比亞迪股份有限公司

# BYD COMPANY LIMITED

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1211)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

| | |
|---|---|
| Turnover | +63.9% To RMB21,211 million |
| Gross Profit | +55.1% To RMB4,248 million |
| Profit attributable to equity holders of the Company | +44.2% To RMB1,612 million |
| Basic earnings per share | +44.2% To RMB2.99 |

### HIGHLIGHTS

- Maintained its leading position in rechargeable batteries industry, recorded approximately 56.5% growth in turnover of rechargeable batteries business
- Recorded approximately 78.9% growth in turnover of handset components and assembly business, successfully spun off BYD Electronic (International) Company Limited for listing on the Stock Exchange of Hong Kong
- Recorded approximately 50.7% growth in turnover in automobiles business

### 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 31 December 2007 (the "Year") together with comparative figures in 2006.

The Board proposed the declaration of a special interim dividend for the six months ended 30 June, 2007 of RMB1.3 per share on 28 January 2008 and the special interim dividend has been approved by shareholders at the Extraordinary General Meeting and the Class Meetings held on 20 March 2008. Taken this into consideration, together with the current financial condition, production operations and long-term development needs, the Board did not propose final dividend for the year ended 31 December 2007.

**CONSOLIDATED INCOME STATEMENT**
**Year ended 31 December 2007**

| | *Notes* | **2007** *RMB'000* | **2006** *RMB'000* |
|---|---|---|---|
| **REVENUE** | 4 | 21,211,213 | 12,938,917 |
| Cost of sales | | (16,963,526) | (10,200,734) |
| Gross profit | | 4,247,687 | 2,738,183 |
| Other income and gains | 4 | 285,333 | 157,026 |
| Selling and distribution costs | | (648,187) | (480,177) |
| Administrative expenses | | (1,656,995) | (850,197) |
| Other expenses | | (96,537) | (136,748) |
| Finance costs | 6 | (388,421) | (246,942) |
| **PROFIT BEFORE TAX** | 5 | 1,742,880 | 1,181,145 |
| Tax | 7 | (40,551) | (53,075) |
| **PROFIT FOR THE YEAR** | | 1,702,329 | 1,128,070 |
| Attributable to: | | | |
| Equity holders of the Company | | 1,611,711 | 1,117,334 |
| Minority interests | | 90,618 | 10,736 |
| | | 1,702,329 | 1,128,070 |
| **DIVIDEND** | | | |
| Proposed Interim | 8 | 701,350 | — |
| Proposed final | 8 | — | 215,800 |
| | | 701,350 | 215,800 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY — Basic (RMB)** | 9 | 2.99 | 2.07 |

**CONSOLIDATED BALANCE SHEET**
**31 December 2007**

| | *Notes* | **2007** *RMB'000* | **2006** *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 10,341,577 | 7,482,960 |
| Investment properties | | 2,043 | 2,101 |
| Prepaid land lease payments | | 1,448,294 | 195,866 |
| Goodwill | | 58,603 | 58,603 |
| Other intangible assets | | 586,181 | 412,447 |
| Non-current prepayments | | 386,587 | 109,925 |
| Deferred tax assets | | 165,221 | 10,414 |
| Total non-current assets | | 12,988,506 | 8,272,316 |
| **CURRENT ASSETS** | | | |
| Inventories | | 4,548,545 | 3,156,918 |
| Trade receivables | 10 | 4,031,652 | 1,550,925 |
| Bills receivable | 10 | 1,400,925 | 656,456 |
| Factored trade receivables | 10 | — | 787,018 |
| Prepayments, deposits and other receivables | | 675,003 | 256,125 |
| Due from related parties | | — | 765 |
| Derivative financial instruments | | 60,913 | 5,181 |
| Restricted bank deposits | | 43,446 | 83,765 |
| Cash and cash equivalents | | 5,539,501 | 1,617,312 |
| Total current assets | | 16,299,985 | 8,114,465 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 11 | 5,715,394 | 3,322,022 |
| Bank advance on factored trade receivables | | — | 787,018 |
| Other payables and accruals | | 1,374,210 | 688,432 |
| Advances from customers | | 969,985 | 429,010 |
| Deferred income | | 425,593 | — |
| Derivative financial instruments | | 42,725 | 3,863 |
| Interest-bearing bank and other borrowings | | 6,828,843 | 4,223,713 |
| Deferred tax liabilities | | 2,215 | 8,255 |
| Tax payable | | 178,879 | 26,943 |
| Provision | | 45,545 | 13,193 |
| Total current liabilities | | 15,583,389 | 9,502,449 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | 716,596 | (1,387,984) |

## CONSOLIDATED BALANCE SHEET
**31 December 2007**

| | *Notes* | **2007** *RMB'000* | **2006** *RMB'000* |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 13,705,102 | 6,884,332 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | 1,294,843 | 1,513,146 |
| Derivative financial instruments | | — | 3,545 |
| Total non-current liabilities | | 1,294,843 | 1,516,691 |
| Net assets | | 12,410,259 | 5,367,641 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued capital | 12 | 539,500 | 539,500 |
| Reserves | | 9,467,268 | 4,537,164 |
| Proposed interim dividend | | 701,350 | — |
| Proposed final dividend | | — | 215,800 |
| | | 10,708,118 | 5,292,464 |
| **Minority interests** | | 1,702,141 | 75,177 |
| Total equity | | 12,410,259 | 5,367,641 |

# NOTES TO FINANCIAL STATEMENTS
## 31 December 2007

### 1. CORPORATE INFORMATION

BYD Company Limited is a joint stock limited liability company (the "Company") incorporated in the People's Republic of China (the "PRC"). The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited since 31st July 2002. The registered office of the Company is located at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.

The principal activities of the Group are the manufacture and sale of rechargeable batteries, handset components and assembly services as well as automobiles and related products.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

| | |
|---|---|
| HKFRS7 | Financial Instruments: Disclosures |
| *HKAS 1 Amendment* | *Capital Disclosures* |
| *HK(IFRIC)-Int 8* | *Scope of HKFRS2* |
| *HK(IFRIC)-Int 9* | *Reassessment of Embedded Derivatives* |
| *HK(IFRIC)-Int 10* | *Interim Financial Reporting and Impairment* |

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements - Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| HKFRS 8 | *Operating Segments* [1] |
| HKAS1 (Revised) | *Presentation of Financial Statements* [1] |
| HKAS 23 (Revised) | *Borrowing Costs* [1] |
| HK(IFRIC)-Int 11 | *HKFRS 2 — Group and Treasury Share Transactions* [2] |
| HK(IFRIC)-Int 12 | *Service Concession Arrangements* [4] |
| HK(IFRIC)-Int 13 | *Customer Loyalty Programmes* [3] |
| HK(IFRIC)-Int 14 | *HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* [4] |

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instrument, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

## 3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the battery and other products segment comprises the manufacture and sale of rechargeable batteries principally for mobile phones, emergency lights and other battery related products.

(b) the handset components segment comprises the manufacture and sale of LCDs, flexible printed circuit boards, handset mechanical components and assembly services.

(c) the automobile and related products segment comprises the manufacture and sale of automobiles, electricity-power automobiles and auto-related moulds and components.

(d) the "others" segment comprises, principally, the new factory which has been just set up and other non-manufacturing parts of the Group.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No assets and liabilities information by geographical segment is presented as over 90% of the Group's assets are located in Mainland China.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 3. SEGMENT INFORMATION (continued)

### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2007.

| Year ended 31 December 2007 | Battery and other products *RMB'000* | Handset components *RMB'000* | Automobile and related products *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Sales to external customers | 7,149,237 | 9,186,864 | 4,871,993 | 3,119 | 21,211,213 |
| **Segment results** | 755,862 | 1,072,742 | 257,348 | (883) | 2,085,069 |
| Interest and unallocated gain | | | | | 46,232 |
| Finance costs | | | | | (388,421) |
| Profit before tax | | | | | 1,742,880 |
| Tax | | | | | (40,551) |
| Profit for the year | | | | | 1,702,329 |
| **Assets and liabilities:** | | | | | |
| Segment assets | 5,275,423 | 13,844,254 | 8,385,042 | 4,309 | 27,509,028 |
| Corporate and other unallocated assets | | | | | 1,779,463 |
| Total assets | | | | | 29,288,491 |
| Segment liabilities | 2,609,628 | 3,718,079 | 3,246,944 | 1,556 | 9,576,207 |
| Other unallocated liabilities | | | | | 7,302,025 |
| Total liabilities | | | | | 16,878,232 |
| **Other segment information:** | | | | | |
| Depreciation and amortisation | 271,952 | 349,173 | 276,742 | 606 | 898,473 |
| Recognition of prepaid land lease payment | 2,105 | 2,776 | 7,839 | — | 12,720 |
| Capital expenditure | 472,250 | 2,152,590 | 2,980,622 | 43 | 5,605,505 |
| (Write back)/Write-down of inventories to net realisable value | (16,027) | 47,575 | 1,204 | — | 32,752 |
| Impairment of trade receivables | 20,448 | 10,666 | 115 | — | 31,229 |
| Product warranty provision | — | — | 82,016 | — | 82,016 |

3. **SEGMENT INFORMATION (continued)**

(a) **Business segments (continued)**

| **Year ended 31 December 2006** | **Battery and other products** *RMB'000* | **Handset components** *RMB'000* | **Automobile and related products** *RMB'000* | **Others** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Sales to external customers | 4,567,393 | 5,134,509 | 3,232,178 | 4,837 | 12,938,917 |
| **Segment results** | 405,439 | 896,966 | 116,181 | (730) | 1,417,856 |
| Interest and unallocated gain | | | | | 10,231 |
| Finance costs | | | | | (246,942) |
| Profit before tax | | | | | 1,181,145 |
| Tax | | | | | (53,075) |
| Profit for the year | | | | | 1,128,070 |
| **Assets and liabilities:** | | | | | |
| Segment assets | 5,055,008 | 5,433,123 | 4,324,370 | 269,091 | 15,081,592 |
| Corporate and unallocated assets | | | | | 1,305,189 |
| Total assets | | | | | 16,386,781 |
| Segment liabilities | 1,579,734 | 1,525,594 | 1,324,402 | 31,181 | 4,460,911 |
| Other unallocated liabilities | | | | | 6,558,229 |
| Total liabilities | | | | | 11,019,140 |
| **Other segment information:** | | | | | |
| Depreciation and amortisation | 208,926 | 165,240 | 150,069 | 1,465 | 525,700 |
| Recognition of prepaid land lease payment | 1,887 | 631 | 4,952 | — | 7,470 |
| Capital expenditure | 582,995 | 1,180,905 | 994,470 | 248,442 | 3,006,812 |
| Write-down of inventories to net realisable value | 35,560 | 53,163 | — | — | 88,723 |
| Impairment of trade receivables | 24,944 | 31,373 | — | — | 56,317 |
| Product warranty provision | — | — | 38,451 | — | 38,451 |

## 3. SEGMENT INFORMATION (continued)

### (b) Geographical segments

The following tables present revenue information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

| **Year ended 31 December 2007** | **PRC** | **Europe** | **United States of America** | **Others** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | | | |
| Sales to external customers | 13,493,285 | 2,102,664 | 1,454,385 | 4,160,879 | 21,211,213 |

| **Year ended 31 December 2006** | **PRC** | **Europe** | **United States of America** | **Others** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | | | |
| Sales to external customers | 8,408,770 | 1,363,989 | 908,369 | 2,257,789 | 12,938,917 |

## 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of assembly services rendered; and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of revenue, other income and gains is as follows:

| | | Group | |
|---|---|---|---|
| | *Notes* | **2007** | **2006** |
| | | *RMB'000* | *RMB'000* |
| **Revenue** | | | |
| Sale of goods | | 19,300,606 | 12,863,512 |
| Assembly services income | | 1,898,106 | 54,087 |
| Construction contracts | | 12,501 | 21,318 |
| | | 21,211,213 | 12,938,917 |
| **Other income** | | | |
| Subcontracting income | | 1,561 | 2,626 |
| Bank interest income | | 28,483 | 13,956 |
| Government grants and subsidies* | | 6,173 | 11,143 |
| Net rental income | | 9,356 | 219 |
| Sale of scraps | | 167,860 | 73,664 |
| Others | | 67,803 | 49,114 |
| | | 281,236 | 150,722 |
| **Gains** | | | |
| Net fair value gain on: | | | |
| Derivative instruments - transactions not qualifying as hedges | | 4,097 | 5,181 |
| Gain on disposal of items of property, plant and equipment | | — | 1,123 |
| | | 285,333 | 157,026 |

* During the year, the Group received VAT subsidies on the amount of VAT paid for high-technology products and mould in China. The government grants have been recognised as income upon receipt. There is no unfulfilled conditions or contingencies relating to these grants and subsidies.

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | | Group | |
|---|---|---|---|
| | *Notes* | **2007** | **2006** |
| | | *RMB'000* | *RMB'000* |
| Depreciation | | 840,021 | 476,532 |
| Impairment of property, plant and equipment | | 102,998 | — |
| Impairment of other intangible assets | | 38,679 | — |
| Amortisation of intangible assets other than development costs | | 16,494 | 15,767 |
| Recognition of prepaid land lease payments | | 12,720 | 7,470 |
| Research and development costs: | | | |
| Deferred expenditure amortised* | | 41,958 | 33,401 |
| Current year expenditure | | 653,263 | 370,934 |
| | | 695,221 | 404,335 |
| Auditors' remuneration | | 9,658 | 3,074 |
| Equity-settled share expenses | 14 | 150,000 | — |
| Foreign exchange differences, net | | 73,814 | 24,172 |
| Impairment of trade receivables | | 31,229 | 56,317 |
| Impairment losses reversed | | (19,099) | (9,266) |
| Write off as uncollectible | | (19,949) | (2,809) |
| Write-down of inventories to net realisable value* | | 32,752 | 88,723 |
| Product warranty provision: | | | |
| Additional provision | | 82,016 | 38,451 |

* The deferred expenditure amortised, write-down of inventories to net realisable value for the year are included in "Cost of sales" on the face of the consolidated income statement.

## 6. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2007** | **2006** |
| | *RMB'000* | *RMB'000* |
| Interest on bank borrowings wholly repayable within five years | 380,153 | 233,145 |
| Bank charges for discounted notes | 9,373 | 16,126 |
| Total interest expense on financial liabilities not at fair value through profit and loss | 389,526 | 249,271 |
| Less: Interest capitalised | (1,105) | (6,224) |
| | 388,421 | 243,047 |
| Other finance cost: | | |
| Unrealised loss on interest rate swaps | — | 3,895 |
| | 388,421 | 246,942 |

The average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.33% (2006: 5.41%).

## 7. TAX

No provision for profit tax in Hong Kong, United States of America, Japan, Denmark, Hungary and India has been made for the year as the Group did not generate any assessable profits from these jurisdictions during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | **2007** | **2006** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Group: | | |
| Current — Mainland China | | |
| Charge for the year | 105,896 | 74,080 |
| Overprovision in prior years | — | (33,312) |
| Underprovision in prior years | 1,871 | — |
| Deferred | (67,216) | 12,307 |
| Total tax charge for the year | 40,551 | 53,075 |

## 8. DIVIDEND

| | **2007** | **2006** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Proposed interim — RMB1.3 (2006: RMBNil) per ordinary share | 701,350 | — |
| Proposed final — RMBNil (2006: RMB0.4) per ordinary share | — | 215,800 |
| | 701,350 | 215,800 |

The proposed interim dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Extraordinary General Meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company of RMB1,611,711,000 (2006: RMB1,117,334,000), and the number of ordinary shares in issue during the year which is 539,500,000 (2006: 539,500,000).

No diluted earnings per share amounts have been presented for the years ended 31 December 2007 and 2006 as no diluting events existed during these years.

## 10. TRADE AND BILLS RECEIVABLES

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

| | Group | |
|---|---|---|
| | **2007** | **2006** |
| | *RMB'000* | *RMB'000* |
| Within three months | 5,105,216 | 2,667,529 |
| Three to six months | 310,387 | 199,928 |
| Six months to one year | 10,600 | 97,732 |
| Over one year | 6,374 | 29,210 |
| | 5,432,577 | 2,994,399 |

At 31 December 2007, the Group has pledged bills receivable of approximately RMB7,300,000 (2006: RMB71,661,000) to secure the Group's bank loans.

## 11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2007** | **2006** |
| | *RMB'000* | *RMB'000* |
| Within three months | 4,781,248 | 2,671,655 |
| Three to six months | 786,254 | 549,432 |
| Six months to one year | 94,405 | 67,309 |
| One to two years | 30,956 | 18,537 |
| Two to three years | 11,598 | 7,641 |
| Over three years | 10,933 | 7,448 |
| | 5,715,394 | 3,322,022 |

The trade payables are non-interest-bearing and are normally settled within 30 to 120 days.

## 12. SHARE CAPITAL

| | **2007** | **2006** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Issued and fully paid: | | |
| 539,500,000 (2006: 539,500,000) ordinary shares of RMB1 each | 539,500 | 539,500 |

## 13. COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

| | Group | |
|---|---|---|
| | **2007** | **2006** |
| | *RMB'000* | *RMB'000* |
| Contracted, but not provided for: | | |
| Land and buildings | 702,227 | 555,772 |
| Plant and machinery | 1,254,223 | 649,080 |
| | 1,956,450 | 1,204,852 |
| Authorised, but not contracted for: | | |
| Land and buildings | 129,372 | 300,000 |
| | 2,085,822 | 1,504,852 |

## 14. SHARE AWARD PLAN

During the year, the Company launched a staff award plan to reward the Company's senior management and full-time employees of core business divisions of the Group (the "Participants") for their services rendered in previous years pursuant to which the Company has agreed to grant, on an one-off basis, a 9% interest (the "Awarded Shares") of BYD Electronic (International) Company Limited (the "BYD International"), the Company's wholly owned subsidiary, to the Participants.

The participants shall be restricted from disposing of any of the Awarded Shares for a period no shorter than five years. The shares awarded by the Company under the share award plan are considered to be shared-based payments under HKFRS 2.

The fair value of the award shares was estimated at approximately RMB150,000,000.

The fair value of shares awarded was estimated as at the date of grant, valued by an independent professional valuer, and assessed by management of the Company, taking into account the Business Enterprise Value Ratio, the Earning Before Interest, Depreciation, Tax and Amortisation (the "EBIDTA") of BYD International at the date of grant, and other terms and conditions upon which the shares were awarded.

## 15. CONTINGENT LIABILITIES

In June 2007, a Hong Kong High Court (the "Court") action (the "June 2007 Action") was commenced by a subsidiary and an affiliate of Foxconn International Holdings Limited (the "Plaintiffs") against the Company and certain subsidiaries of the Group (the "Defendants") for allegations in connection with the use of confidential information alleged to have been obtained improperly from the Plaintiffs. The Plaintiffs alleged that the Defendants have directly or indirectly through the assistance of certain employees of the Plaintiffs, induced and procured certain former employees of the Plaintiffs (some of whom were subsequently employed by the Group) to breach their contractual and fiduciary duties with their former employer, the Plaintiffs, by disclosing to the Defendants confidential information that such employees have acquired through their employment with the Plaintiffs. In addition, it was alleged that the Defendants knew or ought to have known the confidential nature of such information and that the Defendants allowed or acquiesced its misuse in establishing a handset production system that is highly similar to the Plaintiffs' handset production system and using the Plaintiffs' confidential information with respect to their suppliers and customers. The Plaintiffs discontinued the June 2007 Action on 5 October 2007 with the effect that the June 2007 Action has been wholly discontinued against all the Defendants named in the action and that this finally disposed of the June 2007 Action without any liability to the Defendants. On the same day, the Plaintiffs initiated a new set of legal proceedings in the Hong Kong High Court (the "October 2007 Action"). The Defendants named in the October 2007 Action are the same as the Defendants in the June 2007 Action, and the claims made by the Plaintiffs in the October 2007 Action are based on the same facts and the same allegations of the June 2007 Action. In essence, the Plaintiffs allege that the Defendants have misappropriated and misused confidential information belonging to the Plaintiffs. The remedies sought by the Plaintiffs in the October 2007 Action include an injunction restraining the Defendants from using the alleged confidential information, an order for the disgorgement of profit made by the Defendants through the use of the confidential information, damages based on the loss suffered by the Plaintiffs and exemplary damages. The Plaintiffs have quantified part of their claim for damages, consisting of the estimated cost of producing the alleged confidential information of RMB2,907,000, and an amount of RMB3,600,000 which allegedly represents compensation paid by the Plaintiffs to other parties to whom they owed a duty to keep confidential the alleged confidential information. The damages otherwise sought by the Plaintiffs in the October 2007 Action have not been quantified.

Regarding the October 2007 Action, the Company has given an indemnity in favor of other Defendants for all liabilities, losses, damages, costs and expenses (if any) incurred arising out of or in connection with the October 2007 Action. The indemnity given by the Company to the indemnified parties will not cover loss of future profit and revenue as well as any obligation, such as ceasing to use certain information, on the part of the indemnified parties to comply with any injunction order or any court order to deliver up documents.

As at the date of these financial statements, only the Company and BYD (H.K.) Co., Limited had been served with the writ; the other parties named as defendants in the writ had not yet been served. As at the date of these financial statements, no judgement has been made in respect of the court proceedings. The Company and BYD (H.K.) Co., Limited's application for a stay of the legal proceedings have been set to be heard on 11 June 2008 over a two-day hearing.

Based on legal advice of the litigation legal counsels to the Group, the ultimate outcome of the litigations is not yet determinable given the early stage of the proceedings. Accordingly no liability accrual has been recorded by the Company.

## 16. POST BALANCE SHEET EVENTS

a) On 28 January, 2008, the Board announced that the Company proposes to increase the registered capital of the Company by capitalising the capital reserve fund of the Company, pursuant to which Bonus Shares will be allotted and issued to the Shareholders on the basis of 28 Bonus Shares for every 10 Shares held by the Shareholders on 20 March, 2008 (the "Record Date").

b) The registered capital of the Company will increase from RMB539,500,000 to RMB2,050,100,000 upon completion of the Bonus Issue. Based on a total of 539,500,000 Shares in issue on the Record Date, 1,510,600,000 Bonus Shares will be issued by the Company, of which 418,600,000 Shares are Bonus H Shares and 1,092,000,000 are Bonus Domestic Shares.

c) Subject to the approvals of competent authorities in the PRC (the "Relevant Authorities"), the Company proposes that the Company shall allot and issue not more than 58,500,000 A Shares (taking no account of any Bonus Shares which may be issued under the Bonus Issue) or not more than 222,300,000 A Shares (on the basis that the Bonus Issue is completed and that an aggregate of 1,510,600,000 Bonus Shares are issued) to natural persons, legal persons or other investors, who maintain A share accounts with the Shenzhen Stock Exchange but excluding those who are prohibited under the PRC laws, regulations or other regulatory requirements applicable to the Company, by way of public offering of new shares and/or such other manner as shall be approved by the Relevant Authorities, which are proposed to be listed on the Shenzhen Stock Exchange. The A Share Issue is subject to approvals by (a) the Shareholders at the extraordinary general meeting held at 20 March, 2008, (b) the H Shareholders and Domestic Shareholders at the respective Class Meetings held at 20 March, 2008; and (c) the Relevant Authorities. For details, please refer to the Company's announcement dated 28 January, 2008 and the Company's circular dated 4 February, 2008.

d) In connection with the BYD Electronic (International) Company Limited, an over-allotment of 72,246,000 additional shares (the "Over-allotment Shares"), representing 13.14% of the issued shares, was exercised. The Over-allotment Shares were issued at HK$10.75 per share. Net proceeds of HK$757 million were received on 16 January 2008.

e) On 1 February 2008, BYD Hungary entered into a sale and purchase agreement (the "Hungary Agreement") with Mirae Industry Co. Ltd. ("Mirae Industry") for the acquisition of the equity interest of Mirae Hungang Idustrial Manufacturer Ltd ("Mirae Hungary"), a wholly owned subsidiary of the Mirae Industry at a consideration of EUR2,960,000 (equivalent to approximately RMB32 million). In addition, BYD Hungary has agreed to pay certain sum for the settlement of the liabilities of Mirae Hungary as at 31 October 2007. According to the Sales & Purchase Agreement, the total amount payable by BYD Hungary, including the consideration of EUR2,960,000 for the acquisition, will not exceed EUR15,500,000 (equivalent to approximately RMB167 million).

## 17. COMPARATIVE AMOUNTS

During the year, certain comparative amounts have been adjusted to conform with the current year's presentation.

## 18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATING ENVIRONMENT REVIEW

The overall demand in the global handset market in 2007 continued to grow rapidly, mainly supported by driving forces from emerging markets such as China and India. This, coupled with the evolving and upgrading handset technology and the acceleration of obsolete handsets by new functions, has speed up the growth of the handset industry. Increasing popularity of handsets and greater emphasis on external design not only attracted more new mobile phone users, but also boosted greater desire for replacement of handsets from existing users. As a result, handset manufacturers had to launch new handset models in the market at affordable prices frequently and quickly, prompting continuous expansion of the existing handset market. According to the survey report by Gartner, a market research institution, the global handset market recorded approximately an output of 1,120 million units in 2007, up approximately 14% from approximately 980 million units in the same period last year.

Despite steady growth in global handset sales, the rate of increase has slowed down. Continuous industry consolidation has resulted in further increase in market share of leading global handset brands. With higher concentration of the industry which led to intensifying market competition, the market positions of some famous handset brands were replaced by Asian handset brands and encountered difficulties in their operations. Producers of many famous international handset brands relocated their production, procurement and logistics bases to Asia and other regions of the emerging markets to reduce production costs and satisfy the needs for low price, short product life cycle and more diversified product portfolios. Meanwhile, OEM manufacturers of handsets inclined to select suppliers with high capabilities for vertical integration as partners. Riding on the expertise and techniques of such suppliers in R&D, production and supply chain operations, OEM manufacturers could shorten the time for launching new products, achieve better flexibility, lower costs and faster capital turnover, andconcentrate on the product development with high profit margin and the enhancement of brand value. The consolidation of the handset industry brought about huge opportunities for suppliers with vertically integrated global manufacturing and service platforms.

As the domestic handset market opened up, the operation environment of domestic handset manufacturers also changed. While facing competition from overseas handset suppliers, domestic handset manufacturers also encountered threats from non-original handsets. Favorable factors such as changes in the handset market trends (such as the strategy for diversified suppliers), increasing maturity of the 3G technology in overseas markets and the acceleration of the development pace of 3G handsets in China, provided sound business opportunities for the Group's IT parts operations.

In the automobile market, given the strong growth of individual disposable income and the increasing living standard in the PRC, the domestic automobile market continued to grow rapidly at an annual rate of over 20% in terms of production and sales. In 2007, the aggregate production and sales volume of the automobile market in China reached a historical high of over 8.5 million vehicles, representing a year-on-year increase of over 20%, of which, sales of sedans exceeded 4.7 million units, representing a year-on-year growth rate of over 23%. Domestic brands accounted for approximately 26% of total sales volume of sedans and continued to occupy a major position in the market.

## BUSINESS REVIEW

The two principal businesses of BYD are the IT parts business and the automobile business. The IT parts business mainly comprises the rechargeable battery business and the handset component and assembly business. During the year under review, the Group's rechargeable battery business performed well, and the handset and assembly component business recorded continuous rapid growth. At the end of the year, the Group had successfully spun off the handset components and modules and assembly business to the BYD Electronic (International) Company Limited ("BYD Electronic") which was listed on the Main Board of the Stock Exchange of Hong Kong Limited and successfully raised gross proceeds of approximately HK$6.69 billion (after partial exercise of the over-allotment option and before deduction of any listing-related expenses). During the year, the automobile business achieved breakthrough development and brought about encouraging income and profit contribution to the Group.

**IT Parts — Rechargeable Batteries**

During the year under review, BYD continued to maintain and strengthen its leading position in the global rechargeable battery market and achieved strong growth. In 2007, sales amounted to approximately RMB7,149,237,000, representing a substantial year-on-year increase of approximately 57%. The sales of lithium-ion battery products achieved strong growth, with sales of approximately RMB3,994,438,000, representing a year-on-year increase of approximately 39%. Following the downturn in 2006, the nickel battery business experienced a strong rebound in sales in 2007 to approximately RMB2,974,208,000, representing a significant year-on-year increase of approximately 83%.

For the lithium-ion battery business, leveraging on the Group's consistent supply of excellent quality products and cost-effective competitive strengths, coupled with its strategic partnership with leading global handset manufacturers, the Group's share in supplying lithium-ion battery to the customers increased substantially. Apart from an increase in the number of orders from existing customers, the Group was also active in establishing business relationship with emerging international handset suppliers and customers. During the year under review, product recall and contingent events of the industry had tightened market supply of lithium-ion batteries, causing customers to be more prudent and stringent in selecting suppliers. The ample production capacity, quality products and competitive prices of the Group had fully satisfied the urgent market needs for lithium-ion batteries and brought about a large quantity of urgent orders, resulting in the substantial growth of sales for the year. Facing the changing market trends, BYD captured the business opportunities brought by the consolidation of the handset market and increased the Group's market share in the worldwide handset battery market. It was inevitable that the gross profit margin of the Group's lithium-ion battery business was under pressure with increasing prices of raw materials, though the Group was able to shift part of the increase to customers.

During the year, BYD continued to enhance its competitiveness and strengthen its leading position in the market as a leading global manufacturer of high-quality nickel batteries. Since raw material prices remained at high levels, some nickel battery customers had to postpone their non-urgent orders last year. During the year under review, not only did the number of orders return to the normal level, but the number of additional orders also increased. Besides, the increasing prices of raw materials affected the profitability of overseas competitors and reinforced the unique cost effectiveness of BYD, who has maintained a leading position in the industry and possessed price setting power. During the year, the Group made an appropriate price adjustment, leading to an increase in sales revenue that partially offset the adverse impact brought about by high raw material prices on profit, the gross profit margin maintained at the normal level.

**IT Parts — Handset Components and Assembly Services**

For the handset component and assembly services business, BYD adopted an strategy of providing vertically integrated supply services to customers. Apart from providing diversified handset components to famous international handset brands, BYD started to provide handset assembly services to customers in 2006, to enhance the vertically integrated production processes and establish the market position of the Group as a "one-stop handset components supplier" of famous international handset brands. Riding on vertically integrated production processes, quality products, price advantage and full range of services, the Group's handset component and assembly business recorded strong growth in 2007, with sales approximately RMB9,186,864,000, representing a year-on-year increase of approximately 79%.

Considering the prospect of handset components business and assembly services, the Group successfully spun off BYD Electronic for listing on the Main Board of the Stock Exchange of Hong Kong Limited on 20 December 2007. Upon completion of the spin-off exercise, the Company continued to be a controlling shareholder of BYD Electronic. Therefore, the Group will continue to consolidate all assets, liabilities and profit and loss accounts of BYD Electronic and its subsidiaries. The Group believes that the spin-off has brought many benefits to the Group and BYD Electronic. Apart from reflecting the value of BYD Electronic, the exercise has also provided sufficient funds and a financing platform for BYD Electronic to capture the opportunities of rapid growth of the handset industry in the coming years. It also offered an investment opportunity for investors to capture the rapid growth of the handset component market.

During the year under review, the sales of BYD Electronic amounted to approximately RMB5,767,256,000 (including its sales to the Group), representing a year-on-year increase of approximately 89%. The primary business of BYD Electronic includes the manufacture and sales of handset components (including handset casings and keypads) and modules incorporated with mechanical components such as handset casing, microphones, connectors and other handset assembly parts, and the provision of two types of assembly services, including high-level assembly service and PCB assembly service.

Apart from the handset components and assembly parts undertaken by BYD Electronic, the Group's handset component business also includes production of LCD display, flexible printed circuit board and handset camera module, etc. During the year under review, sales of non-BYD Electronic handset components amounted to approximately RMB3,496,465,000, representing a year-on-year increase of approximately 63%, mainly due to the significant growth of sales in all products. Products of this business segment received a number of certifications granted by customers during the year, which will support growth in 2008 and beyond.

The Group will benefit from the continuous growth in global demand for handsets, the shifting of handset production bases to Asia and other regions of emerging markets, the change in outsourcing policies of international renowned handsets brands, as well as the inclination to select suppliers with high capabilities of vertical integration and global manufacturing and sales platform as partners. During the year, the Group enhanced its product design and production capabilities and started to supply medium to high end products. Meanwhile, the Group established new production facilities in Huizhou of Guangdong Province in China, Chennai in India, Komaron in Hungary and Cluj in Romania for the construction of global production platforms, providing customers with more tailor-made services and capturing business opportunities to satisfy the needs of persistent growth.

**Automobile Business**

BYD was striving to enhance its market image and position in the automobile industry, expand production capacity and strengthen product research and development to satisfy market needs, and implement effective marketing strategies in the past two years, resulted in a breakthrough development for the automobile business of the Group during the year. During the year under review, the revenue of the automobile business was approximately RMB4,871,993,000, representing a year-on-year increase of approximately 51%. Automobile sales volume amounted to 85,942 vehicles, a year-on-year increase of approximately 56%, with continuing hot sales of the primary F3 model in the market which recorded a sales volume of 84,021 vehicles, a year-on-year increase of approximately 81%, while Flyer recorded a sales volume of 1,921 vehicles.

During the year under review, the Group's automobile business posted satisfactory performance in the aspects of marketing strategy and product research and development. The Group actively expanded its sales and marketing network and increased the number of sales agents for launching various product series. The Group's F3 model successfully won the top 3 sales ranking for single model vehicle in a number of well-developed cities including Shenzhen, Chongqing, etc. On the other hand, the Group launched F3R model, an upgraded version of the F3 model, to further strengthen the product portfolio and to enhance the brand awareness. During the year, the Group was ready for the launching of three new car models F1, F6 and F8. The F6 series, targeting at the medium- to high-end markets, offered two types of displacements, 2.0L and 2.4L, with manual or automatic transmission gear system at the choice of consumers. At the Shanghai International Auto Show 2007, BYD F6 was highly honoured by industry players, receiving the awards of the "Best Newly Launched Car (in China)" (最佳(中國)首發新車), the "Best Shanghai Style" (最具上海風尚) and the "Best Sedan Car Design" (最佳設計轎車).

The Group's automobile business has mastered the mature technologies and is well coordinated in research and development, production and management. The Group's strength lies in its wholly independent research and development capability, competitive cost advantage, good product quality and strong capability as well as the ability to launch new products promptly in response to the market needs.

During the year, the Group has commenced the construction of a new automobile research and development and production base in Shenzhen. Upon completion of the construction, the Group's automobile research and development and production capabilities will be enhanced, supporting the fast and sustainable growth of the Group's automobile business in the future.

## FUTURE PROSPECTS AND STRATEGIES

### IT Parts — Rechargeable Batteries

With the global growing trend of the handset industry which provides us with enormous business opportunities, the Group will strengthen strategic partnership with manufacturers of famous international handset brands. Meanwhile, the Group will actively explore new customers while striving to secure more orders from existing customers. It is anticipated that the industry consolidation will be beneficial to the Group's rechargeable battery business which is expected to continue its steady growth. Looking ahead, the Group will strive to increase the application of battery products and enhance cost control, and to capture the market opportunity of increasing demand by implementing competitive pricing strategies so as to strengthen its leading market position in the rechargeable battery industry.

### IT Parts — Handset Components and Assembly Services

With increasing global handset demand and the relocation of production bases by manufacturers of famous international handset brands to Asia and other regions of emerging markets, BYD will leverage on the financing platform available after the separate listing of BYD Electronic to continue the product development with high growth and high profit margins, so as to widen its portfolio of products and services for the further vertically integrated production. The Group will also create collaboration opportunities with new customers on the basis of strengthening the strategic relationship with existing customers. Meanwhile, the Group will establish and maintain an integrated global platform for manufacture and services, to strengthen research and development capabilities, and to enhance cost structure and cost savings, with the aim of becoming a leading global supplier of handset components and assembly services.

### Automobile Business

With the rapid growth of the automobile industry in China, the Group believes that there is enormous room for future development. The success of the F3 series which has become the Group's best selling car model, has laid a solid foundation for the Group in the automobile industry. Looking forward, apart from the F3 series, the Group launched the F6 series in the first quarter of 2008 and will launch the F8 series in mid-2008, aiming to build a brand image of medium to high end autombile which caters for the needs of different customer segments. The Group also plans to launch the F1 series targeting market of low discharge vehicles during the year, providing consumers with various choices of higher value for money vehicles. Leveraging on the Group's competitive advantages and the high value for money of its products, the Group is confident that the new car model will boost sales, leading to better performance of the automobile business in the years to come. With the completion of the new bases for automobile research and development and production in Shenzhen, BYD will continue to pursue a development path of "self-research and development, self-production and self-owned brands", launch diversified quality products with competitiveness, and focus on strengthening brand awareness and reputation, aiming to become one of the leaders in the automobile market of the PRC.

### Proposed Issue of A Shares

The Group issued an announcement on 28 January 2008, proposing the issue of up to 58,500,000 A Shares (on the basis that no shares are alloted and issued pursuant to the proposed bonus issue of the Company ("Bonus Issue")) or up to 222,300,000 A Shares (on the basis that the Bonus Issue is completed and a total of 1,510,600,000 Bonus Shares are issued), subject to the approval by the relevant regulatory authorities. The Group considers that the issue of A Shares will establish a new financing platform for BYD, thereby strengthening its business development and further enhancing its competitiveness. The proceeds will be applied in the Group's in IT parts and automobile businesses.

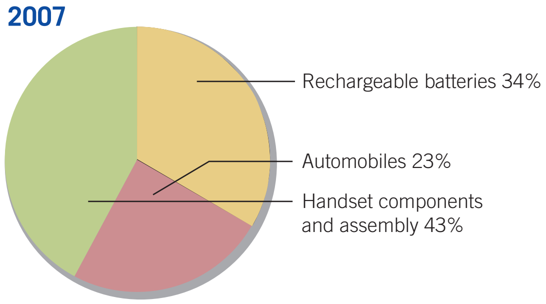
## FINANCIAL REVIEW

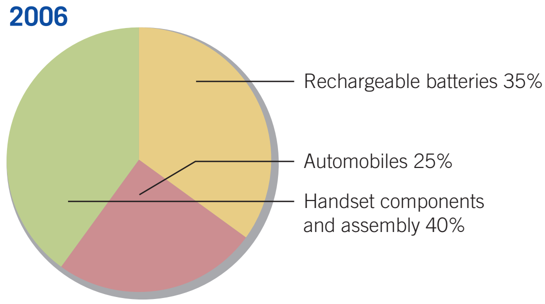
### Turnover and Profit Attributable to Equity Holders of the Company

Turnover increased substantially during the year mainly due to the strong growth brought by the rechargeable battery business, handset component and assembly business and automobile business. Strong growth in the various business also contributed to the substantial increase in profit attributable to equity holders of the Company.

### Segmental Information

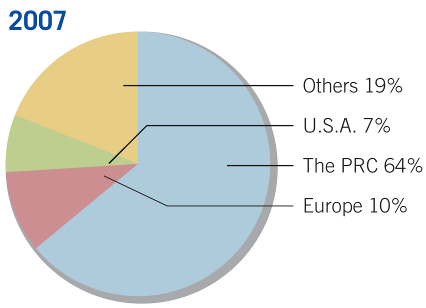
The table below sets out comparisons of the Group's turnover by product category for 2006 and 2007:

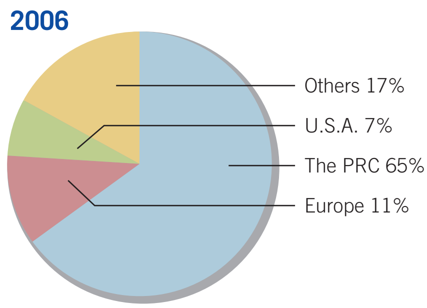



During the year, the proportion of the three major businesses to the overall turnover was basically the same when compared with the corresponding period of the previous year. Due to the substantial increase in the handset components and assembly business, the proportion of such business to the overall turnover also increased.

The table below sets out comparisons of the Group's geographical segments by customer locations for 2006 and 2007:




### Gross Profit and Margin

The Group's gross profit increased by approximately 55% to approximately RMB4,247,687,000 for the year ended 31 December 2007. Gross profit margin decreased slightly from approximately 21% in 2006 to approximately 20% in 2007. Decrease in gross profit margin was mainly due to the gross profit margin of rechargeable battery and handset components and assembly business decreased as compared with that of last corresponding period.

**Liquidity and Financial Resources**

BYD generated operating cash inflows of approximately RMB1,910,810,000 for the year ended 31 December 2007, compared with RMB2,497,721,000 for the year ended 31 December 2006. Total borrowings as at 31 December 2007, including all bank loans, were approximately RMB8,123,686,000, compared with approximately RMB5,736,859,000 as at 31 December 2006. The maturity profile spread over a period of five years, with approximately RMB6,828,843,000 repayable within one year, approximately RMB300,000,000 in the second year and approximately RMB994,843,000 within three to five years. The increase in total borrowings was due to the increase of the number of new projects, research and development expenses and production capacity. The Group's maintaining adequate daily liquidity management and capital funding expenditure requirements to regulate internal operating cashflow.

The turnover days of accounts receivables were about 73 days for the year ended 31 December 2007 as compared to approximately 72 days for the year ended 31 December 2006. Inventory turnover days decreased from 96 days for the year ended 31 December 2006 to 83 days for the year ended 31 December 2007.

**Capital Structure**

The Group's treasury department is responsible for the Group's financial risk management which operates according to policies implemented and approved by top management. As at 31 December 2007, borrowings were primarily denominated in RMB and USD, while cash and cash equivalents were primarily denominated in RMB and USD. The Group's intentions to maintain an appropriate mix of financial equity and debt were to ensure an efficient capital structure during the year. The loans remaining outstanding as at 31 December 2007 were set out in the face of the consolidated accounts. The loans remaining outstanding as at 31 December 2007 were at fixed interest rates or floating interest rates for RMB loans and floating interest rates for foreign currency loans.

**Exposure to Foreign Exchange Risk**

Most of the Group's income and expenditure are denominated in RMB and USD. During the year, the Group did not experience any significant difficulties in its operations or liquidity due to fluctuations in currency exchange rates. The directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements.

**Employment, Training and Development**

As at 31 December 2007, the Group had over 120,000 employees, an increase of approximately 30,000 employees compared with that as at 31 December 2006. During the year, total staff cost accounted for approximately 12.5% of the Group's turnover. Employees remuneration was determined based on performance, experience and prevailing industry practices, with compensation policies being reviewed on a regular basis. Bonuses and commission were also awarded to employees, based on their annual performance evaluation. Incentives were offered to encourage personal and career development.

**Share Capital**

As at 31 December 2007, the share capital of the Company was as follows:

| | Number of shares issued | Percentage (%) |
|---|---|---|
| Domestic shares | 390,000,000 | 72.29 |
| H shares | 149,500,000 | 27.71 |
| | 539,500,000 | 100.00 |

**Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its shares since the listing on 31 July 2002 and up to 31 December 2007. During the year, neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

**Capital Commitment**

Please refer to note 13 to the audited consolidated financial statement for details of capital commitments.

**Contingent Liabilities**

Please refer to note 15 to the audited consolidated financial statement for details of contingent liabilities.

**Post Balance Sheet Events**

Please refer to note 16 to the audited consolidated financial statement for details of post balance sheet events.

## Litigation

The Group was involved in a legal action commenced by certain affiliates of Foxconn International Holdings Limited as plaintiffs in the Intermediate People's Court of Shenzhen regarding alleged unauthorised use of confidential information. Such legal action has been withdrawn by the plaintiffs and is now discontinued. For details, please refer to the Company's announcement dated 14 March, 2008. The legal action against the Group and commenced by the same parties at the Hong Kong High Court in October, 2007 relating to the same allegations is still ongoing. The Group will continue to defend the case vigorously.

## SUPPLEMENTARY INFORMATION

### Corporate Governance

Compliance with the Code on Corporate Governance Practices (the "Code")

The Board is committed on maintaining and ensuring high standards of corporate governance practices.

The Board emphasizes on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company had during the Year complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules except for the following deviation:

### Code A.2.1.

Code A.2.1. stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Wang Chuan-fu is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly every three months to discuss issues affecting operations of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Wang and believes that this appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

**Compliance with the Model Code for Securities Transactions by Director of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the Year.

**Audit committee**

The audit committee consists of three independent non-executive Directors and a non-executive Director. A meeting was convened by the Company's audit committee on 20 March 2008 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 reviewing the annual results for the year ended 31 December 2007) in order to recommend the above issues to the Board for approval.

**Proposed amendments to the Companys' articles of association**

The Directors propose to amend the articles of association of the Company ("Articles") primarily as a result of the A Share Issue as disclosed in the announcement of the Company dated 28 January, 2008 and the circular of the Company dated 4 February, 2008 in compliance with applicable PRC laws and regulations. The amendments of the Articles will be adopted and implemented with effect from the date on which the A Shares of the Company are first traded on the Shenzhen Stock Exchange and to be subsequently approved by the Ministry of Commerce of the PRC and to become effective.

1. Article 55:

   "(3) To elect and replace staff representative supervisors, and to decide the remuneration of the supervisors;"

   to be amended as:

   "(3) To elect and replace supervisors other than staff representative supervisors, and to decide the remuneration of the supervisors;"

2. Article 75:

"When voting in the shareholders' general meeting, a shareholder (including its proxy(ies)) shall exercise its voting rights in respect of the number of voting shares it represents, except in the adoption of cumulative voting system on the election of directors as required under Article 79 of the Articles of Association. Each share shall have one vote, but when voting, shall comply with any privilege or restriction appended on the voting rights of any class of shares existing at the time being, and shall comply with the requirements under the relevant applicable laws, regulations and the Articles of Association. If according to the "Rules Governing the Listing of Securities of The Hong Kong Stock Exchange Limited", any of its schedules, any listing agreements, other contracts and agreements entered into pursuant to the above documents and decisions of The Hong Kong Stock Exchange Limited (hereinafter referred to as "Hong Kong Listing Rules"), the voting rights of any shareholder in respect of any voting are not exercisable, or any restriction in respect of the exercise of the voting rights, while he has not complied with the relevant requirements, the voting rights of such shareholder shall be deemed as invalid and shall not be counted."

to be amended as:

"When voting in the shareholders' general meeting, a shareholder (including its proxy(ies)) shall exercise its voting rights in respect of the number of voting shares it represents, except in the adoption of cumulative voting system on the election of directors, supervisors as required under Article 79 of the Articles of Association. Each share shall have one vote, but when voting, shall comply with any privilege or restriction appended on the voting rights of any class of shares existing at the time being, and shall comply with the requirements under the relevant applicable laws, regulations and the Articles of Association. If according to the "Rules Governing the Listing of Securities of The Hong Kong Stock Exchange Limited", any of its schedules, any listing agreements, othercontracts and agreements entered into pursuant to the above documents and decisions of The Hong Kong Stock Exchange Limited (hereinafter referred to as "Hong Kong Listing Rules"), the voting rights of any shareholder in respect of any voting are not exercisable, or any restriction in respect of the exercise of the voting rights, while he has not complied with the relevant requirements, the voting rights of such shareholder shall be deemed as invalid and shall not be counted."

3. Article 79:

"During the election of directors in the shareholders' general meeting, if there are more than two candidates, each share held by a shareholder (including its proxy(ies)) shall have the same voting rights as the number of candidates to be elected. He may cast all his votes on one single candidate or spread his votes on different candidates, but have to make explanations on the distribution of voting rights."

to be amended as:

"During the election of directors, supervisors in the shareholders' general meeting, if there are more than two candidates, each share held by a shareholder (including its proxy(ies)) shall have the same voting rights as the number of candidates to be elected. He may cast all his votes on one single candidate or spread his votes on different candidates, but have to make explanations on the distribution of voting rights."

4. Article 97:

"The Company shall have a Board of Directors. The Board of Directors is composed of six members, including one chairman, one vice chairman and four directors, including two executive directors, three independent directors and one external director."

to be amended as:

"The Company shall have a Board of Directors. The Board of Directors is composed of six members, including one chairman, one vice chairman and four directors."

5. Article 115:

"(4) If shareholder(s) severally or jointly holding more than 3% of the total number of the voting shares of the Company or the Supervisory Committee submits a provisional motion on election of independent directors, then the written notice of the intent to nominate director candidates and the nominee's will to accept the nomination, the written documents and undertakings of the nominee as described in clauses (1) and (2) of this article shall be submitted to the Company 16 days before convening of the general meeting."

to be amended as:

"(4) If shareholder(s) severally or jointly holding more than 3% of the total number of the voting shares of the Company or the Supervisory Committee submits a provisional motion on election of independent directors, then the written notice of the intent to nominate director candidates and the nominee's will to accept the nomination, the written documents and undertakings of the nominee as described in clauses (1) and (2) of this article shall be submitted to the Company 10 days before convening of the general meeting."

**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
**BYD Company Limited**
**Wang Chuan-fu**
*Chairman*

Hong Kong, 20 March, 2008

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