The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this appropriate the propriate of the contents of this appropriate the propriate that the propriate the propriate that the

The information included in this announcement is subject to amendment and finalisation and approval of the Prospectus (as defined herein). In addition, unless otherwise stated, the historical financial information in this announcement is unaudited and the financial information released on a proforma basis. Such information may differ from the audited financial information which will be included in the Prospectus. Shareholders of, and prospective investors in, the securities of BYD Company Limited should therefore exercise extreme caution this information and when dealing in such securities.

# 340 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)

# 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

**Independent Financial Adviser to** the Independent Board Committee and Shareholders



#### **BOCOM International Holdings Company Limited**

Sole Global Coordinator, Bookrunner, Lead Manager and Sponsor to **BYD Electronic Company Limited** 



Reference is made to the announcement of the Company dated 22 March 2007 that the Company had made a formal application on that date to the Stock Exchange for the Proposed Spin-off.

The Proposed Spin-off is expected to be effected by way of the Global Offering, which will comprise the Public Offer, the International Placing and the Preferential Offer. UBS AG has been appointed as the Sole Global Coordinator, bookrunner, and lead manager of the Global Offering

The International Placing is expected to include a placing of new and existing BE Shares with professional, institutional and other investors. It is presently expected that 25% of the issued capital of BYD Electronic as enlarged by the Global Offering will initially be made available to the public under the Global Offering (assuming that the Over-allocation of the BE Shares between the Public Offer and the International Placing is subject to reallocation.

The Shares will continue to be listed on the Main Board of the Stock Exchange after the implementation of the Proposed Spin-off.

The listing of the BE Shares on the Main Board of the Stock Exchange is conditional upon the fulfilment or waiver (to the extent permitted) of the conditions as set out in the paragraph headed "Conditions precedent" below. Immediately after completion of the Proposed Spin-off, BYD Electronic will have a public float of 25% (assuming the Over-allotment Option is not exercised) of its enlarged issued share capital.

Subject to the granting of approval for the listing of, and permission to deal in, the BE Shares on the Main Board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the BE Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS Operational Procedures in effect from time to time.

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares in the International Placing and 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. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules and Shareholders' approval requirement under Rules 13.36(1) and 19A.38 of the Listing Rules.

For the purpose of determining the entitlement for attendance and voting at the EGMs, the register of members of the Company is closed from 10 May 2007 to 14 June 2007 (both days inclusive) (or such later date(s) as the Board may determine and announce) as announced by the Company on 23 April 2007. No transfer of Shares may be registered during that period. In order to qualify for attendance and voting at the EGMs, all transfers must have been lodged with Computershare Hong Kong Investor Services Limited (for H Shares) or the Secretary to the Board (for Domestic Shares) by no later than 4:30 p.m. on 9 May 2007 (or such later date as the Board may determine and announce) as announced by the Company on 23 April 2007. Based on the expected timetable, the register of members of the Company will be closed on 21 June 2007 for the purpose of determining the entitlement for the Preferential Offer. No transfer of Shares may be registered on that date. In order to qualify for the Preferential Offer, all transfers of H Shares must be lodged with Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on 20 June 2007 (or such later date as the Board may determine and announce).

Shareholders and potential investors should note that the Proposed Spin-off and the Global Offering, which are subject to a number of conditions, may or may not proceed. In particular, there is no assurance that approval from the Stock Exchange will be granted or that the underwriters' obligations under the underwriting agreements for the Global Offering will become unconditional or that such underwriting agreements will not be terminated in accordance with their respective terms. Accordingly, Shareholders and potential investors are urged to exercise extreme caution when dealing in the securities of the Company.

# OVERVIEW OF THE PRINCIPAL BUSINESSES AND OPERATIONS OF THE GROUP

The Group is principally engaged in the following businesses:

- Handset components and modules and the provision of handset assembly services The Group produces handset components, mainly comprising handset casings, which form the outer covering of handsets, and handset keypads, which are the main input devices. Handset modules are partially completed handsets with certain functions incorporating a number of mechanical components such as handset casings, microphones, connectors and other components. The Group also provides assembly services to customers.
- Rechargeable batteries The business of the manufacture of rechargeable batteries was the initial core business of the Group. The Group produces mainly two types of rechargeable batteries, namely, nickel batteries and lithium-ion batteries (li-ion batteries).
- Automobile The Group commenced its automobile business in 2003 initially by way of the acquisition of equity interest in an automobile company. The Group provides both gasoline cars and auto tooling to
- **Electro-mechanical parts** The Group also produces electro-mechanical parts including LCDs, FPCs and opto-electronic products (such as backlight module and camera module).

Other than item (a) above being the Spin-off Business currently operated by the BE Group, the businesses mentioned above will continue to be the principal businesses of the Remaining Group.

## THE BE GROUP AND THE SPIN-OFF BUSINESS

The Spin-off Business comprises the business of (a) the manufacture of handset components and modules; (b) the provision of PCB assembly service; and (c) the provision of high-level assembly service.

The primary business of the BE Group is the manufacture and sale of handset components and modules. Such key handset components primarily consist of handset casings, which form the outer covering of handsets, and handset keypads, which are the main input devices. Handset modules are partially completed handsets with certain functions incorporating a number of mechanical components such as handset casings, microphones, connectors and other components. More recently, the BE Group began to offer two types of assembly services to customers. The high-level assembly service produces near completed handsets, with a broader range of functions by integrating mechanical components, handset keypads and electronic components such as LCDs and FPCs. The PCB assembly service utilizes automated assembly lines of the BE Group to produce PCBs by affixing components such as capacitors, resistors and integrated circuits on blank PCBs.

# RELATIONSHIP BETWEEN THE REMAINING GROUP AND THE BE GROUP

Clear delineation between Remaining Group's and BE Group's

Following the Proposed Spin-off, the Remaining Group will be principally engaged in the manufacture and sales of (i) rechargeable batteries; (ii) electro-mechanical parts for electronic devices and handsets; and (iii) automobiles and the BE Group will be principally engaged in the manufacture and sales of handset components and modules and the provision of handset assembly services. The Directors consider that there is

a clear delineation between the businesses of the Remaining Group and the BE Group and that there is no competition between the Remaining Business and the business of the BE Group. The businesses of the manufacture and sales of rechargeable batteries and electro-mechanical parts of the Remaining Group and the BE Group can be delineated in terms of, among others, (i) basic materials used in the production process; (ii) technologies and equipment applied in the production process; and (iii) current market segments. The business nature of the automobile industry and the Spin-off Business are inherently different.

## Independent from the Remaining Group

The Directors confirm that the BE Group is carrying on its business independently of, and at arm's length with, the Remaining Group for the following reasons:

## Independent operations

Continuing connected transactions of the BE Group

Upon completion of the Proposed Spin-off but without taking into account the exercise of the Over-allotment Option, the Company, through BYD H.K. and Golden Link, will be interested in approximately 67.35% of the shareholding interests of BYD Electronic and thus, will be regarded as the controlling shareholder (as defined in the Listing Rules) of BYD Electronic. As such, members of the Remaining Group will be regarded as connected persons of BYD Electronic.

It is envisaged that a number of transactions between the Remaining Group and the BE Group will continue following the Global Offering, namely,

- the purchase of products, such as battery cases and tooling, by the Remaining Group from the BE Group and the supply of miscellaneous spare parts, such as LCD and FPC from the Remaining Group to the BE Group;
- certain processing arrangement where the Remaining Group provides to the BE Group exclusive processing services for the manufacture of mobile phone casings and keypads and at the same time the BE Group provides to the Remaining Group exclusive processing services for the manufacture of products of the Remaining Business, such as lithium-ion batteries and EDCs.
- the leasing of factory and office premises by the Company to the BE Group;
- the sharing of ancillary services, the provision of utilities connection and/or utilities by the Remaining Group to the BE Group; and
- the licensing of trademarks by the Company to the BE Group

The above transactions are not expected to be connected transactions of the Company under the Listing Rules but they will constitute continuing connected transactions of BYD Electronic upon the listing of BYD Electronic on the Main Board of the Stock Exchange and are subject to the requirements of Chapter 14A of the Listing Rules. BYD Electronic has applied to the Stock Exchange for a waiver from strict compliance with the requirements of Chapter 14A of the Listing Rules for the non-exempted continuing connected transactions.

Details of the aforesaid continuing connected transactions of BYD Electronic will be disclosed in the Prospectus.

 ${\it Common \ customers \ between \ the \ Remaining \ Group \ and \ the \ BE \ Group}$ 

Historically, the Group developed the Spin-off Business on the basis of its established relationship with certain international market players in the handset industry. Given that (1) it is the intention and strategy of both the Remaining Group and the BE Group to continue to serve high-end and sophisticated customers; (2) the rechargeable battery business is expected to remain as the core business and principal income and profit driver of the Remaining Group; (3) the handset industry is the largest market segment for rechargeable batteries; and (4) the limited number of renowned international market players in the handset industry, sharing of common customers between the Remaining Group and the BE Group is inevitable.

Moreover, the Directors believe that the existence of common ultimate customers does not and will not give rise to issues on competition or reliance because:

- The businesses of the Remaining Group and the BE Group are operated independently from each other in every material respect.
- Different legal entities or business units and personnel of such common customers are responsible for different types of products and services, and deal with product suppliers and service providers separately. The business units and personnel of the customers operate independently and make independent business decisions and have separate products qualification process. The Remaining Group and the BE Group respectively deal with individual business divisions or units within the same group as if they are different customers.

Notwithstanding the continuing connected transactions of the BE Group and the existence of common customers between the Remaining Group and the BE Group, the Directors believe that the Remaining Group and the BE Group are capable of operating independently from each other.

(iii) Directorship and management of the BE Group

The board of directors of BYD Electronic will comprise a total of seven directors, of which two will be executive directors. Such proposed executive directors are existing members of the senior management of the BE Group, both of whom have been actively engaged in the management of the business of the BE Group for the last three years. Of the remaining 5 directors, three will be independent non-executive directors and two will be non-executive directors. The two non-executive directors will be Mr. Wang Chuanfu, president and executive Director and a substantial shareholder of the Company and Mr. Wu Jing-sheng, the vice-president, chief financial controller and company secretary of the Company. Both Mr. Wang and Mr. Wu will not assume any executive function within the BE Group and Mr. Wang will take the office of non-executive chairman of BYD Electronic.

The day-to-day management and operation functions of each of the Remaining Group and the BE Group have been and are expected to continue to be carried out by two separate teams of management personnel, it is believed that the common directorship of Mr. Wang will not give rise to management independence issues.

Independence of administration

There is currently no sharing of back office functions or other administrative support functions between the Remaining Group and the BE Group save for the sharing of some ancillary facilities such as the ERP system, internet and computer network servers and amenities and the reimbursement for the cost incurred by the Company in providing utilities connection and/or utilities to the BE Group.

#### Non-compete undertaking

Non-compete undertaking

The Company, Mr. Wang Chuan-fu and Mr. Lu Xiang-yang, Shareholders holding approximately 28.38% and 19.97% respectively of the total issued share capital of the Company as at the date of this announcement, (the "Non-competition Covenantors") will enter into a non-competition deed (the "Non-compete Deed") in favour of BYD Electronic (for itself and as trustee for the benefit of its Subsidiaries from time to time) pursuant to which the Non-competition Covenantors have jointly and severally undertaken with BYD Electronic that they will not, and will procure that their respective associates not to, amongst others, either on their/fits own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise) in any business which competes or may compete with the Relevant Business (the "Restricted Activity"). For the purposes of the Non-compete Deed, "Relevant Business" refers to the businesses of manufacturing of handset components and modules and the provision of assembly services for handset products, as described in the Prospectus, or other 3C (i.e., computer, communications or consumer electronics) products, and any such other businesses which are disclosed in the Prospectus as to be participated, invested or developed by the BE Group. For the avoidance of doubt, "Relevant Business" does not include components or modules for automobiles or those used in its manufacturing process which are not and will not be manufactured by the BE Group.

The obligations of the Non-competition Covenantors under the Non-compete Deed will cease to have any effect whatsoever on the earlier of:

- the date of which the Company and/or its associates cease to be the controlling shareholder of BYD Electronic, or Mr. Wang Chuan-fu and Mr. Lu Xiang-yang (including their respective associates), individually or collectively, hold less than 30% of the equity interests of the Company. For the avoidance of doubt, if Mr. Wang Chuan-fu and Mr. Lu Xiang-yang (including their respective associates), individually or collectively, hold less than 30% of the equity interests of the Company, but the Company and/or its associates continue to be the controlling shareholder of BYD Electronic, then the Company and/or its associates (but not Mr. Wang Chuan-fu, Mr. Lu Xiang-yang and/or their respective associates) will still be subject to the Non-compete Deed;
- the date on which the shares of BYD Electronic are no longer listed and traded on the Stock Exchange or other recognized stock exchange; or
- (iii) the BE Group ceases to engage in the Relevant Business.

# UNAUDITED COMBINED FINANCIAL INFORMATION OF THE BE GROUP FOR 2006

The unaudited combined turnover, net profit before and after taxation of the BE Group as if the current BE Group structure has been in existence throughout the Track Record Period were approximately RMB3,044.0 million, approximately RMB722.2 million and approximately RMB728.8 million, respectively, for the financial year ended 31 December 2006. Total shareholders' equity of BE Group as of 31 December 2006 was approximately RMB858.3 million and the total assets and total liabilities were, respectively, approximately RMB3,198.0 million and RMB2,339.7 million as of 31 December 2006.

Although the above figures have been reviewed by the auditors of BYD Electronic Shareholders should note that the figures above are unaudited figures subject to final audit by the auditors of BYD Electronic. The final audited figures to be included in the Prospectus may be different from those mentioned above.

## STRUCTURE OF THE PROPOSED SPIN-OFF

The Proposed Spin-off is currently expected to be effected by way of the Global Offering which will comprise the Public Offer, the International Placing and the Preferential Offer, and will be accompanied by a separate listing of the BE Shares on the Main Board of the Stock Exchange. The International Placing is expected to include a placing of new and existing BE Shares with professional, institutional and other investors.

On the assumption that the Over-allotment Option will not be exercised, it is currently expected that

- 25% of the enlarged issued share capital of BYD Electronic will be offered pursuant to the Global Offering and approximately 67.35% of the enlarged issued share capital of BYD Electronic will be retained by Golden Link; and
- of the BE Shares to be offered under the Global Offering, 60% will be new BE Shares to be issued and allotted by BYD Electronic and 40% will be existing BE Shares to be offered for sale by Golden Link.

Further, approximately 48.85 million Reserved Shares will be available for subscription by the Qualifying Shareholders at the Offer Price under the Preferential Offer (please refer to the section headed "Preferential Offer" below for further details).

The BE Shares to be offered pursuant to the Global Offering will rank pari passu in all respects with the other BE Shares then in issue.

The Shares will continue to be listed on the Main Board of the Stock Exchange after the implementation of the Proposed Spin-off.

## INTENDED USE OF PROCEEDS

Of the BE Shares to be offered under the Global Offering, 60% will be new BE Shares to be issued and allotted by BYD Electronic, while 40% will be then existing BE Shares to be offered for sale by Golden Link.

## Net proceeds from the subscription of new BE Share

BYD Electronic presently intends that the anticipated net proceeds from the issue of new BE Shares under the Global Offering (after deduction of underwriting commission and estimated expenses and on the assumption that the Over-allotment Option will not be exercised) will be applied as

- as to approximately 35% to expand the capacities of the BE Group in the design and manufacturing of handset components and modules, including handset casings and handset keypads, and the majority of such proceeds will be utilized to purchase or develop machineries or equipment such as injection machines, spray painting lines and heat drying machines. drying machines;
- as to approximately 30% to expand the capacities of the BE Group in as to approximately 50% to expand the capacities of the Be Group in the design and manufacturing of molds used in the production of plastic and metal components, and the majority of such proceeds will be utilized to purchase machineries or equipment such as computerized numeric centers, wire electric discharge machines, grinding machines, welding machines and coordinated measuring machines to enhance our capacities in molds used in the production of plastic components. plastic components;
- as to approximately 15% to expand the capacities of the BE Group in the design and manufacturing of metallic components, and the majority of such proceeds will be utilized to purchase equipment such as press machines, three-dimensional measuring machines, PVD machines and Surface Mount Technology (SMT) automatic packaging machines;
- (iv) as to approximately 10% to repay bank borrowings; and

any remaining balance for working capital and other general corporate purposes.

#### Net proceeds from the sale of existing BE Shares

The Company presently intends that the anticipated net proceeds from the sale of existing BE Shares under the Global Offering (after deduction of underwriting commission and estimated expenses) will be applied as

- to approximately 10% to expand the production capacity of the maining Group in the manufacturing of rechargeable batteries;
- as to approximately 40% to expand the production capacity of the Remaining Group in the design and manufacturing of automobile; and (ii)
- (iii) as to approximately 50% for repayment of bank borrowings.

#### CONDITIONS PRECEDENT

Pursuant to the Listing Rules, BYD Electronic will be regarded as a major subsidiary of the Company and the dilution in the Company's equity interests in BYD Electronic as a result of the Proposed Spin-off is considered to be material and the sale of the BE Shares by Golden Link pursuant to the International Placing will constitute a discloseable transaction of the Company under the Listing Rules. The Global Offering and the Proposed Spin-off will be conditional upon, among other things, the following:

- the Listing Committee granting approval for the listing of, and permission to deal in, all the BE Shares in issue and to be issued pursuant to the Global Offering (including the BE Shares to be issued upon the exercise of the Over-allotment Option);
- the Shareholders, the holders of Domestic Shares and the holders of H Shares, in each case, passing a special resolution at the respective EGMs to approve the Proposed Spin-off and the Shareholders and the holders of Domestic Shares, in each case, passing a special resolution at the respective EGMs to approve the waiver by Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer;
- the Offer Price having been agreed between BYD Electronic, Golden Link and the Sole Global Coordinator (on behalf of the underwriters) and the due execution and delivery of the underwriting agreements; and
- the obligations of the underwriters under the underwriting Agreements to be entered into among BYD Electronic and the underwriters in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein. (d)

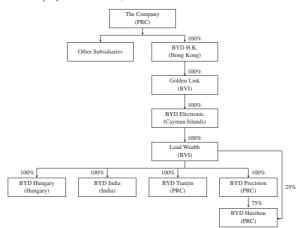
If any of these and other applicable conditions are not fulfilled or, save for conditions precedent (a) and (b) above, waived prior to the dates and times to be specified, the Proposed Spin-off will lapse, and the Stock Exchange will be notified immediately and an announcement will be published by the Company and/or BYD Electronic as soon as practicable following such lapse.

# THE REORGANIZATION AND THE ONE-OFF SHARE AWARD PLAN OF THE COMPANY

#### The Reorganization

The Group has undergone the Reorganization to rationalize the Group's operating structure, details of the Reorganization are set out in the Prospectus.

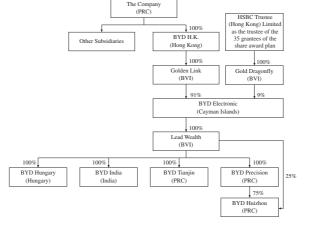
The shareholding structure of the BE Group following the Reorganization (but without taking into account the one-off share award plan of the Company as stated below) is as follows:



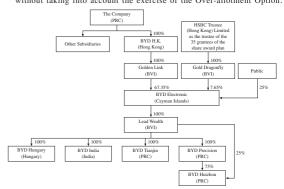
## The one-off share award plan of the Company

Reference is made to the announcement and circular of the Company respectively dated 24 November 2006 and 15 December 2006. Following the grant of an approval of the Shareholders in general meeting on 30 January 2007, the Company adopted a one-off share award plan pursuant to which a 9% interest in BYD Electronic will be transferred, by way of gift, to Gold Dragonfly, a wholly owned subsidiary of HSBC Trustee (Hong Kong) Limited. HSBC Trustee (Hong Kong) Limited is the trustee of a total of 35 individuals who are members of the senior management and full-time employees of the BE Group). Transfer of the 9% interest will be completed before the bulk-printing of the Prospectus. For further details, please refer to the said announcement and circular.

The following diagram illustrates the shareholding structure of the BE Group after the transfer of the 9% interest in BYD Electronic but before the completion of the Proposed Spin-off:



The following diagram illustrates the shareholding structure of the BE Group immediately after the completion of the Proposed Spin-off but without taking into account the exercise of the Over-allotment Option:



#### Hong Kong tax and stamp duty

Under current legislation in Hong Kong, the implementation of the Proposed Spin-off is, of itself, not expected to have any adverse Hong Kong tax consequence for Shareholders, except that those persons who carry on a trade or business in Hong Kong and are or will be treated for tax purposes as trading in BE Shares may be subject to profits tax in respect of any gain resulting from dealings in BE Shares pursuant to the Proposed Spin-off.

Dealings in BE Shares registered on BYD Electronics' register of members in Hong Kong will be subject to Hong Kong stamp duty.

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the Proposed Spin-off. It is emphasized that none of the Company, BYD Electronic or their respective professional advisers or any other parties involved in the Proposed Spin-off or their respective directors or employees will accept any responsibility for any tax effect on, or liabilities of, the Shareholders.

#### REASONS FOR, 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 believes that a separate listing of BYD Electronic will bring a numb of benefits to both the Company and BYD Electronic, including the following

- The listing of the BE Shares 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 provide for 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. Group.
- The proceeds from the sale of existing BE Shares will also provide the Remaining Group with additional funding to reduce its level of indebtedness and would enhance the cash flow position of the Remaining Group.
- 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 the Spin-off Business into one separate group of legal entities and in turn, enable investors to invest directly in the business independently from the Remaining Business.
- A separate listing of BE Shares will give the Company an additional option for future funding for use by the Group 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.
- 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 beneficially owned by certain executives and employees of the Group (including four employees of the BE 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 incentivize the relevant employees of the Group.

After the Proposed Spin-off, the Company will retain a sufficient level of operations and assets of its own, excluding its interest in BYD Electronic, to satisfy independently the profit requirement of Rule 8.05 of the Listing Rules as required by paragraph 3(c) of PN15.

The Directors believe that the terms of the Proposed Spin-off are fair and reasonable and in the interests of the Shareholders.

## FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

## Net tangible asset value

Based on the Company's audited consolidated accounts for the year ended 31 December 2006, the audited consolidated net tangible asset value of the Group as at 31 December 2006 was RMB4.896.59 million and the audited net tangible asset value per Share as at that date would be RMB9.08 based on 539,500,000 Shares in issue as at 31 December 2006. The unaudited net tangible asset of the BE Group as at 31 December 2006 represented about 17.4% of the audited consolidated net tangible assets of the Group as at 31 December 2006.

Following the implementation of the Proposed Spin-off, the Company's interest in BYD Electronic will decrease from 91% to approximately 67.35% (assuming the Over-allotment Option is not exercised). The actual amount of gain of the Group is subject to the final Offer Price and the structure of the Global Offering.

# Profit attributable to Shareholders

The audited consolidated net profit attributable to the Shareholders for the year ended 31 December 2006 was approximately RMB1,181 million before tax and approximately RMB1,128 million after tax. Following the implementation of the Proposed Spin-off, the Group's earnings attributable to the BE Group will be reduced as the Company's interest in BYD Electronic will be reduced by 23,65% from 91% to approximately 67,35% (assuming the Over-allotment Option is not exercised). Moreover, profit attributable to shareholders of the Company is expected to record an exceptional profit ranging from HK\$1,927.1 million to HK\$6,238.7 million arising from the gain of deemed disposal of BYD Electronic by the Company.

The audited consolidated turnover of the Group as at 31 December 2006 was approximately RMB12,939 million. BYD Electronic is, and will remain, a subsidiary of the Group both before and after the Proposed Spin-off. Therefore, following the implementation of the Proposed Spin-off, it is expected that there will be no impact on the turnover of the Group.

P.3
PREFERENTIAL OFFER Subject to the Stock Exchange granting the approval for the listing of, and permission to deal in, the BE Shares on the Stock Exchange, the Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. The Company was advised by its PRC legal counsel that the offer of shares in BYD Electronic to holders of its Domestic Shares is prohibited under PRC law unless such holders of Domestic Shares have attended to the approval or registration procedures with the PRC State Administration of Foreign Exchange, the Ministry of Commerce (in the case of corporate shareholder) and National Development and Reform Commission. In light of such PRC regulatory concerns, the Company considers that it is impractical and unduly burdensome to offer to holders of Domestic Shares any of the shares in BYD Electronic as Assured Entitlement under the Proposed Spin-off. The Shareholders and the holders of Domestic Shares, in each case, will pass a special resolution at the respective EGMs to approve the waiver by Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer.

The Qualifying Shareholders are entitled to subscribe at the Offer Price for one Reserved Share for every whole multiple of three existing Shares held by them as at the close of business on the Record Date. Qualifying Shareholders holding less than three Shares will not be entitled to subscribe for any Reserved Shares on an assured basis.

assured basis.

A blue application form and a copy of the Prospectus will be despatched to each Qualifying Shareholder with an Assured Entitlement. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is greater than, less than, or equal to, their Assured Entitlements under the Preferential Offer. A valid application, in respect of a number of Reserved Shares less than or equal to a Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the blue application form. Where a Qualifying Shareholder applies for a number of Reserved Shares which is greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders with an Assured Entitlement declining to take up some or all of their Assured Entitlements. Any Assured Entitlements not taken up by the Qualifying Shareholders will first be allocated to satisfy the excess applications for the Reserved Shares from other Qualifying Shareholders on a fair and reasonable basis, and thereafter, at the discretion of the Sole Global Coordinator, to other investors in the International Placing or the Public Offer.

In addition to any application for Reserved Shares on a blue application form,

In addition to any application for Reserved Shares on a blue application form, Qualifying Shareholders will be entitled to make one application for Public Offer Shares on white or yellow application forms or by giving electronic application instructions to HKSCC via CCASS. Qualifying Shareholders will receive no preference as to entitlement or allocation in respect of applications for Public Offer Shares made on white or yellow application forms or by giving electronic application instructions to HKSCC under the Public Offer.

Shareholders should note that assured entitlements to Reserved Shares may not represent a multiple of a full board lot of 500 BE Shares. Further, the Reserved Shares allocated to the Qualifying Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of the BE Shares may be at a price below the prevailing market price for full beard lots.

Entitlements to the Reserved Shares will not be transferable and there will be no trading in nil paid entitlements on the Stock Exchange. Any BE Shares issued pursuant to the Preferential Offer will be deemed fully paid, ranking pari passu in all respects with other BE Shares then in issue.

It is proposed that the number of BE Shares available under the Preferential Offer will represent approximately 8.9% of the Global Offering and approximately 2.2% of the enlarged issued share capital of BE upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Prospectus containing, among other matters, further details of the Preferential Offer will be despatched to Qualifying Shareholders in due course. Subject to the approval of the Shareholders and holders of Domestic Shares at the respective EGMs, Non-Qualifying Shareholders will not be entitled to any Reserved Shares.

#### TENTATIVE TIMETABLE

| Latest time for return of proxy forms in respect of the EGMs                                    |
|---|
| EGMs starting from 10:00 a.m. on Thursday, 14 June 2007   |
| Last day for dealing in H Shares cum-entitlement to the Preferential Offer Friday, 15 June 2007 |
| First day for dealing in H Shares ex-entitlement to the Preferential Offer Monday, 18 June 2007 |
| I stest time for lodging transfers of   |

H Shares to qualify for the Preferential Offer. Register of members of the Company closes . . . . . Thursday, 21 June 2007

Please note that the above timetable may be subject to change. If there is any change to the above timetable, the Company will publish an announcement as soon as possible.

## LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares in the International Placing and 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. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules and Shareholders' approval requirement under Rules 13.36(1) and 19A.38 of the Listing Rules.

## EXTRAORDINARY GENERAL MEETINGS

As the interests of all Shareholders in relation to the Proposed Spin-off are not different and there is no controlling Shareholder, no Shareholder is required to abstain from voting at the EGMs and all Shareholders are entitled to vote on the Proposed Spin-off and the waiver by the Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer.

A notice convening the extraordinary general meeting of the Company for all Shareholders to be held on Thursday, 14th June 2007 at 10:00 a.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC was sent to the Shareholders on 23 April

A notice convening the class meeting for holders of the Domestic Shares of the Company to be held on Thursday, 14 June 2007 at 12:00 p.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC was sent to the Shareholders on 23 April 2007.

A notice convening the class meeting for holders of the H Shares of the Company to be held on Thursday, 14 June 2007 at 11:00 a.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC was sent to the Shareholders on 23 April 2007.

Whether or not you intend to attend the EGMs, you are requested to complete and return the form of proxy (which was sent to the Shareholders on 23 April, 2007) in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the meetings or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meetings or any adjourned meeting should you so wish.

# CLOSE OF REGISTER OF MEMBER OF THE COMPANY

For the purpose of determining the entitlement for attendance and voting at the EGMs, the register of members of the Company is closed from 10 May 2007 to 14 June 2007 (both days inclusive) (or such later date(s) as the Board may determine and announce) as announced by the Company on 23 April 2007. No transfer of Shares may be registered during that period. In order to qualify for attendance and voting at the EGMs, all transfers must have been lodged with Computershare Hong Kong Investor Services Limited (for H Shares) or the Secretary to the Board (for Domestic Shares) by no later than 4:30 p.m. on 9 May 2007 (or such later date as the Board may determine and announce) as announced by the Company on 23 April 2007. Based on the expected timetable, the register of members of the Company will be closed on 21 June 2007 for the purpose of determining the entitlement for the Preferential Offer. No transfer of Shares may be registered on that date. In

order to qualify for the Preferential Offer, all transfers of H Shares must be lodged with Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on 20 June 2007 (or such later date as the Board may determine and announce).

#### GENERAL

UBS AG has been appointed as the sole sponsor of the Global Offering. The Board expects that the Prospectus containing, among other matters, details of the Preferential Offer (including the basis of allocation) will be despatched to Qualifying Shareholders in due course.

Shareholders and potential investors should note that the Proposed Spin-off and the Global Offering, which are subject to a number of conditions, may not proceed. In particular, there is no assurance that approval from the Stock Exchange will be granted or that the underwriters' obligations under the underwriting agreements for the Global Offering will become unconditional or that the underwriting agreements will not be terminated in accordance with their respective terms. Accordingly, Shareholders and potential investors are urged to exercise extreme caution when dealing in the securities of the Company.

A circular containing further details of the Proposed Spin-off will be despatched to the Shareholders on 23 May 2007.

Further announcement(s) will be made as and when appropriate in respect of any material developments relating to the Proposed Spin-off and/or any material change in the information contained in this announcement and/or the circular to be despatched to the Shareholders.

#### DEFINITIONS

"BYD Tianjin'

"CCASS"

"Company"

"Golden Link"

"Independent Board Committee"

"Independent Financial

"Articles of the articles of association of the Company

"associate(s)" has the meaning ascribed to it under the Listing Rules the entitlement of Qualifying Shareholders to apply for the Reserved Shares under the Preferential Offer to be determined on the basis of shareholdings on the "Assured Entitlement"

Record Date "BE Group BYD Electronic and its Subsidiaries

the ordinary shares of HK\$0.10 each in the share capital of BYD Electronic "BE Shares"

"Board" the board of Directors "BVI" the British Virgin Islands

"BYD Electronic

the British Virgin Islands
BYD Electronic Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 24 August 2006 and an indirect wholly-owned Subsidiary of the Company held through BYD H.K. and Golden Link as at the date of this announcement. It is expected that 9% shareholding of BYD Electronic will be transferred from Golden Link to Gold Dragonfly before the bulk-printing of the Prospectus pursuant to the share award scheme approved by the Shareholders on 30 January 2007
BYD (H.K.) Co. Limited a company incorporated in

BYD (H.K.) Co., Limited, a company incorporated in Hong Kong with limited liability on 19 February 1999 and a wholly-owned Subsidiary of the Company "BYD HK"

惠州比亞迪電子有限公司 (BYD (Huizhou) Electronic Company Limited)\*, a company incorporated in the PRC with limited liability on 14 February 2007 and is 75% owned by BYD Precision and 25% owned by Lead Wealth "BYD Huizhou"

BYD Hungary Manufacturing, Service and Commerce Limited Liability Company, a company incorporated in Hungary with limited liability on 4 December 2006 and an indirect wholly-owned Subsidiary of BYD "BYD Hungary" Electronic

BYD Electronics India Private Limited, a company incorporated in India with limited liability on 6 March 2007 and an indirect wholly-owned Subsidiary of BYD Electronic "BYD India" "BYD Precision"

比亞迪精密製造有限公司 (BYD Precision Manufacture Co., Ltd.)\*, a company incorporated in the PRC with limited liability on 10 January 2003 and an indirect wholly-owned Subsidiary of BYD Electronic

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 on 6 June 2006 and an indirect wholly-owned Subsidiary of BYD Electronic

the Central Clearing and Settlement System established and operated by HKSCC 比亞迪嚴份有限公司 (BYD Company Limited)\*, a joint stock company incorporated in the PRC with limited liability whose Shares are listed on the Main Board of the Stock Exchange

has the meaning ascribed to it under the Listing Rules connected person(s)" "Director(s)" the director(s) of the Company "Domestic Shares ordinary non-tradable Shares subscribed for and paid up in RMB

(i) the extraordinary general meeting of the Company for all Shareholders to be held on 14 June 2007 at 10:00 a.m.; (ii) the class meeting for holders of the Domestic Shares to be held on 14 June 2007 at 12:00

p.m.; and (iii) the class meeting for holders of the H Shares to be held on 14 June 2007 at 11:00 a.m., the respective notices of such meetings were published and sent to Shareholder on 23 April 2007 directors of BYD Electronic and their associates "Excluded Directors" the Public Offer, the International Placing and the Preferential Offer "Global Offering"

the Company and its Subsidiaries "Group"

Gold Dragonfly Limited, a company incorporated in BVI with limited liability on 31 January 2007 and a wholly-owned Subsidiary of HSBC Trustee (Hong Kong) Limited "Gold Dragonfly" Kong) Limited

Kong) Limited
Golden Link Worldwide Limited, a company incorporated in BVI with limited liability on 22 April 2005 and an indirect wholly-owned Subsidiary of the Company which holds 100% interest in BYD Electronic as at the date of this announcement. It is expected that Golden Link will transfer 9% of its shareholding interest in BYD Electronic to Gold Dragonfly before the bulk-printing of the Prospectus pursuant to the share award scheme approved by the Shareholders on 30 January 2007

"HKSCC" Hong Kong Securities Clearing Company Limited "HK\$" or "Hong Kong Dollars" Hong Kong dollars, the lawful currency of Hong Kong

the Hong Kong Special Administrative Region of the PRC "Hong Kong"

the overseas listed foreign shares in the capital of the Company with a RMB denominated par value of RMB1.00 each which are subscribed for and traded in Hong Kong Dollars and are listed on the Main Board of the Stock Exchange

a committee of the Board comprising all the independent non-executive Directors to advise the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable and in the interests of the Company and its Shareholders as a whole

BOCOM International Holdings Company Limited being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer 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

the conditional placing of the International Placing Shares with professional, institutional and other investors at the Offer Price as further described in the Prospectus "International Placing

the 446,147,000 BE Shares initially being offered by BYD Electronic and Golden Link for subscription and purchase at the Offer Price under the International Placing, subject to adjustment as described in the Prospectus "International Placing Shares"

the several underwriters of the International Placing, "International Underwriters' enter into the International Underwriting Agreement to underwrite the International Placing

the international underwriting agreement relating to the International Placing and to be entered into among BYD Electronic, Golden Link, the International Underwriters and the Sole Global Coordinator Underwriting Agreement"

Lead Wealth International Ltd., a company incorporated in BVI with limited liability on 25 August 2006 and a direct wholly-owned Subsidiary of BYD Electronic; "Lead Wealth"

"International

"Overseas Shareholders

"Proposed Spin-off"

"Listing Committee" the Listing Committee of the Stock Exchange "Listing Date" the date on which dealings in the BE Shares first commence on the Main Board of the Stock Exchange

the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) "Listing Rules" Overseas Shareholders, holders of the Domestic Shares and Excluded Directors 'Non-Qualifying Shareholders"

"Offer Price"

the final price per BE Share fixed at a HK\$ amount (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which the BE Shares are to be offered pursuant to the Global Offering, as described in the Prospectus

"Over-allotment the option expected to be granted by BYD Electronic to the Sole Global Coordinator exercisable under the International Underwriting Agreement pursuant to which BYD Electronic may be required by the Sole Global Coordinator to issue up to an aggregate of 82,500,000 additional BE Shares at the Offer Price to,

among other things, cover over-allocations connection with the International Placing, if any Shareholders whose addresses on the register of members of the Company were outside Hong Kong at the close of business on the Record Date including those who are within the United States (within the meaning of Regulation S under the United States of America Securities Act 1933)

the People's Republic of China and, except where the context requires and only for the purposes of this announcement, references in this announcement to the PRC or China do not apply to Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC

the preferential offer to the Qualifying Shareholders of the Reserved Shares at the Offer Price, subject to and in accordance with the terms and conditions set out in the Prospectus and the related application form "Preferential Offer" the proposed spin-off of the interests in the Spin-off

Business of the Group for a separate listing on the Main Board of the Stock Exchange "Prospectus"

the prospectus proposed to be issued by BYD Electronic in relation to the Global Offering

the offer for subscription of initially 55,000,000 BE Shares (subject to reallocation as described in the Prospectus) at the Offer Price (plus brokerage fee, SFC transaction levy and the Stock Exchange trading fee) and subject to the terms and conditions described in the Prospectus and the related application forms "Public Offer

the 55,000,000 BE Shares (subject to adjustment) being offered for subscription pursuant to the Public Offer "Public Offer Shares"

Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date (excluding Non-Qualifying Shareholders) 'Qualifying Shareholders'

Thursday, 21 June 2007, the date for ascertaining the Qualifying Shareholders who will be entitled to subscribe for the Reserved Shares on an assured basis under the Preferential Offer 'Record Date'

"Remaining Business"

the business of the manufacture and sale of rechargeable batteries, electro-mechanical parts for electronic devices and handsets and automobiles "Remaining Group" the Group, excluding the BE Group

48,853,000 BE Shares, representing approximately 2.2% of the enlarged share capital of BYD Electronic immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), being offered pursuant to the Preferential Offer "Reserved Shares" Offer

the reorganization of the businesses and companies of "Reorganization" BE Group effected in preparation for the listing of BYD Electronic on the Main Board of the Stock Exchange, as more particularly described in the Prospectus

"RMB" Renminbi, the lawful currency of the PRC shares of RMB1.00 each in the share capital of the Company; "Shares"

"Shareholders" holders of the Shares

'Sole Global the sole global coordinator of the Global Offering Coordinator 'Spin-off Business"

the business of handset components and modules manufacturing and provision of assembly services carried on by the BE Group "Stock Exchange" The Stock Exchange of Hong Kong Limited

shall have the meaning assigned to this expression by section 2 of the Companies Ordinance (Cap.32 of the Laws of Hong Kong), save that any reference therein to a company shall be deemed to include a reference to a body corporate incorporated or established outside Hong Kong or under any other ordinances of the Laws of Hong Kong and to any unincorporated body of persons "Subsidiary"

1 January 2004 to 31 December 2006

"Track Record Period" per cent

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

Hong Kong, 22 May 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.

e English name is a direct translation of the Chinese name. In case of any inconsistency Chinese name shall prevail.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of HK\$1.00 to RMB1.00, for the purposes of illustration only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rate.