

CHAIRMAN'S STATEMENT

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 hereby present the annual report for the year ended 31st December 2005.

2005 is the most difficult year in BYD's 11 year's history of operation. We have encountered unprecedented challenges. Our core battery business was hampered by domestic handset providers' significant loss of market share to their foreign counterparts and the proliferation of illegal handsets. The handset component business has been developing into a revenue growth driver in 2005 but the merger of a major customer during the year led to the development being lower than that expected at the beginning of the year. As for automobile business, the market response to our new F3 model was very encouraging but growth of the PRC automobile market was still hindered by excessive production capacity and keen market competition.

The Group recorded RMB6,498 million in turnover in 2005, which is comparable to that of 2004. Profit attributable to equity holders of the Company dropped 49.0% to RMB529 million. As we foresee substantial capital need for future development, the Board did not recommend a final dividend payment for 2005.

Despite the difficulties, BYD maintained its leading position in the global rechargeable battery industry. Our battery products have earned high reputation in the global and domestic markets alike not only for cost efficiency but also for high quality. Therefore, we maintained our position as the leading supplier for some global handset suppliers in 2005 and broadened the application scope of our products. The general market perception is that the worst time for domestic handset providers has passed and there will be a recovery in the domestic handset sales in 2006. BYD is well-poised to ride on the revival and regain orders for Lithium-ion batteries.

Regarding Nickel batteries, as BYD is one of the few global manufacturers which can provide high-quality products, we were able to capture the increasing market demand in 2005 and increased the sales. The growth trend is expected to sustain and steady growth in this section is anticipated.

Handset component business is expected to be the Group's growth driver in the near future as global handset suppliers increasingly sought one-stop component supply services. Built on its strong customer base, BYD naturally becomes the preferred partner of these handset suppliers. At present, the handset component business is in the customer incubation stage and we have invested plenty of resources in capacity upgrading and product qualification. We expect to see steeper growth once international orders come in.

In respect of our automobile business, the launch of F3 in September 2005 was a milestone for the Group. The overwhelming market response and awards the new model received have driven sales up significantly to some point that the model was even sold out of stock. F3 is the first self-developed automobile model by BYD and its success has built our confidence in the automobile sector. We will invest in expanding capacity to meet market demand and look into the possibility of launching other highly competitive models in the near future.

The market is always changing but there are some lasting qualities of well-established companies which will help them sail through the challenges. In BYD, we take great pride in our cost efficiency, quality products, strong R&D capabilities and comprehensive product range, as well as our unparalleled expertise. We are a leading rechargeable batteries provider in the world, a world-class parts provider for mobile handsets and a leading automobile manufacturer in the PRC. We will make our best effort to maintain our market position.

On behalf of BYD, I would like to express my sincerest gratitude for the continuous support and confidence of our customers, business partners and shareholders, as well as the dedication of all the staff members in the past year.

Wang Chuan-fu

President

Hong Kong, 24th March 2006