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CONNECTED TRANSACTIONS

SUMMARY

Reference is made to the announcement of the Company dated 22 January 2003 in relation to the Company's acquisition of an aggregate equity interest of 77% in Auto from Shaanxi Group and ZC Machinery respectively.

On 20th February, 2004, the Company entered into the Acquisition Agreements with each of Shaanxi Group and ZC Machinery respectively, pursuant to which the Company acquired an aggregate of 15% equity interest in Auto for an aggregate consideration of RMBS2,500,000 (about HK\$49,528,302). The Aggregate Consideration will be satisfied by the Group's operating cash flow without any application of the IPO Proceeds. After the completion of the Acquisitions, the equity interest of the Company in Auto will be increased from 77% to 92% and both Shaanxi Group and ZC Machinery will cease to be the substantial shareholders of Auto and connected persons of the Company.

The Directors believe that the Acquisitions will further consolidate the Company's control of Auto, enhance efficiency in management and allow the Group to further capture the huge growth potential in the automobile industry. Further, all the existing continuing connected transactions of the Company as a result of the Company's initial acquisition of the 77% interest in Auto potential in the automobile industry. Further, all the existing continuing con-will cease to be continuing connected transactions under the Listing Rules.

The terms of the Acquisitions were negotiated on an arm's length basis. The Directors believe that the Acquisitions are in the interest of the Group and the Shareholders as a whole. Immediately prior to the completion of the Acquisitions, Shaanxi Group and ZC Machinery, both being substantial shareholders of Auto holding 10% and 13% equity interest in Auto respectively, are connected persons of the Company under Chapter 14 of the Listing Rules. Accordingly, the signing of the Acquisition Agreements by the Company with Shaanxi Group and ZC Machinery constitutes connected transactions of the Company under Chapter 14 of the Listing Rules.

As the Aggregate Consideration is less than the higher of either HK\$10,000,000 or 3% of the consolidated net tangible assets of the Group as at 30th June 2003, no approval from the independent shareholders of the Company is required for the entering into the Acquisition Agreements.

1. BACKGROUND

Reference is made to the announcement of the Company dated 22 January 2003 in relation to the Company's acquisition of an aggregate equity interest of 77% in Auto from Shaanxi Group and ZC Machinery respectively. Following completion of the above acquisition, Auto was owned as to 77% by the Company, 10% by Shaanxi Group and 13% by ZC Machinery.

On 20th February, 2004, the Company entered into the Acquisition Agreements with respect to its acquisition of an aggregate of 15% equity interest in Auto from Shaanxi Group and ZC Machinery respectively. After the completion of the Acquisitions, the equity interest of the Company and Shaanxi Group in Auto will be 92% and 8% respectively.

ACQUISITION AGREEMENTS 2.

Parties

Acquisition Agreement I

the Company Purchaser:

Vendor: Shaanxi Group, the substantial shareholder of Auto holding 10% equity interest therein immediately prior to the completion of the Acquisition I.

Acquisition Agreement II

Purchaser: the Company Vendor:

ZC Machinery, the substantial shareholder of Auto holding 13% equity interest therein immediately prior to the completion of the Acquisition II.

Assets to be acquired

An aggregate of 15% equity interest in Auto comprising:

- (1) 2% equity interest in Auto in respect of the Acquisition I; and
- (2)13% equity interest in Auto in respect of the Acquisition II.

Consideration

The Aggregate Consideration is RMB52,500,000 (about HK\$49,528,302) with breakdown as follows:

Acquisition I

 $RMB7,000,000 \ (about \ HK\$6,603,774) \ ("Consideration \ I"). \ Consideration \ I \ will be settled in cash within 30 business days after the date of signing of the Acquisition Agreement I.$

Acauisition II

RMB45,500,000 (about HK\$42,924,528) ("Consideration II"), RMB15,000,000 (about HK\$14,150,944) of Consideration II will be settled in cash within 30 business days after the date of signing of the Acquisition Agreement II, RMB10,000,000 (about HK\$9,433,962) of Consideration II will be settled in cash before 30th June, 2004 and the remaining amount of Consideration II, being RMB20,500,000 (about HK\$19,339,623), will be settled in cash before 31st December, 2004.

The Company is not required under the Acquisition Agreements to assume any liabilities of Auto, the Shaanxi Group or ZC Machinery.

Basis for the Consideration

The terms of the Constdictation The terms of the Acquisition Agreements were negotiated on an arm's length basis and the Aggregate Consideration of RMB52,500,000 (about HK\$49,528,302) represents a premium of about 6.4% to the unaudited net assets value of the 15% equity interest in Auto amounting to approximately RMB328,980,000 (about HK\$310,358,491) as at 30th November, 2002 according to the valuation report prepared by 中和資產評估有限公司 (Zhonghe Assets Valuation Co., Ltd.), an independent valuer who is not a connected person of the Group. Such valuation report is required to be filed with the Provincial State Owned Assets Administration Authority for confirmation and the Acquisitions are subject to the approval of the Provincial Government of Shaanxi and the board of Shaanxi Group in respect of Acquisition Agreement I and China Ammunition Industries Group Corporation in respect of Acquisition Agreement II respectively. It is expected that such confirmation and approval will be obtained by the Company before 20th May, 2004. May, 2004

The Group will satisfy the Aggregate Consideration by its operating cash flow. None of the IPO Proceeds will be applied to satisfy payment of any of the Aggregate Consideration.

Under the Acquisition Agreements, Shaanxi Group or ZC Machinery (as the case may be) shall refund to the Company in full the Consideration I or Consideration II (as the case may be) if the necessary attestation, registration and other legal formalities for the implementation of the relevant Acquisition Agreement cannot be obtained or completed within three months after payment of the Consideration I or the Consideration II (as the case may be). In such an event, it is intended that the relevant Acquisition Agreement shall lapse. Shaanxi Group or ZC Machinery shall be liable for any damages suffered by the Company as a result of the failure to obtain or complete the aforesaid attestation, registration, and/or other legal formalities (as annlicable). to obtain or applicable).

Completion

The Directors expect that the completion of the Acquisitions will take place on or before 20th May, 2004.

3. INFORMATION ON AUTO

The principal activities of Auto, being a non-wholly owned subsidiary of the Company, are the development, production and sale of mini-cars and its key products are 800cc mini-cars sold under the "BYD" brand.

Set out below are the shareholding structures of Auto before and after completion of the Acquisitions:



REASONS FOR THE ACOUISITIONS 4

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.

completeness and expressly disclaims any liability whatsoever for any los.

The Directors believe that the Acquisitions will further consolidate the Company's The Directors believe that the Acquisitions will further consolidate the Company's control of Auto. The Directors still share the view that the growth potential of the automobile industry in the PRC will remain robust in the foreseeable future and the Directors believe that the Acquisitions allow the Group to further capture the huge market potential of the automobile industry. Further, the Company intends to re-arrange the board composition of Auto following completion of the Acquisitions and this is expected to enhance the efficiency of management of Auto. In addition, the existing continuing connected transactions between the Company and ZC Machinery and its associates (as defined in the Listing Rules) will cease to be connected transactions under the Listing Rules. ZC Machinery and its associates (as transactions under the Listing Rules.

5. CONNECTED TRANSACTIONS

5. CONNECTED TRANSACTIONS
Prior to the completion of the Acquisitions, both Shaanxi Group and ZC Machinery, being the substantial shareholders of Auto holding 10% and 13% equity interest in Auto, being a non-wholly owned subsidiary of the Company, are connected persons of the Company under Chapter 14 of the Listing Rules. Accordingly, the signing of the Acquisition Agreements by the Company with Shaanxi Group and ZC Machinery respectively constitutes connected transactions of the Company under the Listing Rules. As the Aggregate Consideration is less than the higher of either HK\$10,000,000 or 3% of the consolidated net tangible assets of the Group as at 30th June 2003, no approval from the independent shareholders of the Company is required for the entering into the Acquisition Agreements. 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 14.25(1)(A) to (D) of the Listing Rules.

After the completion of the Acquisitions, Shaanxi Group will hold 8% equity interest in Auto and ZC Machinery will cease to be interested in the equity interest in Auto. As a result thereof, both Shaanxi Group and ZC Machinery will cease to be substantial shareholders of Auto and connected persons of the Company.

6. GENERAL

The Group is principally engaged in the manufacturing and sale of rechargeable batteries and automobiles.

The Directors consider it to be in the interest of the shareholders of the Company 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 business of the Company. The Directors (including the independent non-executive Directors) consider that terms of the Acquisition Agreements are fair and reasonable

As the Acquisitions may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

"Acquisition I"	the acquisition of a 2% interest in Auto by the Company from Shaanxi Group pursuant to the terms and conditions set out in the Acquisition Agreement I;
"Acquisition II"	the acquisition of a 13% interest in Auto by the Company from ZC Machinery 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 20th February , 2004 entered into between the Company and Shaanxi Group in relation to the Acquisition I;
"Acquisition Agreement II"	the acquisition agreement dated 20th February 2004 entered into between the Company and ZC Machinery in relation to the Acquisition II;
"Aggregate Consideration"	the aggregate consideration of RMB52,500,000 payable by the Company under the Acquisition Agreements;
"Auto"	比亞迪汽車有限公司 (BYD Automobile Company Limited), a limited liability company incorporated in the PRC;
"Board"	the board of Directors;
"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;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"Shaanxi Group"	陝西省投資集團(有限)公司 (Shaanxi Province Investment Group (Limited) Company), a state wholly-owned limited liability company incorporated in the PRC;
"Shareholders"	holders of the H shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"ZC Machinery"	西安北方秦川機械工業有限公司 (Xian Northern Zhen Chuan Machinery Industries Company Limited), a state wholly-owned limited liability company incorporated in the PRC.
	By order of the Board BYD Company Limited

Hong Kong, 20th February, 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.

Wang Chuan-fu

Acquisition I and Acquisition II are separate and not inter-conditional. Further, completion of the Acquisition I and the Acquisition II may not take place at the same time.