



比亞迪股份有限公司
BYD Company Limited
(a joint stock company incorporated in the PRC with limited liability)
(Stock Code: 1211)
CONNECTED TRANSACTIONS

SUMMARY

On 7th September, 2004, BYD Shanghai, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreements with each of Ms. Dai and Mr. Shen respectively, pursuant to which BYD Shanghai acquired an aggregate of 6.52% equity interest in BYD Li-ion for an aggregate consideration of RMB45,691,000 (about HK\$43,104,717). After the completion of the Acquisitions, the Company will be interested in 96.52% interest in BYD Li-ion.

The Directors believe that the Acquisitions will further enhance the Company’s profitability and allow the Group to further capture the huge growth potential in the rechargeable battery market.

The terms of the Acquisitions were negotiated on an arm’s length basis. The Directors (including the independent non-executive Directors) believe that the Acquisitions are in the interest of the Group and the Shareholders as a whole.

Prior to the completion of the Acquisitions, Ms. Dai and Mr. Shen, being the respective associates of Ms. Dai Chang and Ms. Jia Yan-xiu, promoters of the Company, are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the Acquisition Agreements by BYD Shanghai with Ms. Dai and Mr. Shen respectively constitutes connected transactions of the Company under Chapter 14A of the Listing Rules.

Each of the percentage ratios (other than the profits ratio) regarding the Acquisitions is less than 2.5%, the Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

1. BACKGROUND

On 7th September, 2004, BYD Shanghai entered into the Acquisition Agreements with respect to its acquisition of an aggregate of 6.52% equity interest in BYD Li-ion from Ms. Dai and Mr. Shen respectively. After the completion of the Acquisitions, the Company will be interested in 96.52% interest in BYD Li-ion.

2. ACQUISITION AGREEMENTS

Parties

Acquisition Agreement I

Purchaser: BYD Shanghai
Vendor: Ms. Dai, a connected person of the Company holding a 3.04% equity interest in BYD Li-ion prior to the completion of the Acquisition I.

Acquisition Agreement II

Purchaser: BYD Shanghai
Vendor: Mr. Shen, a connected person of the Company holding a 3.48% equity interest in BYD Li-ion prior to the completion of the Acquisition II.

Assets to be acquired

An aggregate of 6.52% equity interest in BYD Li-ion comprising:

- (1) 3.04% equity interest in BYD Li-ion in respect of the Acquisition I; and
- (2) 3.48% equity interest in BYD Li-ion in respect of the Acquisition II.

Consideration

The Aggregate Consideration is RMB45,691,000 (about HK\$43,104,717) with breakdown as follows:

Acquisition I: RMB21,304,000 (about HK\$20,098,113); and

Acquisition II: RMB24,387,000 (about HK\$23,006,604).

The consideration for each of the Acquisitions is payable within 3 days after the date of signing of the relevant Acquisition Agreement and the notarization of the relevant Acquisition Agreement by the relevant notary in the PRC.

Apart from the Aggregate Consideration, the Group is not required to pay any further consideration to Ms. Dai and Mr. Shen in relation to the Acquisitions.

Basis for the Consideration

The terms of the Acquisition Agreements were negotiated on an arm’s length basis and the Aggregate Consideration of RMB45,691,000 (about HK\$43,104,717) represents a premium of about 10% to the audited net assets value of the 6.52% equity interest in BYD Li-ion amounting to approximately RMB41,540,397 (about HK\$39,189,054) as at 31st December, 2003 according to the audited accounts prepared by 深圳巨源會計師事務所 (Shenzhen Great Land Certified Public Accountants), an independent certified public accountant who is not a connected person of the Group.

The Group will satisfy the Aggregate Consideration by applying the IPO Proceeds.

Completion

The completion of the Acquisitions will take place upon the full payment of the Aggregate Consideration by the Group and the acknowledgement of the change of registered holders of BYD Li-ion by Shenzhen Municipal Administration for Industry and Commerce. The Directors expect that the completion of the Acquisitions will take place on or before 30th September, 2004. Acquisition I and Acquisition II are separate and not inter-conditional. Further, completion of the Acquisition I and Acquisition II may not take place at the same time.

3. INFORMATION ON BYD LI-ION

The Company directly holds a 90% interest in BYD Li-ion, the principal activities of which are the development, production and sale of Li-ion batteries. For the financial year ended 31st December, 2003, 52% of the Group’s turnover was derived from the sales of Li-ion batteries.

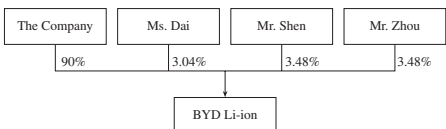
According to the audited accounts prepared by 深圳巨源會計師事務所 (Shenzhen Great Land Certified Public Accountants) and adjusted by the Company in accordance with the accounting principles generally accepted in Hong Kong, the net profits (both before and after taxation and extraordinary items) attributable to 6.52% equity interest in BYD Li-ion for the two financial years ended 31st December, 2002 and 31st December, 2003 were as follows:-

	For the financial year ended 31st December, 2002	For the financial year ended 31st December, 2003
Net profits (before taxation and extraordinary items)	RMB32,192,565 (about HK\$30,370,345)	RMB18,584,673 (about HK\$17,532,711)
Net profits (after taxation and extraordinary items)	RMB29,713,140 (about HK\$28,031,264)	RMB17,352,524 (about HK\$16,370,305)

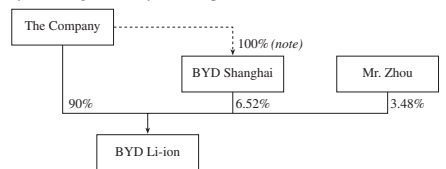
Each of Ms. Dai and Mr. Shen has contributed RMB912,000 (about HK\$860,377) and RMB1,044,000 (about HK\$984,906) respectively to the registered capital of BYD Li-ion, being RMB30,000,000 (about HK\$28,301,887).

Set out below are the shareholding structures of BYD Li-ion before and immediately after completion of the Acquisitions:

Before completion of the Acquisitions



Immediately after completion of the Acquisitions



BYD Shanghai is an indirect wholly-owned subsidiary of the Company. The Company directly holds a 75% interest in BYD Shanghai and the remaining 25% interest is held by BYD (H.K.) Co., Limited, an indirect wholly-owned subsidiary of the Company.

The Company does not have any present intention to acquire the remaining 3.48% interest from Mr. Zhou.

Note: The dotted line indicates indirect shareholding.

4. REASONS FOR THE ACQUISITIONS

The Group is a leading player in the global rechargeable battery market and is principally engaged in the research, development, manufacturing and sale of Li-ion batteries, NiCd batteries and NiMH batteries. The Group currently produces various models of Li-ion and Nickel rechargeable batteries, which can be applied on mobile phones, cordless phones, power tools and other kinds of portable electronic devices. It is the Group’s intention to further develop new types of Li-ion batteries for various applications such as notebook PC, digital cameras, etc.

The Directors believe that the Acquisitions will further enhance the Company’s profitability and allow the Group to further capture the huge growth potential in the rechargeable battery market.

5. CONNECTED TRANSACTIONS

Prior to completion of the Acquisitions, Ms. Dai and Mr. Shen, being the respective associates of the Promoters holding, respectively, 3.04% and 3.48% equity interests in BYD Li-ion, being a non-wholly owned subsidiary of the Company, are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the signing of the Acquisition Agreements by BYD Shanghai with Ms. Dai and Mr. Shen respectively constitutes connected transactions of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) is less than 2.5%, the Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders’ approval requirements of Chapter 14A of the Listing Rules. The Company is obliged to issue this press announcement and to include details of the transactions contemplated under the Acquisition Agreements in the Company’s next published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

Upon the completion of the Acquisitions, the Company will be interested in 96.52% interest in BYD Li-ion.

6. GENERAL

The Group is principally engaged in the research, development, manufacturing and sale of rechargeable batteries for portable electronic devices and is a total portable solution provider.

The Directors (including the independent non-executive Directors) consider it to be in the interest of the Shareholders to enter into the Acquisition Agreements and the Directors believe that the Acquisition Agreements were entered into upon normal commercial terms and in the ordinary course of business of the Company. The Directors (including the independent non-executive Directors) consider that terms of the Acquisition Agreements are fair and reasonable.

7. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition I”	the acquisition of a 3.04% interest in BYD Li-ion by BYD Shanghai from Ms. Dai pursuant to the terms and conditions set out in the Acquisition Agreement I;
“Acquisition II”	the acquisition of a 3.48% interest in BYD Li-ion by BYD Shanghai from Mr. Shen pursuant to the terms and conditions set out in the Acquisition Agreement II;
“Acquisitions”	Acquisition I and Acquisition II;
“Acquisition Agreements”	the Acquisition Agreement I and the Acquisition Agreement II;
“Acquisition Agreement I”	the acquisition agreement dated 7th September, 2004 entered into between BYD Shanghai and Ms. Dai in relation to the Acquisition I;
“Acquisition Agreement II”	the acquisition agreement dated 7th September, 2004 entered into between BYD Shanghai and Mr. Shen in relation to the Acquisition II;
“Aggregate Consideration”	the aggregate consideration of RMB45,691,000 (about HK\$43,104,717) payable by the Company under the Acquisition Agreements;
“Board”	the board of Directors;
“BYD Li-ion”	深圳市比亞迪鋰電池有限公司 (Shenzhen BYD Lithium Battery Company Limited), a limited liability company incorporated in the PRC, being a 90% owned subsidiary of the Company prior to completion of the Acquisitions;
“BYD Shanghai”	上海比亞迪有限公司 (Shanghai BYD Company Limited), a limited liability company incorporated in the PRC, being an indirect wholly-owned subsidiary of the Company;
“Company”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries (as defined in the Companies Ordinance, Chapter 32 of the Laws of Hong Kong);
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IPO Proceeds”	the proceeds from listing of the H shares of the Company on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Shen”	Mr. Shen Pei-sen is the spouse of Ms. Jia Yan-xiu, being one of the Promoters;
“Mr. Zhou”	Mr. Zhou Zi-liang is the spouse of Ms. Ku Wei-ni, a promoter of the Company;
“Ms. Dai”	Ms. Dai Jing is the sister of Ms. Dai Chang, being one of the Promoters;
“PRC”	the People’s Republic of China;
“Promoters”	Messrs. Dai Chang and Jia Yan-xiu, certain promoters of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of the H shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 7th September, 2004

Note: For information purpose only, the translation of RMB to HK\$ in this announcement is based on the exchange rate of RMB106: HK\$100.

As at the date of this announcement, the executive directors of the Company are: Wang Chuan-fu and Xia Zuo-quan; the non-executive director of the Company is: Lu Xiang-yang; the independent non-executive directors of the Company are: Li Guo-xun and Kang Dians.