

Chairman's Statement

Dear 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 2006 (the "Year").

In 2006, BYD further increased its income contribution from two core businesses, IT parts (including rechargeable batteries and handset components) and automobiles instead of mainly from rechargeable battery business. By leveraging on its strong research and development capabilities, stringent cost control measures and superior product quality, BYD achieved significant development in the two business segments during the Year with satisfactory results. In the financial year of 2006, the Group's turnover reached approximately RMB12,939 million, nearly a double of that in the corresponding period of the previous year. Profit attributable to equity holders of the Company recorded an impressive growth of 122% to over RMB1,117 million. The remarkable performance of turnover and profit attributable to equity holders of the Company was mainly due to the robust growth in the handset component business and the successful turnaround of the automobile business.

In return for shareholders' support, the Board recommended the payment of RMB0.40 per share as the final dividend for the year ended 31st December 2006.

In 2006, the global handset market continued to experience vigorous growth and BYD successfully maintained its leading position in the global rechargeable battery industry. Capitalizing on the excellent quality and cost effectiveness of its Lithium-ion rechargeable battery products, BYD seized growth opportunities in market and proactively enhanced its market coverage. The Group will continue to strengthen its cooperation with international handset suppliers and is dedicated to increasing supply volume and exploring new clients, so as to propel the sustainable growth of the Lithium-ion battery business. On the other hand, despite the reduction in Nickel battery sales caused by high raw material price, the Group was capable of consolidating its market leadership with leverage on its competitive edges and pricing capabilities.

During the year under review, handset component business posted a remarkable growth and became the Group's major driving force. In addition, this business segment has entered into the stage of rapid development. The Group has been receiving extensive customer recognition since the provision

of one-stop services for handset component supply. The Group will continue to strengthen product research and development, enhance product innovation, management capabilities as well as service standard, so as to secure orders from existing major international suppliers while actively exploring new clients among other international handset suppliers and domestic leading handset suppliers. BYD endeavors to further reinforce its market leading position as a "one-stop handset component supplier".

Amidst the flourishing Chinese economy, market demand for automobiles continued to grow, which offered enormous potential for the automobile industry in China. In 2006, the F3 series model of BYD became the fastest growing self-owned automobile brand by leveraging on its international product quality and the competitive advantage of high value for money. Furthermore, it was one of the best selling national brand automobiles in China for several months consecutively. The outstanding sales results enabled it to become one of the mainstream car models in the market. As the F3 series was well received by consumers, BYD's automobile business segment maintained a remarkable growth trend. The Group will exert efforts in strengthening management, research and development as well as production for comprehensive support. BYD aims at catering to different consumer needs through continued optimization of production technology, upgrading of sales network, implementation of effective sales strategies as well as the launch of new car models in a timely manner.

Upon years of development, the Group has established distinguished product quality, superior cost efficiency, robust research and development capability and diversified product portfolio. We are confident of developing BYD into the world's leading rechargeable battery manufacturer, the market leader of one-stop handset component supplier and the top automobile manufacturer in China.

On behalf of BYD, I would like to express my sincere gratitude for the continuous support and confidence of our customers, business partners and shareholders. Besides, I would like to thank all the staff members for their valuable dedications over the past years, which enabled the Group to achieve new business heights with remarkable accomplishments.

Wang Chuan-fu

President

Shenzhen, The PRC, 16th March 2007