

To our shareholders

On behalf of the board of directors (the "Board") of BYD Company Limited ("BYD" or the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the annual report for the year ended 31st December, 2004.

Amidst the difficult operating environment brought forth by the austerity measures of the PRC government and the fluctuations in raw material prices in 2004, BYD, as a market leader in the rechargeable battery industry, successfully overcame the challenges and sustained its remarkable performance during the year under review. The Group was able to reach new heights in the ten consecutive years. This year, BYD's turnover increased 58.1% to RMB6,426 million and profit attributable to shareholders grew 20.0% to RMB1,037 million, mainly attributable to significant increase in sales of Lithium-ion batteries and increased order volume from existing customers. An extended offering of mobile phone related products including precise plastic parts and LCDs made satisfactory progress during the year, providing new income sources for the Group.

For the year under review, the Board recommended a final dividend payment of RMB0.577 per share, representing a dividend payout ratio of 30.0%.

2004 represented another year of remarkable achievements for BYD. The Group, with its three core products, namely NiCd, NiMH and Lithium-ion batteries, maintained its leading position in the global rechargeable battery market. The Group was the world's largest manufacturer of nickel-based batteries and the second largest manufacturer of Lithium-ion batteries for mobile phone handsets in 2004.

BYD achieved encouraging development in the handset component manufacturing business, with new products added to the portfolio including plastic housings, key pads, camera lenses, vibration motors and FPCs (flexible printed circuits) and monochrome and color STN-LCDs for mobile phones. Leveraging on BYD's extensive customer base for battery products, the new products have received encouraging response from domestic customers.

The Group's automobile business was inevitably affected by the unfavourable operating environment during the year. The Group has thus adjusted its development strategy to reduce the impact on the Group by applying stringent cost control measures.

In addition, the Group was selected to include in Morgan Stanley Capital International ("MSCI") China Index Series, effective on 28th May, 2004. It was an evidence of the recognition from the international financial sector and further enhanced the Group's presence in the international capital markets.

The Group foresees continuous growth in the global handset industry and an increase in outsourcing of the mobile handset manufacturing process. BYD is well positioned to capture the business opportunities ahead and to maintain a stable growth in battery business and grow substantially in mobile phone related business. Handset components will become BYD's major growth driver in 2005 with a customer base extended from domestic to overseas markets. We expect the automobile market to grow steadily in the long run. Amidst the highly competitive automobile market in the PRC, we will maintain a prudent development strategy for our automobile business.

Leveraging on our competitive edges, including unrivaled R&D capabilities, comprehensive product range, stringent quality and cost controls, as well as unparalleled expertise, BYD will strive to become the leading rechargeable batteries provider in the world. The world-class mobile handsets component provider and the leading automobile manufacturer in the PRC.

On behalf of BYD, I would like to express my sincere gratitude for the continuous support and trust from our customers, business partners and shareholders, as well as to our dedicated employees for achieving such impressive success for the Company.

Wang Chuan-fu

President

Hong Kong, 24th March, 2005