

# Chairman's Statement

To our shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December 2003.

Despite the outbreak of SARS that affected many industries across the region, especially in Hong Kong and the PRC, the Group, leveraged on its competitive advantages, has once again demonstrated its market leadership, by overcoming the negative impact and quickly resuming a high business growth over the year. For nine consecutive years, we have sustained remarkable results and recorded a notable increase of 77% in turnover and 31% in profit attributable to shareholders for year 2003, reaching approximately RMB4,063,270,000 and RMB863,861,000 respectively. Such increase is attributable to the Group's organic growth generated from not only the enhanced cost efficiency and scale of economies, but also the horizontal expansion of product offerings that generated new income sources.

2003 recorded another year of remarkable achievement for BYD. During the year under review, sales of Nickel batteries remained a solid and stable growth, mainly due to the growing global market demand in power tool and toys. Whereas Li-ion batteries, capturing the booming global market, continued to maintain a strong growth momentum, forming the core income drive for the Group. The three core products, namely NiCd, NiMH and Li-ion, as usual, excelled in the global rechargeable battery regime, sustaining a leading position in the global market.

During the year, BYD continues to enhance the performance of its core business so as to become the largest rechargeable batteries provider in the world, and at the same time, creates new income sources for the Group. Given its unrivaled competitive edges, including robust R&D capabilities, comprehensive product range, stringent quality and cost control as well as unparalleled expertise, BYD has, and will continue to, stay abreast with the changing market demand to capture every business growth, surpass keen competition and nurture a strong customer base of renowned international brands.

Thanks to the launch of the highly expected 2.5G and 3G standards' digital era, leading to changing consumption demand for digital products, sales of mobile handsets has soared rapidly. Leveraging on its strong foothold in the battery arena, as well as its extensive and internationally renowned clientele, BYD has successfully extended into other battery related businesses such as the production of mobile handset components, which includes mobile phone display and plastic housing and tooling, with the objective to become the one-stop parts provider for international handset players. Capitalizing on its R&D expertise, the Group will further extend its reach in the promising notebook PC market by producing Li-ion battery for notebooks PC, so as to further mature its already extensive product portfolio.

Riding on the prosperous PRC market, the Group has completed its acquisition of 77% equity stake in Xian Qin Chuan Automobile Limited Liability Company at the beginning of 2003, which was later renamed as "BYD Automobile Company Limited ("BYD Auto QC"). This marked not only

the successful entry into the promising automobile market, but also the beginning of our commitment and focused strategy in the development of rechargeable batteries for electric vehicles as well as electric vehicles. In order to consolidate its automobile business, the Group agreed to acquire an additional 15% of equity interest in BYD Auto QC in February 2004.

Foreseeing the immense potential of the booming PRC retail market as well as the booming market of mobile handset and notebook PC, BYD will endeavor to satisfy the ever-changing market demand. Under the leadership of a prudent, visionary and dedicated management team, together with the commitment and effort from its staff, BYD will maximize the return for its supportive shareholders and to create an auspicious and flourishing future for its clients.

Looking ahead, we will expedite our R&D capabilities, abide in creating strong growth impetus and strive to become no. 1 rechargeable batteries manufacturer in the world, the world-class parts provider of mobile handsets as well as the leading automobile manufacturer in the PRC.

On behalf of BYD, the management would like to express its unfeigned gratitude for the continuous support and confidence of its shareholders, as well as the endurance and exertion of its staff for achieving such unprecedented success of the Company.

**Wang Chuan-fu**

Chairman

Hong Kong, 20th February 2004