- pension	10	10
	<u>1,687</u>	<u>1,587</u>

Directors' (including supervisors') emoluments disclosed above include approximately RMB380,000 (2003: RMB280,000) paid to independent non-executive directors.

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

	Number of directors (including supervisors) 2004	2003
Nil to Hong Kong dollar ("HKD") 1,000,000 (equivalent to approximately RMB1,060,000)	9	8

During the year, no director has waived emolument or has agreed to waive the directors' emolument.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 4 directors (including supervisors) (2003: 4 directors (including supervisors)) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2003: 1) individual during the year are as follows:

	2004 RMB'000	2003 RMB'000
Basic salaries, allowances and benefits in kind	1,500	1,500
Pension	—	—
	<u>1,500</u>	<u>1,500</u>

The emoluments fell within the following band:

	Number of individuals 2004	2003
Nil to HKD1,000,000 (equivalent to approximately RMB1,060,000)	—	—
HKD1,000,001 to HKD1,500,000 (equivalent to approximately RMB1,590,000)	1	1
	<u>1</u>	<u>1</u>

10. FIXED ASSETS

	Land use rights RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and fixtures RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost								
As at 31st December, 2003	199,326	744,510	7,297	1,278,440	26,451	107,512	375,259	2,738,795
Additions	23,400	54,760	—	616,035	19,087	111,075	1,123,679	1,947,996
Transfers	—	522,616	—	204,865	—	—	(727,481)	—
Disposals	—	—	—	(6,832)	(1,914)	(5,297)	—	(14,043)
As at 31st December, 2004	222,726	1,321,886	7,297	2,092,508	43,584	213,290	771,457	4,672,748
Accumulated depreciation and impairment								
As at 31st December, 2003	(7,592)	(49,390)	(3,852)	(262,757)	(6,443)	(27,046)	—	(357,080)
Charge for the year	(6,711)	(20,059)	(1,360)	(165,189)	(5,255)	(23,810)	—	(222,384)
Disposals	—	—	—	2,836	1,139	2,784	—	6,759
As at 31st December, 2004	(14,303)	(69,449)	(5,212)	(425,110)	(10,559)	(48,072)	—	(572,705)
Net book value								
As at 31st December, 2004	208,423	1,252,437	2,085	1,667,398	33,025	165,218	771,457	4,100,043
As at 31st December, 2003	191,734	695,120	3,445	1,015,683	20,008	80,466	375,259	2,381,715

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 31st December, 2004, the remaining periods of the land use rights where the Group's factory buildings in are as follows:

Located in the following PRC cities:	Remaining periods
- Shenzhen	45.5 years
- Shanghai	47.8 years
- Beijing	48.5 years
- Xian	43.1 years

11. INTANGIBLE ASSETS

	Goodwill RMB'000	Development costs RMB'000	Industrial proprietary rights and patents RMB'000	Distribution network RMB'000	Total RMB'000
Cost					
As at 1st January, 2003	—	—	8,219	—	8,219
Acquisition of a subsidiary	47,599	—	75	48,926	96,525
Additions	—	37,628	—	85	37,788
As at 31st December, 2003	47,599	37,628	8,294	49,011	142,532
Goodwill arising from acquisition of additional equity interests in a subsidiary	8,131	—	—	—	8,131
Negative goodwill arising from acquisition of additional equity interests in subsidiaries	(5,238)	—	—	—	(5,238)
Additions	—	152,818	—	283	153,101
As at 31st December, 2004	50,492	190,446	8,294	49,294	298,526
Accumulated amortisation					
As at 1st January, 2003	—	—	(3,555)	—	(3,555)
Acquisition of a subsidiary	—	—	—	(44,459)	(44,459)
Charge for the year	(1,785)	(3,763)	(1,119)	(3,671)	(10,338)
As at 31st December, 2003	(1,785)	(3,763)	(4,674)	(48,130)	(58,352)
Charge for the year	(3,011)	(9,912)	(1,163)	(750)	(14,836)
As at 31st December, 2004	(4,796)	(13,675)	(5,837)	(48,880)	(73,188)
Net book value					
As at 31st December, 2004	45,696	176,771	2,457	414	225,338
As at 31st December, 2003	45,814	33,865	3,620	881	84,180

12. INVENTORIES

	2004 RMB'000	2003 RMB'000
Raw materials	676,173	390,990
Work-in-progress	627,018	384,067
Finished goods	191,052	95,322
	<u>1,494,243</u>	<u>870,379</u>

13. PREPAYMENTS AND OTHER RECEIVABLES

	2004 RMB'000	2003 RMB'000
Prepayments for purchase of raw materials	109,884	74,263
Prepayments for purchase of fixed assets	203,750	73,194
VAT recoverable	15,234	55,625
Amounts due from employees	5,969	3,238
Others	17,693	10,886
	<u>352,530</u>	<u>217,206</u>

14. TRADE AND NOTES RECEIVABLE

	2004 RMB'000	2003 RMB'000
1 to 3 months	1,634,533	1,277,833
4 to 6 months	230,934	185,614
7 to 12 months	45,171	29,915
	<u>1,910,638</u>	<u>1,493,362</u>

The Group would generally grant a credit term from 0 to 120 days to its customers. In addition, a predetermined credit term has been set for each customer.

As at 31st December, 2004, certain of the trade receivables of approximately RMB332,556,000 (2003: Nil) were pledged for certain of the Group's short-term loans (note 18).

15. RESTRICTED BANK DEPOSITS

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

16. CASH AND BANK DEPOSITS

As at 31st December, 2004, cash and bank deposits included RMB deposits of approximately RMB348,573,000 (2003: approximately RMB153,253,000).

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to foreign exchange restrictions imposed by the PRC government.

17. TRADE AND NOTES PAYABLE

	2004 RMB'000	2003 RMB'000
1 to 3 months	1,238,671	956,160
4 to 6 months	374,079	218,437
7 to 12 months	10,703	3,519
1 to 2 years	6,946	11,336
2 to 3 years	5,726	3,426
	<u>1,636,125</u>	<u>1,192,878</u>

18. BORROWINGS

(a) Short-term bank loans

	2004 RMB'000	2003 RMB'000
Secured	230,000	—
Unsecured	1,972,183	602,659
	<u>2,202,183</u>	<u>602,659</u>

As at 31st December, 2004, the Group's short-term bank loans bore interest at rates ranging from 1.78% to 4.78% (2003: 1.93% to 5.84%) per annum, of which approximately RMB1,162,183,000 (2003: RMB252,659,000) were denominated in USD.

As at 31st December, 2004, short-term bank loans of RMB230,000,000 (2003: Nil) were secured by certain of the Group's trade receivables (note 14).

(b) Long-term bank loans

	2004 RMB'000	2003 RMB'000
Unsecured	494,570	121,665
Less: amount repayable within one year (included in current liabilities)	(257,716)	(16,527)
	<u>236,854</u>	<u>105,138</u>

As at 31st December, 2004, the Group's long-term bank loans bore interest at rates ranging from 3.51% to 5.18% (2003: 4.50% to 6.44%) per annum and certain of the Group's long-term bank loans amounting to RMB104,570,000 were guaranteed by the Company.

As at 31st December, 2004, the Group's long-term bank loans are repayable as follows:

	2004 RMB'000	2003 RMB'000
Within one year	257,716	16,527
In the second year	165,792	15,782
In the third to fifth year	39,479	47,347
After the fifth year	31,583	42,009
	<u>494,570</u>	<u>121,665</u>

19. CONTINGENT LIABILITIES

(a) As at 31st December, 2004, the Group had outstanding guarantee of bank loans for Xian Oriental Machinery Company Limited and Rong Xiangda Company Limited with amounts of RMB2,000,000 and RMB1,531,000 respectively. (2003: RMB2,000,000 and RMB2,105,000, respectively)

(b) The Group is currently involved in one litigation proceeding in Japan in relation to alleged patent infringements. Due to the fact that there has not been any material development in respect of the proceeding in Japan since commencement of such proceeding, the Directors consider that it is impracticable and premature to assess the impact of such proceedings on the Group and its operation. The Directors of the Company believe that the Group has not committed the alleged infringements. The Group would vigorously defend against all claims under the proceeding.

20. COMMITMENTS

(a) Capital commitments

As at 31st December, 2004, the Group had the following capital commitments in relation to:

	Buildings 2004 RMB'000	2003 RMB'000	Equipment 2004 RMB'000	2003 RMB'000
Contracted but not provided for	282,098	97,506	414,591	332,729

(b) Lease commitments

As at 31st December, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in relation to office premises and factory as follows:

	2004 RMB'000	2003 RMB'000
Within 1 year	983	3,375
After 1 year but within 5 years	2,264	4,007
	<u>3,247</u>	<u>7,382</u>

21. SUBSEQUENT EVENTS

The Group entered into an agreement with Sanyo Energy (USA) Corporation, a Delaware Corporation, and Sanyo Electric Co. Ltd., a Japanese company (collectively referred to as "Sanyo") effective 24th January, 2005 for settlement of the legal proceeding brought by Sanyo against the Group in 2002 for alleged patent infringements. Pursuant to the settlement agreement, among other things, both the Group and Sanyo have dismissed their respective claims or counter-claims against the other and the parties have agreed not to sue each other for an agreed period regarding patent infringement of lithium-ion batteries. In addition, the Group has paid Sanyo US\$2,400,000 as part of the terms of the settlement.

22. RECLASSIFICATION OF COMPARATIVE FIGURES

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

FINAL DIVIDEND

The Board has resolved to recommend at the forthcoming Annual General Meeting to be held on 18th May, 2005 payment of a final dividend of RMB0.577 per share payable on 22nd June, 2005 to persons who are registered shareholders of the Company on 15th April, 2005, Friday. The final dividend represents about 30.0% of the Group's profit attributable to shareholders for the Year.

CLOSING REGISTER OF MEMBERS

The Company's register of members will be closed from 18th April, 2005, Monday to 17th May, 2005, Tuesday (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 share registrars in Hong Kong, 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 15th April, 2005, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Rechargeable Battery Industry

There was continuous growth in demand for rechargeable batteries within the global market, attributable mainly to their wide use in portable devices, such as mobile handsets, notebook PCs, digital cameras, MP3 players, etc. Among all these devices, mobile handsets accounted for over half of the demand for rechargeable batteries. New emerging markets also propelled demand for handsets, especially more affordable handsets, which led to increased pricing pressure on the global handset industry.

Especially in the PRC, the improved living standards have created strong purchasing power for advanced portable/digital devices like mobile handsets, handheld devices, etc. The growth of demand for handsets, in particular global mobile handset brands, has remained strong in the PRC. On the other hand, due to the loss of market share to global handset manufacturers and change in sales strategy, the demand for domestic handsets was lower than expected. It also affected the demand for battery products from domestic handset vendors in 2004. Together with the fluctuations in raw material prices and fierce competition within the battery industry during 2004, some industry players were affected by higher production costs during the Year.

Handset Component Industry

The global handset component industry has expanded rapidly in the past few years due to advances in technology. New applications of mobile handset, such as multimedia messaging services, cameras, colour screens and intelligent functions, have resulted in rapidly changing consumer preferences and shorter product life cycles, which have also contributed to increased demand for handset with precise plastic parts. With the emergence of 2.5G and 3G mobile phones, it is expected that there will be a new wave of handset upgrades by consumers.

The increasingly fierce competition within the handset industry has resulted in price wars and demanded quick responses to market needs. Outsourced manufacturing, flexible pricing strategies, quality/cost controls and quick lead times, have all become crucial criteria for handset manufacturers in selecting contractors and maintaining market share. In addition, handset manufacturers now prefer comprehensive handset component providers, which provide services to them.

Automobile Industry in the PRC

Due to weak consumer sentiment brought forth by the PRC government's credit-tightening measures, contraction in auto financing services and numerous price cuts by industry players, growth in the PRC's automobile sales decreased from 35.0% in 2003 to 23.4% in 2004. However, automobile penetration in the PRC remains low, at around only 2%, as compared to 50-60% in developed countries, such as the US, Japan and certain European countries. In view of the existing low automobile penetration, there is market potential for PRC's automobile industry, especially with the expected growing affluence and consumption power of the Chinese people in the long run.

Business Overview

Rechargeable battery business

BYD achieved significant growth in its rechargeable battery business and sustained its leading market position within the rechargeable battery sector for all three of its core products, namely NiCd, NiMH and Li-ion. It continued to be the world's largest manufacturer of nickel-based batteries, and second-largest maker of Li-ion batteries for mobile phone handsets in 2004. With the accelerating demand for mobile handsets in 2004, the Group recorded historical high sales for Li-ion battery products of over RMB3,501 million in 2004 as compared with RMB2,113 million in 2003, an increase of sales of 65.7%. The Group's nickel battery products achieved stable growth in demand in 2004 with sales of over RMB1,547 million, representing a year-on-year increase in sales of 23.8%.

During the Year, orders from domestic handset manufacturers decreased due to loss of market share to global handset manufacturers and change in sales strategy by domestic customers, especially in the second half of 2004. However, the Group received substantial increase in the number of orders from existing global handset manufacturers, which have increased their respective market shares in the PRC. To meet the growing demand from its customers, BYD enhanced its production capacity of rechargeable battery products during the Year.

Handset component business

With the same customer base as its battery business, the Group further extended its product range to include handset components and achieved satisfactory results during the Year, becoming a fully comprehensive handset component provider. The move was seen as positive and was well received by existing customers. By leveraging on its plastic and mould making

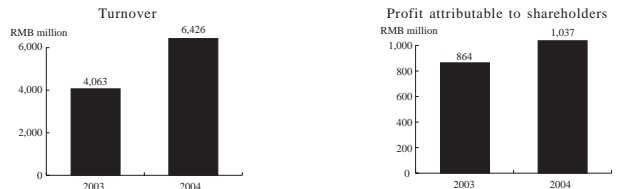
capabilities, BYD can provide customers with a total solution from design engineering, moulding, injection moulding and spray painting to final assembly. During the Year, the Group developed several handset components, including plastic housings, key pads, camera lenses, vibration motors and FPCs (flexible printed circuits). BYD also started producing LCDs for handsets and developed monochrome and colour STN-LCDs during the year for various handset models. The aggregate turnover of handset components was over RMB939 million, in which the turnover of LCD and precise plastic parts for mobile phones were RMB666 million and RMB273 million respectively.

Automobile business

The Group's automobile sales were affected by the unfavourable operating environment and recorded RMB389 million in turnover, representing a 23.6% decrease when compared with 2003. BYD has already adjusted its development strategy and applied stringent cost control measures. Turnover and gross profit reached RMB389 million and RMB38 million respectively, representing 6% and 2% of the Group's total contribution. Total sales volume reached 14,818 units. The Group established and launched the first private vehicle inspection centre in Shanghai during the Year with a site area of 3,100 sq. m.. BYD also acquired an additional 15% equity interest in BYD Automobile Company Limited in early 2004, which increased its equity interest in BYD Automobile Company Limited to 92%.

Financial Review

Turnover and Profit Attributable to Shareholders

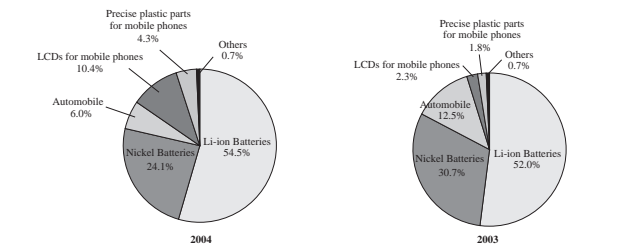


The increase in turnover and profit attributable to shareholders was mainly resulted from the tremendous increase in sales of Li-ion battery products by 65.7%. Sales of handset components surged significantly due to increase in sales of LCDs for handsets by 6.2 times and significant increase in sales of precise plastic parts for mobile phones.

Segmental Information

Set out below are a comparison of the Group's turnover in terms of product categories and their proportion in 2004 and 2003:

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



P.3
Share capital
As at 31st December, 2004, share capital of the Company are as follows:

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

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares since the listing on 31st July, 2002 and up to 31st December, 2004. During the Year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Capital commitment

As at 31st December, 2004, the Group's authorised and contracted capital commitments for the acquisition of plants and machinery amounted to approximately RMB697 million.

Contingent liabilities

As at 31st December, 2004, the Group had contingent liabilities of approximately RMB3,531,000 as bank loan guarantees for other companies.

During the Year, the Group was involved in two litigation proceedings in the U.S.A. and Japan, both in relation to alleged patent infringements. However, a formal settlement agreement was signed by the Company and Sanyo on 24th January, 2005 for settlement of the proceedings in the U.S.A., under which, among other things, Sanyo has agreed to dismiss its lawsuit against the Group in relation to the two patents concerned and the Group has agreed to dismiss its counterclaims against Sanyo. The Board of Directors is of the view that the settlement with Sanyo does not have any material adverse impact on the Group. On the other hand, due to the fact that there has not been any material development in respect of the legal proceedings in Japan, it is impracticable and premature for the Directors to assess the impact of the proceedings on the Group and its operations. The Directors believe that the Group has not committed the alleged infringement, and the Group would vigorously defend against all claims made under the proceedings.

Future prospects and strategies

With the expected trend of shorter product life-cycles for handsets due to an increase in the frequency of product upgrades by consumers, the Group aims to fully capture the opportunities that will emerge for its handset component business to become one of the world's leading handset-component providers in the coming years, which will balance well with the Group's leading position in its core business, the rechargeable battery business, which it expects to maintain stable growth in the coming years. Regarding the automobile business, the Group will adopt prudent development strategies in its attempt to increase market share.

Rechargeable battery business

The rechargeable battery business is the Group's core business and is expected to maintain a stable growth in the future. BYD will further enhance its R&D capabilities, which is in line with the development trend of rechargeable batteries within the global market. To meet the ever-changing market demand, BYD will work closely with existing customers to promptly and efficiently develop new battery models for their products. Other than rechargeable batteries for handsets and notebook PCs, BYD also aims to develop new types of Li-ion batteries for other portable devices.

The Group will further enhance its market share and target to become the No. 1 rechargeable battery manufacturer for handset components in 2005 and the No.1 rechargeable battery manufacturer in the world in the near future.

Handset component business

The handset component business of BYD is expected to grow tremendously and become another major revenue driver in the future. BYD is optimistic of capturing a greater market share in the handset-component market in the future due to increased sourcing from global handset manufacturers in the PRC and an increasing demand from domestic manufacturers.

The Group will leverage on its plastic and tooling capabilities to further expand its product range for handset components for providing a more comprehensive product range to its customers, including key pads, camera modules, and Light Emitting Diode ("LED") displays. BYD has successfully supplied handset components to domestic customers. Capitalising on the existing customer base with its rechargeable battery business, BYD will strive to secure orders from global handset manufacturers. The Group expects to receive orders from major global handset manufacturers in 2005. BYD aims to become a comprehensive handset-component provider in the world.

Automobile business

Amidst the highly competitive automobile market and the government's credit-tightening measures in the PRC, BYD will adopt prudent development strategies for its automobile business. The Group will further strengthen its business foundation, by increasing its annual production capacity in 2005. In order to increase its market share, the Group intends to develop and launch new models of automobiles with varying capacities by mid 2005. Also, the Group will further explore opportunities to produce electric motor vehicles and hybrid vehicles using its rechargeable power battery products. In order to capture the future rebound of the automobile industry in the PRC, the Group will continue to research and develop new models and upgrade its existing automobile engines. BYD targets to become a market leader in the domestic automobile market in the coming years.

SUPPLEMENTARY INFORMATION

Audit committee

One of the primary duties of the audit committee is to review the financial reporting process of the Group. The audit committee consists of three independent non-executive Directors, namely Professor Li Guo-xun, Mr. Kang Dian and Mr. Lin You-ren, and a non-executive Director, Mr. Lu Xiang-yang. A meeting was convened by the Company's audit committee and the Company's auditors, PricewaterhouseCoopers on 24th March, 2005 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 the financial statements for the year ended 31st December, 2004 before recommending them to the Board for approval).

Compliance with the Code of Best Practice under the Listing Rules

The Board is pleased to confirm that the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules applicable during the year under review.

The Board is not aware of any information indicating that the Company did not comply with the said Code of Best Practice at anytime during the Year.

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, 24th March, 2005

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

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

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 18th May, 2005 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 31st December, 2004;
2. To consider and approve the working report of the Supervisory Committee of the Company for the year ended 31st December, 2004;
3. To consider and approve the audited financial statements of the Company as at and for the year ended 31st December, 2004;
4. To consider and approve the final dividend distribution plan of the Company for the year ended 31st December, 2004, 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 2005, 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:-
 - (a) the grant to the Board of Directors of the Company a general mandate to allot, issue and deal with additional shares in the capital of the Company, whether domestic shares or H shares, subject to the following conditions:-
 - (i) that the aggregate nominal amount of shares allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Board of Directors of the Company pursuant to the general mandate shall not exceed 20 per cent of the total nominal amount of shares of the same class of the Company in issue;
 - (ii) that the exercise of the general mandate is subject to all governmental and/or regulatory approval(s), if any, under the applicable law (including but without limitation to the Company Law of the PRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited);
 - (iii) that the general mandate shall remain valid until the earliest of (x) the conclusion of the next annual general meeting of the Company; or (y) the expiration of a 12-month period following the passing of this resolution; or (z) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and
 - (b) the authorisation to the Board of Directors of the Company to approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the allotment and issue of any new shares pursuant to the exercise of the general mandate referred to in paragraph (a) of this resolution.
8. 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, 24th March, 2005

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 15th April, 2005 (Friday) 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 27th April, 2005 (Wednesday).

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 18th April, 2005 (Monday) to 17th May, 2005 (Tuesday) (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 2004 dividend of RMB0.577 per share (including taxation) 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 15th April, 2005 (Friday) 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.