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# BYD

## 比亞迪股份有限公司

### BYD COMPANY LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1211)

#### PROPOSED DISCLOSABLE TRANSACTION AND MATERIAL DILUTION OF INTEREST IN A MAJOR SUBSIDIARY RESULTING FROM THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF BYD ELECTRONIC COMPANY LIMITED ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that on 22 March 2007, BYD Electronic submitted an advance booking form for an application for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange.

BYD Electronic, through its subsidiaries, produces handset modules, mainly comprising plastic handset casings and keypads, and provides assembly services to brand name vendors of handsets. It is intended that assured entitlement to certain BE Shares will be provided to the Qualifying Shareholders, subject to certain conditions. The details of such assured entitlement have not yet been finalised and will be announced in due course.

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares in the international placing of the Global Offering and a material dilution of the Company's interest in BYD Electronic under Rules 13.36(1)(a)(ii) and 19A.38 of the Listing Rules and therefore require Shareholders' approval.

Investors are reminded that no final decision has yet been made by the Company as to whether and when the Proposed Spin-off will be effected. There is also no assurance that the approval of the Listing Committee for the listing of, and permission to deal in, the BE Shares on the Main Board of the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

**As the listing of the BE Shares pursuant to the Proposed Spin-off is subject to, among others, the approval of the Listing Committee, the final decision of the Board and the board of directors of BYD Electronic, and approval of the Shareholders, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

This announcement is made pursuant to Rule 13.09 of the Listing Rules. The Board wishes to announce that on 22 March 2007, BYD Electronic submitted an advance booking form for an application for the listing of, and permission to deal in, the BE Shares on the Main Board of the Stock Exchange.

#### INFORMATION ON BYD ELECTRONIC

The Group commenced operations for the manufacture of handset modules in or around 2003. Since then, the customer base, production capacity and revenue of the business have grown exponentially. The Group's handset modules manufacturing business involves the production of handset components principally comprising handset casings and handset keypads and sub-assembly of these handset components to handset modules.

In addition to handset modules manufacturing, the Group provides high-level assembly services. Different from the sub-assembly process for the production of handset modules, the high-level assembly services involve integration of more sophisticated components such as Liquid Crystal Displays (LCDs) and Printed Circuit Boards (PCB) into substantially completed handsets. The Group commenced such business in mid-2006 and is still at an early stage of the development of such business.

The Group underwent a restructuring to rationalize its operating structure for the transfer of the Spin-off Business and certain assets for operation of such business to the BE Group. The Spin-off Business is principally undertaken by, respectively, the Shenzhen Subsidiary and the Tianjin Subsidiary within the BE Group of which BYD Electronic is the holding company.

BYD Electronic is currently 100% owned by the Company through Golden Link, an indirect wholly owned subsidiary of the Company. A 9% interest in BYD Electronic will be transferred to a professional trustee for and on behalf of a total of 35 employees of the Group prior to the Global Offering pursuant to a share award plan as approved by the Shareholders on 30 January 2007. For details of the share award plan, please refer to the announcement and circular of the Company respectively dated 24 November and 15 December 2006.

#### INFORMATION ON THE PROPOSED SPIN-OFF

It is currently proposed that, pursuant to the Global Offering, BE Shares will be offered to the public in Hong Kong for subscription and for placing with certain professional, institutional and other investors, including the Qualifying Shareholders. It is also contemplated that an over-allotment option will be granted to the global coordinator of the Global Offering where BYD Electronic will be required to issue additional BE Shares upon the exercise of such option to cover over-allocations in the international placing of the Global Offering. It is expected that the Company's percentage interest in the share capital of BYD Electronic will be reduced to approximately 67.35% immediately following the Global Offering assuming the over-allotment option is not exercised.

#### RATIONALE AND BENEFITS OF THE PROPOSED SPIN-OFF

Based on the current structure of the Global Offering, following completion of the Global Offering, BYD Electronic will remain to be majority owned by the Company and as such, the Company will continue to consolidate all the assets, liabilities and income statement items of the BE Group.

The Board proposes the separate listing of BYD Electronic as it believes that the separate listing of BYD Electronic will be beneficial to the Group for the following reasons:

- Under the present structure of the Global Offering, the Global Offering will include a sale of existing BE Shares by the Company. This provides a direct, immediate and additional means of securing funding for the Remaining Group's short to medium term expansion plan and allows the Remaining Group to capture the anticipated continuing rapid growth potential of the mobile handset industry for the coming years. The expected issue proceeds from the Global Offering would alleviate the BE Group's immediate capital requirement, and at the same time reduce the finance costs of the Remaining Group as well as the BE Group. The proceeds from the sale of BE Shares will also provide the Remaining Group with additional funding to reduce its level of indebtedness and increase its liquidity.
- The separate listing of BYD Electronic allows the BE Group to create its own investor base and gives it independent access to both equity and debt capital markets to fund further developments allowing for future growth. This helps diversify the funding resources of the Group as a whole.
- A separate listing of BYD Electronic will increase the operational and financial transparency of the Group which aligns all Spin-off Business into one separate group of legal entities and in turn, enable investors to invest directly in the relevant businesses independently from the Remaining Business.
- A separate listing of BE Shares will give the Company an additional option for future funding through disposal of its BE Shares for the expansion and development of the Remaining Business. There is no current intention of the Company to dispose of or agree to dispose of any of its interests in BYD Electronic or the BE Group except for the offer for sale of existing BE Shares beneficially owned by the Company and the issue of new BE Shares under the Global Offering.
- It is expected that the proceeds receivable by the Company from the sale of BE Shares under the Global Offering would enhance the cash flow position of the Remaining Group.
- With the need to ensure a clear delineation between the Remaining Business and the Spin-off Business, the Proposed Spin-off will improve efficiency in management and operational levels of both the BE Group and the Remaining Group as a result of the specialization by the respective groups of their own businesses, which in turn would consolidate the basis for future development of the groups.
- Upon the listing of BYD Electronic, BE Shares including those to be beneficially owned by certain executives and employees of the Group pursuant to the one-off share award plan as approved by the Shareholders on 30 January 2007 will become listed and publicly tradable shares. Subject to the applicable lock-up arrangement, liquidity of the BE Shares transferred to the relevant employees of the Group as a result of the share award plan will be enhanced and will serve as an even better means to incentivise the relevant employees of the Group.

The Board considers that the Spin-off Business has grown to a size sufficient to command a separate listing.

#### ASSURED ENTITLEMENT AND FURTHER ANNOUNCEMENT

The Board will give due regard to the interests of the Shareholders by providing the Qualifying Shareholders with assured entitlement to a certain number of BE Shares (subject to certain conditions), if the Board decides to proceed with the Proposed Spin-off and the Global Offering, and the Listing Committee has given its approval of the Proposed Spin-off and the Global Offering. Details of such assured entitlement have not yet been finalised. The Company will make further announcement(s) in this regard as and when appropriate.

#### APPROVAL FROM THE SHAREHOLDERS

The Proposed Spin-off, if it proceeds, will constitute a material dilution of the Company's interest in BYD Electronic as a major subsidiary of the Company under Rules 13.36(1)(a)(ii) and 19A.38 of the Listing Rules, and therefore require Shareholders' approval under the said rules.

An Independent Board Committee will be formed to consider the Proposed Spin-off and an Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Shareholders on the fairness and reasonableness of the Proposed Spin-off.

A circular containing, among other things, details of the Proposed Spin-off, the advice of the Independent Financial Advisor to the Independent Board Committee and the Shareholders in relation to the Proposed Spin-off, the recommendation of the Independent Board Committee to the

Shareholders in relation to the Proposed Spin-off and all other necessary information and documents will be despatched to the Shareholders in accordance with the provisions of the Listing Rules or otherwise as permitted by the Stock Exchange as and when appropriate.

#### INFORMATION ON THE GROUP, GOLDEN LINK, BYD ELECTRONIC, LEAD WEALTH

The principal activity of the Group is the design, manufacture and sale of rechargeable batteries, LCD, handset components and modules and automobiles, battery-powered automobiles/ bicycles and auto-related moulds. The principal asset of BYD Electronic is its 100% interest in Lead Wealth, which wholly owns the Tianjin Subsidiary and the Shenzhen Subsidiary. The Shenzhen Subsidiary is primarily engaged in the manufacture of handset modules and the provision of handset sub-assembly services and the Tianjin Subsidiary is primarily engaged in handset assembly services.

#### GENERAL

Investors are reminded that no final decision has yet been made by the Company as to whether and when to complete the Proposed Spin-off. There is also no assurance that the approval of the Listing Committee for the Proposed Spin-off and the listing of, and permission to deal in, the BE Shares on the Stock Exchange will be granted. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

**As the listing of the BE Shares pursuant to the Proposed Spin-off is subject to, among others, the approval of the Listing Committee, the final decisions of the Board and the board of directors of BYD Electronic, and approval of the Shareholders, the Proposed Spin-off may or may not occur. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

#### DEFINITIONS

"BE Shares"	the ordinary shares of HK\$0.10 each in the share capital of BYD Electronic
"Board"	the Board of Directors
"BYD Electronic"	BYD Electronic Company Limited, a limited liability company incorporated in the Cayman Islands and currently a wholly owned Subsidiary of the Company held through Golden Link as at the date hereof
"Company"	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary non-tradable Shares subscribed for and paid up in Renminbi
"Global Offering"	the offer to the public in Hong Kong for subscription, and the international placing with certain professional and institutional investors and other investors (including the preferential offer to the Qualifying Shareholders), of BE Shares
"Group"	the Company and its Subsidiaries
"Golden Link"	Golden Link Worldwide Limited, a limited liability company incorporated in BVI and an indirect wholly-owned subsidiary of the Company which holds a 100% interest in BYD Electronic as at the date hereof
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors to be formed to advise the Shareholders as to whether the Proposed Spin-off is fair and reasonable and in the interests of the Company and its Shareholders as a whole
"Independent Financial Adviser"	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Shareholders how to vote at the EGMs
"Lead Wealth"	Lead Wealth International Limited, a limited liability company incorporated in BVI and an indirect wholly-owned Subsidiary of BYD Electronic as at the date of this announcement;
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Over-allotment Option"	the option to be granted by BYD Electronic to the international placing underwriters, exercisable by the global coordinator on behalf of them, pursuant to which BYD Electronic may be required to issue certain additional BE Shares at the final offer price to cover over-allocations in connection with the international placing
"PRC"	The People's Republic of China
"Proposed Spin-off"	the proposed spin-off of the interests in the Spin-off Business currently held by the Group for a separate listing on the Main Board of the Stock Exchange
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company on a record date to be fixed (currently proposed to exclude holders of the Domestic Shares and certain overseas shareholders, if any, subject to compliance with Rule 13.36(2)(a) of the Listing Rules)
"Remaining Business"	the business of the manufacture and sale of rechargeable batteries, automobile and electronic and electro-mechanical parts of the Group
"Remaining Group"	the Group, excluding the BE Group
"Shares"	shares of RMB1.00 each in the share capital of the Company
"Shareholders"	holders of the Shares
"Shenzhen Subsidiary"	比亞迪精密制造有限公司 (Shenzhen BYD Precision Manufacture Co., Ltd.)*, a company incorporated in the PRC with limited liability and an indirect wholly owned Subsidiary of BYD Electronic
"Spin-off Business"	the business of handset modules manufacturing and provision of assembly services carried on by the Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Subsidiary"	天津比亞迪電子有限公司 (Tianjin BYD Electronics Company Limited)*, a company incorporated in the PRC with limited liability and an indirect wholly owned Subsidiary of BYD Electronic
"%"	per cent

By order of the board of  
BYD Company Limited  
Wang Chuan-fu  
Chairman

Hong Kong, 22 March 2007

As at the date of this announcement, the Board consists of Messrs Wang Chuan-fu, Xia Zuo-quan being the executive Directors, Mr. Lu Xiang-yang being non-executive Director and Messrs Li Guo-xun, Kang Dian and Lin You-ren being the independent non-executive Directors.

\* The English name is a direct translation of the Chinese name. If there is any inconsistency, the Chinese name shall prevail.