
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy and the reply slip to the purchaser(s) or transferee(s) or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

EXEMPTED CONNECTED TRANSACTION RELATING TO THE TRANSFER OF A 9% INTEREST IN A SUBSIDIARY BY WAY OF GIFT TO CERTAIN EMPLOYEES PURSUANT TO A ONE-OFF SHARE AWARD PLAN AND CHANGE OF AUDITORS

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



匯金（資本）有限公司
Vision Finance (Capital) Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 34 of this circular.

A notice convening the EGM is set out in this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the H Share registrar and transfer office of the Company, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

15th December, 2006

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the meanings set out below:

“Acquisition Date”	means in relation to the Awarded Shares, the date that such Awarded Shares are transferred under the Deed of Gift to the Trustee for the benefit of the Participants by way of gift;
“Articles of Association”	the articles of associations of the Company;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Awarded Shares”	such number of shares in the share capital of BYD Electronic, representing 9% of the total issued share capital of BYD Electronic as at the Completion Date;
“Board”	the board of directors of the Company;
“Business Day”	a day (excluding Saturday or Sunday) on which banks in Hong Kong are open for business;
“BVI”	British Virgin Islands;
“BYD Electronic”	BYD Electronic Company Limited, a limited liability company incorporated in the Cayman Islands and a wholly owned Subsidiary of Golden Link before Completion;
“Company”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability;
“Completion”	completion of the transfer of the Awarded Shares;
“Completion Date”	the day on which Completion takes place;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Deed of Gift”	the deed of gift dated 24th November, 2006 entered into between the Company, Golden Link and the Participants in relation to the Transfer;
“Director(s)”	director(s) of the Company;
“E&Y”	Ernst and Young, certified public accountants;
“EGM”	the extraordinary general meeting of the Company to be held at the Company’s Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC on 30th January, 2007 at 10 a.m., a notice of which is set out on pages 49 to 51 of this circular;

DEFINITIONS

“Excluded Directors”	the two executive Directors and the non-executive Director, being Mr. Wang Chuan-fu (王傳福) (an executive Director, a promoter and the controlling Shareholder), Mr. Lu Xiang-yang (呂向陽) (the non-executive Director, a promoter and a substantial Shareholder) and Mr. Xia Zuo-quan (夏佐全) (an executive Director, a promoter and a substantial Shareholder) and the independent non-executive Directors, and their respective associates;
“Golden Link”	Golden Link Worldwide Limited, a limited liability company incorporated in BVI and an indirect wholly-owned subsidiary of the Company;
“Grant Date”	the date when the Independent Shareholders have passed resolution approving the Transfer and the Participants are taken to have consented to such arrangement;
“Group”	the Company and its Subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	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 they are listed on the main board of the Stock Exchange;
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Transfer;
“Independent Financial Adviser”	Vision Finance (Capital) Limited, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transfer;
“Independent Shareholders”	Shareholders other than the Participants who are also directors of the Subsidiaries of the Company and/or promoters of the Company and their respective associates;
“Latest Practicable Date”	12th December, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Lead Wealth”	Lead Wealth International Limited, a limited liability company incorporated in BVI and an indirect wholly-owned Subsidiary of the Company before Completion;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lock-up Period”	the period, being 5 years from (and inclusive of) the Acquisition Date, during which the Trustee and the Participants shall be restricted from disposing any of the Awarded Shares;
“Long Stop Date”	30th June, 2007 or such later date as the Company may otherwise determine;
“Participants”	35 individuals who are members of the senior management and full-time employees of core business divisions of the Group. The Participants include 23 promoters of the Company, namely Yang Longzhong (楊龍忠), Wang Nianqiang (王念強), Wu Jingsheng (吳經勝), Li Ke (李柯), Mao Dehe (毛德和), Sun Yizao (孫一藻), Liu Huanming (劉煥明), He Long (何龍), Zhang Jintao (張金濤), Liu Weiping (劉衛平), Wan Qiuyang (萬秋陽), Xia Zhibing (夏治冰), He Zhiqi (何志奇), Wu Changhui (吳昌會), Xiao Pingliang (肖平良), Zhu Aiyun (朱愛雲), Fang Fang (方芳), Qu Bing (渠冰), Liu Weihua (劉偉華), Li Zhuhang (李竺杭), Wang Haiquan (王海全), Xie Qiong (謝瓊) and Xiao Feng (肖峰) and seven of these promoters are also directors of the Subsidiaries of the Company, namely Yang Longzhong (楊龍忠), Wang Nianqiang (王念強), Wu Jingsheng (吳經勝), Li Ke (李柯), Mao Dehe (毛德和), Sun Yizao (孫一藻) and Li Zhuhang (李竺杭);
“PRC”	the People’s Republic of China and for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC or Taiwan;
“PWC”	Messrs PricewaterhouseCoopers, certified public accountants;
“RMB”	Renminbi, the lawful currency of the PRC from time to time;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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 (BYD Precision Manufacture Co., Ltd.)*, a company incorporated in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subsidiary”	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;
“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;
“Transfer”	the transfer of the Awarded Shares to the Trustee as trustee of the Participants by way of gift pursuant to the Deed of Gift;
“Trust Deed”	the trust deed to be entered into between the Trustee and the Participants, in such terms reasonably satisfactory to the Company which shall include the terms and conditions on which the Awarded Shares are to be transferred to the Participants, to the extent applicable;
“Trust”	the trust to be constituted by the Trust Deed;
“Trustee”	a professional trustee to be appointed by the Participants for holding the Awarded Shares for the benefit of the Participants; and
“Valuation Date”	30th June, 2006.

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



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)

Board of Directors:

Executive Directors

Mr. Wang Chuan-fu

Mr. Xia Zuo-quan

Non-executive Director

Mr. Lu Xiang-yang

Independent Non-executive Directors

Mr. Li Guo-xun

Mr. Kang Dian

Mr. Lin You-ren

Legal Address:

Yan An Road

Kuichong

Longgang District

Shenzhen

Guangdong Province

The PRC

Principal Place of Business in Hong Kong:

Unit 1712, 17th Floor

Tower 2

Grand Central Plaza

No.138 Shatin Rural Committee Road

Shatin, New Territories

Hong Kong

15th December, 2006

To the Shareholders

Dear Sir or Madam,

**EXEMPTED CONNECTED TRANSACTION
RELATING TO THE TRANSFER OF A 9% INTEREST
IN A SUBSIDIARY BY WAY OF GIFT
TO CERTAIN EMPLOYEES PURSUANT TO
A ONE-OFF SHARE AWARD PLAN
AND
CHANGE OF AUDITORS**

We refer to the announcement of the Company dated 24th November, 2006 in relation to the Transfer and the change of auditors of the Company.

LETTER FROM THE BOARD

This circular contains details of the Deed of Gift, further information of BYD Electronic, Golden Link, Lead Wealth and the Participants, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transfer, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Transfer, details of the change of auditors, the business valuation report, the notice convening the EGM, a proxy form and a reply slip.

INTRODUCTION

On 24th November, 2006, the Company entered into the Deed of Gift with Golden Link and the Participants, pursuant to which the Company has agreed to procure Golden Link to transfer, and Golden Link has agreed to transfer, the entire beneficial interest in the Awarded Shares to the Trustee for the benefit of the Participants. The Awarded Shares will be transferred to and held by the Trustee on trust for the Participants. Such Awarded Shares form the property of the Trust. The Transfer is a one-off share award plan of the Company and does not involve grant of shares or other securities of a recurring nature. BYD Electronic will continue to be a Subsidiary of the Company after the Transfer.

The Participants are members of the senior management and full-time employees of core business divisions of the Group and have contributed to the success of the Group. The Transfer is intended to reward the Participants for their past performance and contributions to the Group with the objective to further aligning their interests with those of the Group.

The Trustee will be a professional trustee independent of and not connected with the Company or any of its connected persons and will be appointed by the Participants.

Before Completion, the Group will undergo an internal restructuring to rationalise the Group's operating structure under which the Company will transfer certain existing businesses and assets of the Group concerning the manufacture of handset mechanical parts and the provision of related handset assembly services, namely, the Shenzhen Subsidiary and the Tianjin Subsidiary, to Lead Wealth, a Subsidiary of BYD Electronic. Given the business in relation to the manufacture of handset mechanical parts has grown rapidly in recent years, the Directors consider that grouping such business and the related handset assembly business under a sub-group of separate legal entities within the Group will enhance and increase management efficiency and will also enable the Company to better capture the rapid growth potential of the handset manufacturing industry. Following such restructuring, it is expected that the Awarded Shares will have a total cash value of not less than RMB86 million based on the appraised value of the businesses and assets of the Shenzhen Subsidiary and the Tianjin Subsidiary as at the Valuation Date, as reported in the business valuation report issued by Savills Valuation and Professional Services Limited, an independent valuer. Savills Valuation and Professional Services Limited has adopted the market approach in determining the value of the Shenzhen Subsidiary. For the valuation of the Tianjin Subsidiary, in view of the fact that the Tianjin Subsidiary did not have any operation as at the Valuation Date, market value of the Tianjin Subsidiary is exactly equal to its net asset value (equivalent to cash taken to be held thereby) as at the Valuation Date. BYD Electronic and Lead Wealth are investment holding companies with no operating businesses or assets and will remain to be so prior to the Group restructuring.

None of the Excluded Directors will be allowed to receive any Awarded Shares.

LETTER FROM THE BOARD

As certain Participants are directors of the Subsidiaries of the Company and/or promoters of the Company holding in aggregate approximately 12.82% interest in the Company, they are connected persons of the Company within the meaning of the Listing Rules. As such, the Transfer constitutes a connected transaction or a series of connected transactions of the Company. Nevertheless, such connected transaction(s) are exempted from Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Pursuant to Rule 14A.32 of the Listing Rules, the Company is only required to disclose the Transfer by way of press announcement and include details of the Transfer in the Company's next published annual report and accounts. Notwithstanding the exemption offered by Rule 14A.32 of the Listing Rules, in order to let the Independent Shareholders have the opportunity to consider and, if thought fit, to approve the Transfer, the Company will convene the EGM and put forward the Transfer for the approval of the Independent Shareholders by way of poll at the EGM.

The Transfer does not fall within the scope of Chapter 17 of the Listing Rules as it does not involve the grant of options over new shares or other new securities of the Company or its Subsidiaries. Accordingly, the Transfer is not subject to the requirements under Chapter 17 of the Listing Rules.

As PWC has resigned as auditors of the Company with effect from 12 September 2006, the Board proposes to appoint E&Y as the auditors of the Company to fill the casual vacancy following the resignation of PWC as auditors of the Company, and to hold office until the conclusion of the next annual general meeting of the Company. Pursuant to the Articles of Association, the appointment of E&Y as the auditors of the Company will be subject to the approval of the Shareholders. The proposed change of auditors is not the result of any disagreement between the Company and PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Excluded Directors who are also Shareholders will be entitled to vote at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto, as neither any of them nor any of their respective associates is entitled to receive any Awarded Shares or interests therein or rights thereto pursuant to the Transfer and hence have no interest in the Transfer.

The Participants who are also directors of the Subsidiaries of the Company and/or promoters of the Company, and their respective associates, being connected persons of the Company interested in the Transfer, will abstain from voting at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto. No other persons are required to abstain from voting at the EGM in respect of such resolution.

All Shareholders are entitled to vote at the EGM on the resolution approving the change of auditors and no person is required to abstain from voting at the EGM in respect of such resolution.

THE DEED OF GIFT

The principal terms of the Deed of Gift are as follow:

Date

24th November, 2006

LETTER FROM THE BOARD

Parties

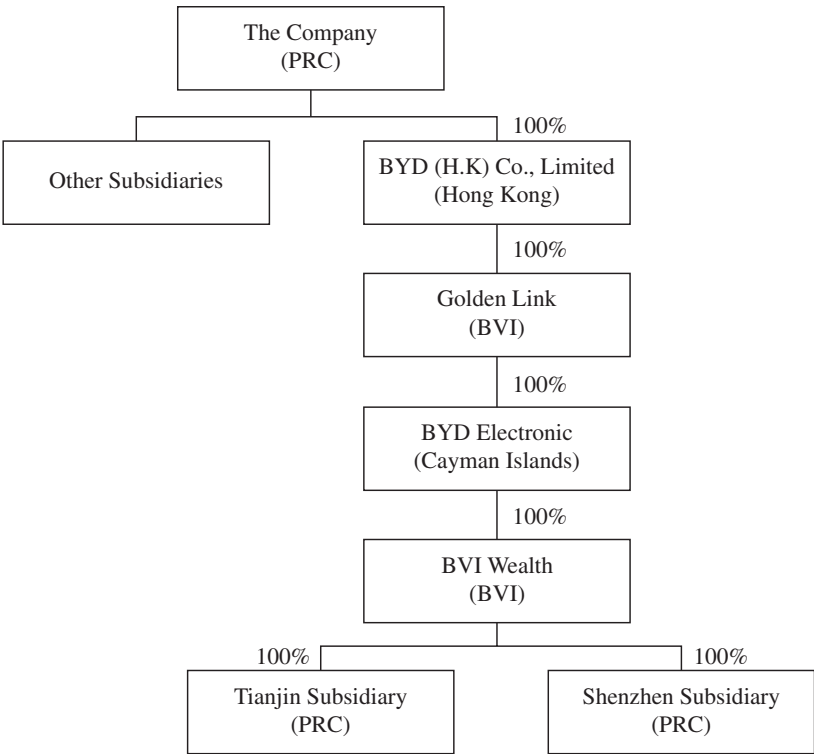
- (1) The Company
- (2) Golden Link
- (3) the Participants

The Transfer

The Company has agreed to procure Golden Link to transfer, and Golden Link has agreed to transfer, by way of gift, the Awarded Shares to the Trustee for its holding for the benefit of the Participants. The Awarded Shares will be transferred to the Trustee at no cost to it or to the Participants.

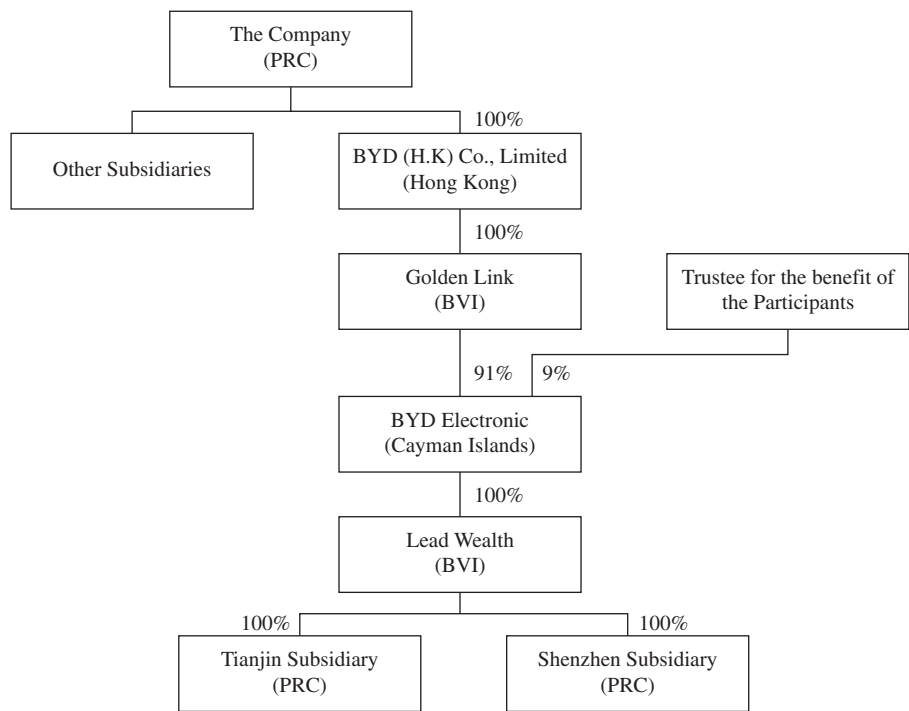
Fair value of the Awarded Shares as at the Grant Date will be recorded as a one-off payment of the Company as wages and salaries for the financial year in which the Awarded Shares are granted and transferred. The one-off charge of approximately RMB86 million (representing approximately 16.26% of the net profit of the Group based on the audited consolidated accounts of the Company for the year ended 31st December, 2005) will increase the Group’s wages and salaries expenses on the Grant Date.

The following diagram illustrates the shareholding structure of BYD Electronic immediately before the Transfer, assuming the transfer of the Tianjin Subsidiary and the Shenzhen Subsidiary to Lead Wealth has been completed:



LETTER FROM THE BOARD

The following diagram illustrates the shareholding structure of BYD Electronic immediately after the Transfer, assuming the transfer of the Tianjin Subsidiary and the Shenzhen Subsidiary to Lead Wealth has been completed:



The following table sets out the shareholding of BYD Electronic before and after the Transfer:

Registered holders of shares of BYD Electronic	Shareholding		Shareholding	
	No. of shares before the Transfer	percentage before the Transfer	No. of shares after the Transfer	percentage after the Transfer
Golden Link	1	100%	9,100	91%
Trustee <i>(Note)</i>	<u>0</u>	<u>0%</u>	<u>900</u>	<u>9%</u>
Total	<u><u>1</u></u>	<u><u>100%</u></u>	<u><u>10,000</u></u>	<u><u>100%</u></u>

Note: These shares of BYD Electronic are held by the Trustee for the benefit of the Participants.

On or before Completion, the Trustee and the Participants will enter into the Trust Deed. It is a term of the Deed of Gift that the Participants shall procure the Trustee to hold, administer and exercise all rights of a shareholder attaching to the Awarded Shares in such manner and in all respects according to the terms and conditions of the Trust Deed for a period no shorter than the Lock-up Period. Once the Awarded Shares are transferred to the Trustee under the Deed of Gift for the benefit of the Participants, the Company, Golden Link or any Subsidiary of the Company will cease to have any interest, right (i.e., title and ownership to the Awarded Shares, such as the rights to receive

LETTER FROM THE BOARD

dividend and to vote at shareholders' meetings) or control over the Awarded Shares or any obligations towards the Participants under the Deed of Gift. In case of inconsistencies between the terms of the Deed of Gift and the terms of the Trust Deed, in so far as the Company, Golden Link or other members of the Group are concerned, the terms of the Deed of Gift shall prevail.

BYD Electronic will remain a Subsidiary of the Company after the Transfer.

Conditions Precedent

Completion of the Transfer is conditional upon:

- (a) the execution of the Trust Deed, pursuant to which the Trustee is appointed by the Participants to hold the Awarded Shares for the benefit of the Participants;
- (b) the Independent Shareholders having approved by way of poll at the EGM: (i) the Transfer; and (ii) all other transactions contemplated under the Deed of Gift or arising as a result of Completion (if any);
- (c) the compliance of any other applicable requirements under the Listing Rules or otherwise of the Stock Exchange in relation to or arising out of the Transfer and all other transactions contemplated under the Deed of Gift, to the reasonable satisfaction of the Company;
- (d) the completion of the transfer of certain existing businesses and assets of the Group, namely, the Shenzhen Subsidiary and the Tianjin Subsidiary, to Lead Wealth; and
- (e) the completion of the registration by the Participants with the State Administration of Foreign Exchange in relation to the Transfer.

The conditions precedent set out above cannot be waived in any event.

If any of the conditions precedent set out above has not been fulfilled by the Long Stop Date, the Deed of Gift will thereupon become null and void ab initio and none of the parties thereto shall have any rights against any other party. As soon as practicable thereafter, the Company will make an announcement of the occurrence of such event.

Completion

Completion will take place on or before the tenth Business Day after all the conditions precedents set out above have been fulfilled, or such other date as the Company may otherwise decide, at the principal place of business of the Company in the PRC.

Non-disposal Undertaking

The Participants has represented, agreed and undertaken to the Company that, save and except for the establishment of the Trust, he or she shall not, and shall procure the Trustee not to, sell, transfer or otherwise dispose of (including the creation of any lien, pledge, charge, equities or other encumbrances over) any of his or her Awarded Shares or enter into any agreement to do so during the Lock-up Period.

LETTER FROM THE BOARD

The Participants will procure the Trustee to execute a non-disposal undertaking on the same terms as those set out above on Completion.

After expiry of the Lock-up Period, the restrictions mentioned above will cease to apply.

Administration of the Awarded Shares

Notwithstanding the non-disposal undertaking during the Lock-up Period, the Participants, as represented by the Trustee, will be entitled to exercise their voting rights attached to the Awarded Shares in accordance with the terms and conditions of the Trust Deed and will be entitled to receive dividend and other related income and distributions attributable to his or her Awarded Shares, including without limitation, any rights issue and scrip dividend. Nevertheless, any Share allotted and issued as a result of rights issue, scrip dividend or by way of other distributions will be allotted and issued to the Trustee for its holding for the benefit of the Participants. Shares so allotted and issued will not be subject to any non-disposal arrangement.

The Company, Golden Link or any other Subsidiary of the Company will not participate in or interfere with any matters concerning the operation and administration of the Trust and they are under no obligation to oversee the operation and administration of the Trust.

REASONS FOR AND BENEFIT OF THE TRANSFER

The Company intends to create a sense of ownership amongst the Participants and reward them for their past performance and contributions to the Group by way of the Transfer with the objective to further aligning the interests of the Participants with those of the Group. The Company believes that once the Participants acquire equity interests in BYD Electronic, it will be in the Participants' own interest, especially in light of the imposition of the Lock-up Period, to continue to work for the Group and that they will continue to optimise their performance and efficiency so as to maximize their equity return. In this connection, the Company considers that the Transfer can also serve the purpose of retaining high calibre employees for the continual operations and development of the Group.

Members of the senior management and full-time employees of core business divisions of the Group were eligible for selection by the Company for participation in the Transfer, but the Excluded Directors were not allowed to receive any Awarded Shares. The Board was delegated with the power and authority to identify the Participants and determine their respective entitlements based on their seniority in terms of years of employment with the Group and contribution to the Group. The decision of the Board was then submitted to the remuneration committee of the Company (with the majority of its members being independent non-executive Directors) for their final review.

As the Company is an H-Share company incorporated in the PRC, the implementation of a share option scheme at the Company level is not practicable taking into account the restrictions under current PRC laws and regulations for H-Share companies to have un-issued shares and the requirement to obtain PRC approvals for allotment and issue of new shares. In this connection, the Company considers that the Transfer is a practicable way for the Group to align the interests of its employees with those of the Group in the context of equity participation. The PRC legal advisers of the Company have confirmed that the Transfer is in compliance with the relevant PRC laws and regulations.

LETTER FROM THE BOARD

As several other Hong Kong listed companies engaged in high technology, electronic manufacturing or related business have adopted share-based incentive plans, the Board is of the view that it is of paramount importance for the Group to introduce a share-based award plan as soon as practicable within the current legal and regulatory constraints to which the Company is subject so as to retain high calibre employees for the continual operations and development of the Group. Currently, none of the Company or other members of the Group has adopted any share-based award plan or share-based incentive scheme for the benefit of the Group's employees.

The Directors believe that the Transfer and the terms of the Deed of Gift are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

Fair value of the Awarded Shares as at the Grant Date will be recorded as a one-off payment of the Company as wages and salaries for the financial year in which the Awarded Shares are granted and transferred. The one-off charge of approximately RMB86 million (representing approximately 16.26% of the net profit of the Group based on the audited consolidated accounts of the Company for the year ended 31st December, 2005) will increase the Group's wages and salaries expenses on the Grant Date.

BYD Electronic will continue to be a 91% owned Subsidiary of the Company after the Transfer and, accordingly, the financial results of BYD Electronic will continue to be consolidated to the accounts of the Company.

INFORMATION ON THE GROUP, GOLDEN LINK, BYD ELECTRONIC, LEAD WEALTH AND THE PARTICIPANTS

The principal activity of the Group is the design, manufacture and sales of rechargeable batteries, LCD and precise plastic parts and automobiles, battery-powered automobiles/ bicycles and auto-related moulds. Golden Link, BYD Electronic and Lead Wealth are all investment holding companies. The principal asset of Golden Link is its 100% interest in BYD Electronic and the principal asset of BYD Electronic is its 100% interest in Lead Wealth. Following the transfer of the Tianjin Subsidiary and the Shenzhen Subsidiary to Lead Wealth, the Tianjin Subsidiary and the Shenzhen Subsidiary will become the wholly owned Subsidiaries of Lead Wealth, and are expected to be the principal assets of Lead Wealth. The Tianjin Subsidiary is primarily engaged in handset assembly services whereas the Shenzhen Subsidiary is primarily engaged in the manufacture of handset mechanical parts and the provision of handset sub-assembly services.

The Participants include members of the senior management and full-time employees of core business divisions of the Group.

LETTER FROM THE BOARD

EXEMPTED CONNECTED TRANSACTIONS

As certain Participants are directors of the Subsidiaries of the Company and/or promoters of the Company holding in aggregate approximately 12.82% interest in the Company, they are connected persons of the Company within the meaning of the Listing Rules. As such, the Transfer constitutes a connected transaction or a series of connected transactions of the Company. Nevertheless, such connected transaction(s) are exempted from Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Pursuant to Rule 14A.32 of the Listing Rules, the Company is only required to disclose the Transfer by way of press announcement and include details of the Transfer in the Company's next published annual report and accounts. Notwithstanding the exemption offered by Rule 14A.32 of the Listing Rules, in order to let the Independent Shareholders have the opportunity to consider and, if thought fit, to approve the Transfer, the Company will convene the EGM and put forward the Transfer for the approval of the Independent Shareholders by way of poll at the EGM.

The Transfer does not fall within the scope of Chapter 17 of the Listing Rules, which applies to share option schemes, as it does not involve the grant of options over new shares or other new securities of the Company or its Subsidiaries. Accordingly, the Transfer is not subject to the requirements under Chapter 17 of the Listing Rules.

In light of the growth potential of the handset mechanical parts manufacturing business, the Company is reviewing its financing options for further development of such line of business, including the potential separate listing of such business and the related assets on the Stock Exchange or other recognised stock exchange of international repute. Nevertheless, at present, no final decision has been made. The Company will comply with all applicable requirements of the Listing Rules for the implementation of any of its development plan.

CHANGE OF AUDITORS

PWC has resigned as auditors of the Company with effect from 12th September, 2006 and the Board proposes to appoint E&Y as the auditors of the Company to fill the casual vacancy following the resignation of PWC as auditors of the Company, and to hold office until the conclusion of the next annual general meeting of the Company.

The resignation was due to the fact that PWC and the Company have failed to reach consensus on the fee arrangements regarding the 2006 annual audit services. PWC confirmed that there were no circumstances connected with their resignation which they considered should be brought to the attention of the shareholders or creditors of the Company. The Board confirmed that there are no circumstances in respect of the change of auditors which should be brought to the attention of the Shareholders. The Board and the audit committee of the Company also confirmed that there is no disagreement between PWC and the Board on anything unusual or unresolved regarding the resignation of PWC. The proposed change of auditors is not the result of any disagreement between the Company and PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Pursuant to the Articles of Association, the appointment of E&Y as the auditors of the Company will be subject to the approval by the Shareholders.

LETTER FROM THE BOARD

THE EGM

A notice convening the EGM is set out on pages 49 to 51 of this circular for the purpose of considering and, if thought fit, to approve the Transfer and the change of auditors.

The Transfer is subject to the approval of the Independent Shareholders at the EGM and the change of auditors of the Company is subject to the approval of the Shareholders at the EGM, the voting of both resolutions will be taken by way of poll.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, the H Share registrar and transfer office of the Company, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The Excluded Directors, who are also Shareholders, will be entitled to vote at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto on the basis that neither any of them nor any of their respective associates is entitled to receive any Awarded Shares or interest therein or rights thereto pursuant to the Transfer and hence have no interest in the Transfer.

The Participants who are also directors of the Subsidiaries of the Company and/or promoters of the Company, and their respective associates, being connected persons of the Company interested in the Transfer, will abstain from voting at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto. No other persons are required to abstain from voting at the EGM in respect of such resolution.

All Shareholders are entitled to vote at the EGM on the resolutions approving the change of auditors and no person is required to abstain from voting at the EGM in respect of such resolution.

CLOSURE OF REGISTERS OF SHAREHOLDERS

The registers of shareholders of the Company will be closed from 30th December, 2006 to 30th January, 2007 (both days inclusive) during which no transfer of Shares will be registered. In order to qualify to vote at the EGM, all transfers of H Shares, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 29th December, 2006.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL AT THE EGM

Pursuant to the Articles of Association, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless a poll is demanded by any of the following persons before (or after) any vote by a show of hand:

- (a) the chairman of the meeting; or
- (b) at least two Shareholders entitled to vote present in person or by proxy; or
- (c) one or more Shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting.

The approval in relation to the Deed of Gift and the change of auditors to be sought from the Independent Shareholders at the EGM will be taken by poll at the EGM.

RECOMMENDATION

The Directors believe that the Transfer and the appointment of E&Y as the auditors of the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Transfer and the appointment.

An Independent Board Committee comprising all the independent non-executive Directors has been appointed to consider the Transfer. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Transfer. Your attention is drawn to (i) the letter of advice from the Independent Board Committee setting out its advice to the Independent Shareholders in relation to the Transfer and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transfer.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
the Board of Directors
WANG Chuan-fu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in relation to the Transfer:



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)

15th December, 2006

To the Independent Shareholders

Dear Sir or Madam,

EXEMPTED CONNECTED TRANSACTION RELATING TO THE TRANSFER OF A 9% INTEREST IN A SUBSIDIARY BY WAY OF GIFT TO CERTAIN EMPLOYEES PURSUANT TO A ONE-OFF SHARE AWARD PLAN

We refer to the circular of the Company dated 15th December, 2006 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the Transfer. Vision Finance (Capital) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 17 to 34 of the Circular.

Having considered the terms of the Deed of Gift and the advice of Vision Finance (Capital) Limited in relation thereto, we are of the opinion that the Transfer is fair and reasonable in so far as the Company and the Independent Shareholders are concerned, and the Transfer is in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Transfer.

Yours faithfully,
Independent Board Committee

Mr. Li Guo-xun

Mr. Kan Dian

Mr. Lin You-ren

Independent Non-executive Directors

LETTER FROM VISION FINANCE CAPITAL

The following is the text of the letter of advice from Vision Finance Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular:



匯金（資本）有限公司
Vision Finance (Capital) Limited

Vision Finance (Capital) Limited
Suite 3206, 32/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

15 December 2006

BYD Company Limited

Yan An Road
Kuichong
Longgang District
Shenzhen
Guangdong Province
The PRC

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

EXEMPTED CONNECTED TRANSACTION RELATING TO THE TRANSFER OF A 9% INTEREST IN A SUBSIDIARY BY WAY OF GIFT TO CERTAIN EMPLOYEES PURSUANT TO A ONE-OFF SHARE AWARD PLAN

INTRODUCTION

We refer to our appointment to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Deed of Gift and the Transfer, details of which are set out in the letter from the Board (the “Letter from the Board”) in the circular of the Company to the Shareholders dated 15 December 2006 (the “Circular”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Deed of Gift are fair and reasonable so far as the Independent Shareholders are concerned and the Transfer is in the interests of the Company and the Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise defined herein.

On 24 November 2006, the Company entered into the Deed of Gift with Golden Link and the Participants, pursuant to which the Company has agreed to procure Golden Link to transfer, and Golden Link has agreed to transfer, by way of gift, the entire beneficial interest in the Awarded Shares

to the Trustee for the benefit of the Participants. The Awarded Shares will be transferred to and held by the Trustee on trust for the Participants. The Participants are members of the senior management and full-time employees of core business divisions of the Group. As certain Participants are directors of the Subsidiaries of the Company and/or promoters of the Company holding in aggregate approximately 12.82% interest in the Company, they are connected persons of the Company within the meaning of the Listing Rules. As such, the Transfer constitutes a connected transaction or a series of connected transactions of the Company. Nevertheless, such connected transaction(s) are exempted from Independent Shareholders' approval requirement under Rule 14A.32 of the Listing Rules. Pursuant to Rule 14A.32 of the Listing Rules, the Company is only required to disclose the Transfer by way of press announcement and include details of the Transfer in the Company's next published annual report and accounts. Notwithstanding the exemption offered by Rule 14A.32 of the Listing Rules, in order to let the Independent Shareholders have the opportunity to consider and, if thought fit, to approve the Transfer, the Company will convene the EGM and put forward the Transfer for the approval of the Independent Shareholders by way of poll at the EGM.

The Excluded Directors who are also Shareholders will be entitled to vote at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto, as neither any of them nor any of their respective associates is entitled to receive any Awarded Shares or interest therein or rights thereto pursuant to the Transfer and hence have no interest in the Transfer. The Participants who are also directors of the Subsidiaries of the Company and/or promoters of the Company, and their respective associates, being connected persons of the Company interested in the Transfer, will abstain from voting at the EGM in respect of the resolution approving the Transfer and all other matters relating thereto. No other persons are required to abstain from voting at the EGM in respect of such resolution.

An independent committee of the Board, comprising Mr. Li Guo-xun, Mr. Kang Dian and Mr. Lin You-ren who are independent non-executive Directors, has been formed to make recommendations to the Independent Shareholders as regards the terms of the Deed of Gift and the Transfer. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

Vision Finance Capital is not connected with the promoters, directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates and is independent pursuant to Rule 13.84 of the Listing Rules and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to Vision Finance Capital in connection with this appointment, no arrangement exists whereby Vision Finance Capital will receive any fees or benefits from the Company or the promoters, directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our advice and recommendation, we have relied on the accuracy of the information and facts supplied, and the opinions expressed, by the Company, its Directors and its management to us. We have also assumed that all statements of belief and intention made by the Directors in the Circular were reasonably made after due enquiry. We have assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true as at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group (including Golden Link, BYD Electronic, Lead Wealth, the Shenzhen Subsidiary and the Tianjin Subsidiary) nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transfer, we have considered the following principal factors and reasons:

1. **Background of and reasons for the Transfer**

(i) *Background of the Transfer*

The current principal activity of the Group is the design, manufacture and sales of rechargeable batteries, LCD and precise plastic parts and automobiles, battery-powered automobiles/bicycles and auto-related moulds. As the Group is engaged in high technology business which is highly competitive, the Board is of the view that in order to recognise the loyalty and past contributions of key senior management members and to give long term incentive to retain these high calibre employees for the continual operation and development of the Group, it is of paramount importance for the Group to introduce a share-based award plan as soon as practicable within the current legal and regulatory constraints to which the Company is subject. Currently, none of the Company or other members of the Group has adopted any share-based award plan or share-based incentive scheme for the benefit of the Group's employees. In this connection, on 24 November 2006, the Company entered into the Deed of Gift with Golden Link and the Participants pursuant to which the Company has agreed to procure Golden Link to transfer, and Golden Link has agreed to transfer, by way of gift, the entire beneficial interest in the Awarded Shares to the Trustee for the benefit of the Participants. The Awarded Shares will be transferred to and held by the Trustee on trust for the Participants.

(ii) *Reasons for the Transfer*

(a) *Current restrictions imposed by PRC laws and regulations*

The Company is a H-Share company incorporated in the PRC, therefore the implementation of a share option scheme at the Company level is not practicable taking into account the restrictions under current PRC laws and regulations for H-Share companies to have un-issued shares and the requirement to obtain PRC approvals for allotment and issue of new shares. In light of this, the Company considers that the Transfer by way of gift pursuant to the Deed of Gift is an appropriate alternative means to reward the Participants for their loyalty and past contributions to the success of the Group and also to motivate them for continual development of the Group, and hence, in the view of the Directors, the Transfer is in the interests of the Company. Moreover, as confirmed by the legal advisers of the Company as to PRC laws, the Transfer is in compliance with the relevant PRC laws and regulations.

(b) *Competitive environment in the industry in which the Group operates*

As stated in the Company's 2005 annual report, we understand that the Group had encountered unprecedented challenges from high competition in the industry during the year. In particular, the Group's core battery business was hampered by domestic handset providers' significant loss of market share to their foreign counterparts. In 2005, the Group's battery business accounted for approximately 59% of its total turnover as compared to approximately 78% in the previous year. Nevertheless, the Group's handset component business had been developing into a revenue growth driver in 2005, which accounted for approximately 29% of the total turnover of the Group as compared to approximately 15% in the previous year. During 2005, the Group's handset component business (comprising manufacturing and sales of LCD and other handset components) increased by approximately 102.9% and approximately 137.4% in terms of turnover and operating profit, respectively, as compared to the previous year. The Directors expect the handset component business to be another growth driver of the Group in the near future.

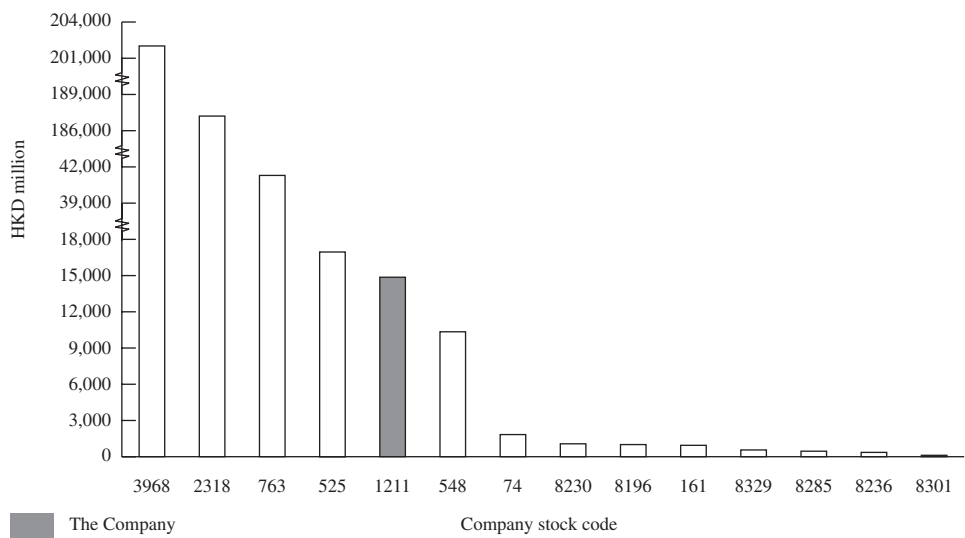
In addition to the abovementioned business challenges encountered by the Group, we also consider the rapidly growing PRC economy with a growth rate of approximately 10% over the last three years, in part fuelled by international firms trying to gain access to the PRC's enormous domestic market, have lead to a rush of companies, particularly from manufacturing industries, establishing and expanding operations in the PRC. This, in turn, has added to the need for a broader base of management experience, thus driving up competition for high calibre candidates and creating a market where companies eager to attract and retain the high calibre senior management members. In the wake of this competitive environment, we agree with the Directors' view that the ability to motivate and retain key senior management staff for the continual operation and development of the Group is significant to its future success.

(c) *Existing uncompetitive compensation package*

Our discussions with the management of the Company suggested that the salary level of certain senior management members of the Group may not be representative of other H-Share companies listed in Hong Kong and companies listed in Shenzhen.

We have reviewed all H-Share companies (including the Company) listed on the Stock Exchange with principal place of business in Shenzhen. As at 6 December 2006 (being the latest practicable date for the purpose of illustration of the following graphs), we identified 14 H-Share companies (including the Company) that fit this selection criteria and noted that the Company had a market capitalisation of approximately HK\$14.9 billion which ranked the fifth among these companies as illustrated in Graph 1 below.

Comparison of market capitalisation of the 14 H-Share companies as at 6 December 2006



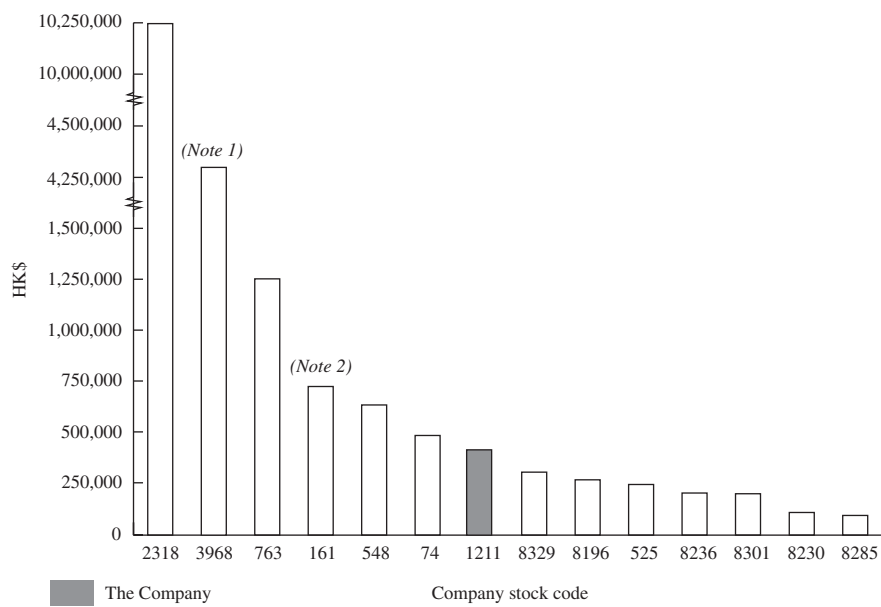
Graph 1

Source: Bloomberg

LETTER FROM VISION FINANCE CAPITAL

Based on the information provided by the Company, we compared the Company’s average annual emolument of its five highest paid non-director senior management with the average annual emolument of the non-director senior management of each of the other 13 H-Share companies (based on information on the five highest paid individuals contained in their respective 2005 annual reports), we noted that the Company ranked the seventh among these companies as illustrated in Graph 2 below.

Comparison of average annual emolument of non-director senior management of the 14 H-Share companies



Graph 2

Source: 2005 annual report (unless otherwise specified in Note 1 below)

Notes:

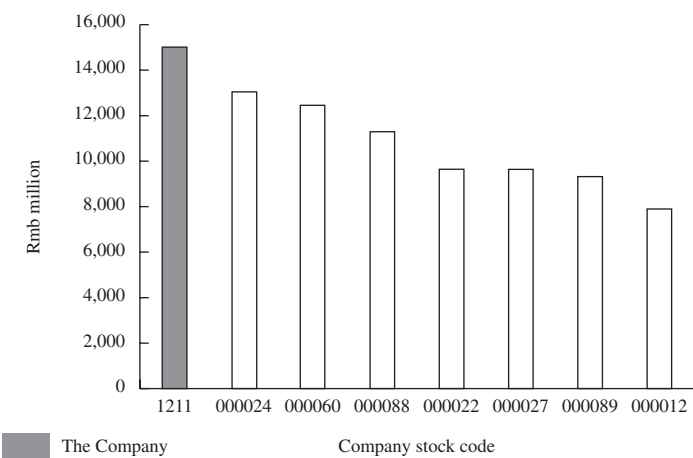
- 1. The calculation, which is based on the information set out in the accountants’ report in the prospectus of the company dated 8 September 2006, includes annual remuneration of two directors as separate disclosure on annual remuneration of non-director senior management is not available.
- 2. All of the five highest paid individuals disclosed are directors.

In order to obtain better understanding of the relative level of the remuneration of the Company’s senior management and other companies in Shenzhen, we reviewed all the companies with their principal place of business in Shenzhen and their shares listed on the Shenzhen Stock Exchange. As at 6 December 2006, we identified seven companies that fit into our selection criteria that are i) the principal place of business of the companies are in Shenzhen where the headquarters of the Company is also located; ii) the shares of the companies are listed on the Shenzhen Stock Exchange and the information on non-director senior management’s remuneration is publicly available; iii) the company has a market capitalisation in a range between RMB7.5 billion (which is about half of the Company’s market capitalisation as at 6 December 2006) and RMB15.0 billion (which was the Company’s

market capitalisation as at 6 December 2006). We chose this range because we consider that i) the level of remuneration in general correlates with the level of accepted responsibility and that senior management of larger companies in terms of market capitalisation usually takes on more responsibility than smaller companies; and ii) selecting companies with too large or too small company size than the Company in terms of market capitalisation will not result in effective comparison for our analysis.

Based on the information provided by the Company and the publicly available information in the respective 2005 annual reports of the abovementioned seven companies regarding annual emolument of non-director senior management, we noted that despite the fact that the Company has the largest market capitalisation as compared to the other seven companies as illustrated in Graph 3 below, the Company’s average annual emolument level of its non-director senior management falls within the low end of the average annual emolument level of the non-director senior management of these seven companies as illustrated in Graph 4 below.

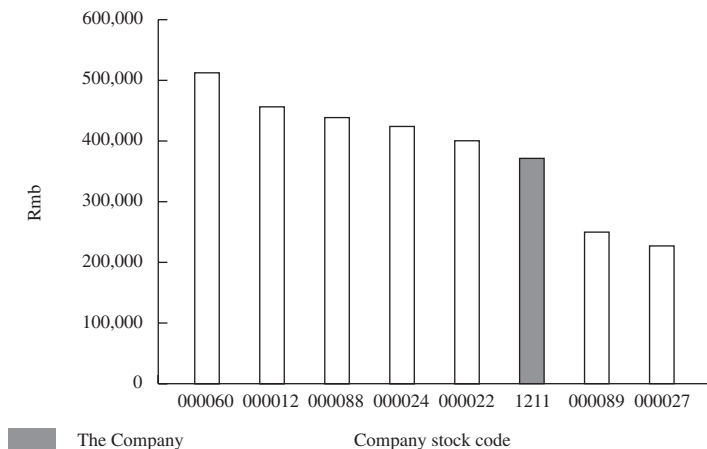
Comparison of market capitalisation of the Company and the seven Shenzhen-based companies listed on the Shenzhen Stock Exchange as at 6 December 2006



Graph 3

Source: Bloomberg

Comparison of average annual emolument of non-director senior management of the Company and the seven Shenzhen-based companies listed on the Shenzhen Stock Exchange



Graph 4

Source: 2005 annual report

In light of the above analysis, we concur with the Board that it is imminent for the Company to establish employee incentive scheme such as the share award plan contemplated under the Deed of Gift to its eligible senior management members in order to bring the Company to a more competitive level in the industry.

Having considered the above factors, we agree with the Board that the Transfer of the Awarded Shares by way of gift enables the Company to create a sense of ownership amongst the Participants and also to reward them for their past performance and contributions to the success of the Group with the objective to further aligning their interests with those of the Group in the context of equity participation. Apart from the above, we are also of the view that the Transfer can serve the purpose of retaining high calibre employees for the continual operations and development of the Group.

2. Principal terms of the Deed of Gift

(i) *Conditions precedent to the Transfer*

Completion of the Transfer is conditional upon the following conditions being fulfilled by the Company on or before the Long Stop Date:

- the execution of the Trust Deed, pursuant to which the Trustee is appointed by the Participants to hold the Awarded Shares for the benefit of the Participants;
- the Independent Shareholders having approved by way of poll at the EGM (i) the Transfer; and (ii) all other transactions contemplated under the Deed of Gift or arising as a result of Completion (if any);

- (c) the compliance of any other applicable requirements under the Listing Rules or otherwise of the Stock Exchange in relation to or arising out of the Transfer and all other transactions contemplated under the Deed of Gift, to the reasonable satisfaction of the Company;
- (d) the completion of the transfer of certain existing businesses and assets of the Group, namely, the Shenzhen Subsidiary and the Tianjin Subsidiary, to Lead Wealth; and
- (e) the completion of the registration by the Participants with the State Administration of Foreign Exchange in relation to the Transfer.

The conditions precedent set out above cannot be waived in any event. If any of these conditions precedent has not been fulfilled by the Long Stop Date, the Deed of Gift will thereupon become null and void ab initio and none of the parties thereto shall have any rights against any other party. As soon as practicable thereafter, the Company will make an announcement of the occurrence of such event as applicable.

We have been advised by the Directors that none of the conditions precedent set out above have been fulfilled as at the Latest Practicable Date.

(ii) *Eligibility of participants and entitlement to the Awarded Shares*

As advised by the Directors, members of the senior management and full-time employees of core business divisions of the Group (who are the key drivers for the Group's performance and success) are eligible for selection by the Company for participation in the share award plan contemplated under the Deed of Gift, but the Excluded Directors are not allowed to receive any Awarded Shares. The Board was delegated with the power and authority to identify the qualified participants and determine their respective entitlement to the Awarded Shares based on their seniority in terms of years of employment with the Group and their contribution to the success of the Group. According to the Company, the qualified participants were identified by the Board based on the aforementioned criteria and this selection decision of the Board was then submitted to and reviewed by the remuneration committee of the Company (comprising two executive Directors and three independent non-executive Directors).

Pursuant to the Deed of Gift, the Awarded Shares were offered by the Company to the Participants being 35 individuals who are members of the senior management and full-time employees of core business divisions of the Group. As advised by the Directors, the Participants had contributed significantly to the Group's past development and are key drivers for the future success of the Group. Of the 35 individuals, 23 individuals are promoters of the Company and seven of these promoters are also directors of the Subsidiaries of the Company. Upon the Transfer, these 23 promoters of the Company will be entitled to hold an aggregate of 6.44% of the total issued shares of BYD Electronic. As at the Latest Practicable Date, the Participants held in aggregate approximately 12.82% equity interest in the Company.

As part of our due diligence exercise, we have interviewed and discussed with selected Participants. From our discussions with them, we noted they are senior management members who had served the Group for at least eight years. We were also informed that they believed their remuneration package were relatively less competitive in today's business environment in Shenzhen, nevertheless,

they were confident of the Group's current intention on the direction and objectives for the future development of handset component manufacturing and assembly business, and are of the view that the share award plan is definitely an incentive to them to continuously work for the Group and to optimise their performance and efficiency with an aim to maximising their equity return underlying the Awarded Shares to be entitled by them.

We also consider the fact that the Excluded Directors are not entitled to participate in the share award plan contemplated under the Deed of Gift, thus the impartiality of the Directors in the determination of the Participants and their respective entitlements is ensured.

Taking into consideration of the above, we are of the view that the eligibility of the Participants and their respective entitlement to the Awarded Shares pursuant to the share award plan contemplated under the Deed of Gift is well established and is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

(iii) *Non-disposal undertaking*

As advised by the Directors, although no vesting period or vesting conditions will be imposed on the vesting of the Awarded Shares in the relevant Participants, pursuant to the Deed of Gift, the Awarded Shares are subject to the Lock-up Period whereby each of the Participants has irrevocably and unconditionally represented, agreed and undertaken to the Company that, save and except for the establishment of the Trust, he or she shall not, and shall procure the Trustee not to sell, transfer or otherwise dispose of (including the creation of any lien, pledge, charge, equities or other encumbrances over) any of his or her Awarded Shares or enter into any agreement to do so during the Lock-up Period, being five years from (and inclusive of) the Acquisition Date. The Participants will procure the Trustee to execute a non-disposal undertaking on the same terms as those undertaken by the Participants on Completion. After expiry of the Lock-up Period, the restrictions mentioned above shall cease to apply.

As stated in the Letter from the Board, the Company considers that once the Participants acquire equity interests in BYD Electronic, it will be in the Participants' own interest, especially in light of the imposition of the Lock-up Period, to continue to work for the Group and that they will continue to optimise their performance and efficiency so as to maximise their equity return underlying the Awarded Shares. In this connection, the Company considers that the Transfer can serve the purpose of retaining high calibre employees for the continual operations and development of the Group.

In light of the above, we concur with the Directors' view and are of the view that non-disposal undertaking given by the Participants is in the interests of the Company and its Independent Shareholders as a whole.

(iv) *Administration of the Awarded Shares*

As stated in the Letter of the Board, a Trustee, which will be appointed by the Participants, will be a professional trustee independent of and not connected with the Company or any of its connected persons, and the Trustee and the Participants will enter into the Trust Deed on or before Completion. It is a term of the Deed of Gift that the Participants shall procure the Trustee to hold, administer and

exercise all rights of a shareholder attaching to the Awarded Shares in such manner and in all respects according to the terms and conditions of the Trust Deed for a period no shorter than the Lock-up Period. Once the Awarded Shares are transferred to the Trustee under the Deed of Gift for the benefit of the Participants, the Company, Golden Link or any Subsidiary of the Company will cease to have any interest, right (i.e., title and ownership to the Awarded Shares, such as the rights to receive dividend and to vote at shareholders' meetings) or control over the Awarded Shares or any obligations towards the Participants under the Deed of Gift. In case of inconsistencies between the terms of the Deed of Gift and the terms of the Trust Deed, in so far as the Company, Golden Link or other members of the Group are concerned, the terms of the Deed of Gift shall prevail.

Despite the non-disposal undertaking during the Lock-up Period, the Participants, as represented by the Trustee, will be entitled to exercise their voting rights attached to the Awarded Shares in accordance with the terms and conditions of the Trust Deed and will be entitled to receive dividend and other related income and distributions attributable to his or her Awarded Shares, including without limitation, any rights issue and scrip dividend. Nevertheless, any Share allotted and issued as a result of rights issue, scrip dividend or by way of other distributions will be allotted and issued to the Trustee for its holding for the benefit of the Participants. Shares so allotted and issued will not be subject to any non-disposal arrangement.

Notwithstanding that it is the Company's initiative to put into place the above trust arrangement for the benefit of the Participants and the Group as a whole, once the Awarded Shares are transferred to the Trustee in its capacity as a trustee of the Participants, the Company, Golden Link or any other Subsidiary of the Company shall not participate in or interfere with any matters concerning the operation and administration of the Trust and they are under no obligation to oversee the operation and administration of the Trust.

We are of the view that the establishment of the trust arrangement and appointment of the Trustee will not only facilitate the Participants in the management and administration of their respective Awarded Shares under the Deed of Gift so that they can focus on the performance of their duties towards the Group, but also help to alleviate any burden on the Group in terms of administrative matters in connection with the Awarded Shares. Further, we are also of the view that the trust arrangement will ensure the Participants' compliance of lock-up undertaking under the Deed of Gift.

(v) ***Tax***

Pursuant to the Deed of Gift, the Participants shall pay all registration or other like duties or taxes (including all deductions or withholdings for taxes payable by the Company or any of its Subsidiaries under the laws of the relevant jurisdiction) imposed on or in connection with the Transfer and shall indemnify the Company or any of its Subsidiaries against any and all liability arising by reason of any delay or omission by the Participants to pay such duties or taxes. In light of this, we are of the view that the Transfer will not cause to result any additional tax and/or duty liabilities to the Group.

3. Corporate restructuring and potential of spin-off option

Pursuant to the Deed of Gift, it is one of the conditions precedent to the Transfer that the Group shall undergo and complete an internal restructuring whereby the Company will transfer certain existing businesses and assets of the Group concerning the manufacture of handset mechanical parts and the provision of related handset assembly services, namely, the Shenzhen Subsidiary and the Tianjin Subsidiary, to Lead Wealth before Completion. As stated in the Letter of the Board, given the business in relation to the manufacture of handset mechanical parts has grown rapidly in recent years, the Directors consider that grouping such business and the related handset assembly business under a sub-group of separate legal entities within the Group will enhance and increase management efficiency and will also enable the Company to better capture the rapid growth potential of the handset manufacturing industry. We concur with the Directors' view that the proposed internal restructuring helps to rationalise the operating structure of the Group and are of the view that the Group's restructuring will make the share award plan contemplated under the Deed of Gift more meaningful to the Participants.

As stated in the Letter from the Board, the Company has indeed been considering other financial options for further development of its growing handset component manufacturing and assembly business, including potential separate listing of such business and related assets on the Stock Exchange or other recognised stock exchange of international repute, however, no final decision has been made by the Company as at the Latest Practicable Date. We noted that the potential spin-off option is not a condition for the adoption and implementation of the share award plan contemplated under the Deed of Gift and we were advised by the Directors that the Company intends to proceed with the Transfer irrespective of its final decision on the potential spin-off option.

We also noted that it is not a requirement for the Participants to remain employed or engaged by the Group during the Lock-up Period. Nevertheless, having considered the Participants' past dedication to the Group and the potential upside of the handset component manufacturing and assembly business underlying Lead Wealth, we concur with the Directors' view that the Transfer by way of gift will encourage the Participants to remain with the Group and to continue to optimise their performance and efficiency.

4. Information on Golden Link, BYD Electronic, Lead Wealth, the Shenzhen Subsidiary and the Tianjin Subsidiary

Golden Link, BYD Electronic and Lead Wealth are all investment holding companies with no operating business and assets. The principal asset of Golden Link is its 100% interest in BYD Electronic and the principal asset of BYD Electronic is its 100% interest in Lead Wealth. Following the transfer of the Shenzhen Subsidiary and the Tianjin Subsidiary to Lead Wealth, the Shenzhen Subsidiary and the Tianjin Subsidiary will become the wholly owned Subsidiaries of Lead Wealth, and are expected to be the principal assets of Lead Wealth. Prior to the transfer of the Shenzhen Subsidiary and the Tianjin Subsidiary to Lead Wealth, each of the Shenzhen Subsidiary and the Tianjin Subsidiary is wholly owned by BYD (H.K.) Co., Limited, an indirect wholly own subsidiary of the Company.

The Shenzhen Subsidiary was incorporated in the PRC with limited liability on 10 January 2003 and is principally engaged in the manufacture of handset mechanical parts such as housings and key pads, and the provision of handset sub-assembly services. The principal customers include Nokia, BenQ, Simens, Kyocera and other domestic handset manufacturers. Based on the unaudited combined results of the Shenzhen Subsidiary provided by the Company, its unaudited profits after tax for the three years ended 31 December 2005 amounted to approximately RMB28.9 million (equivalent to approximately HK\$28.6 million), RMB53.3 million (equivalent to approximately HK\$52.8 million) and RMB43.9 million (equivalent to approximately HK\$43.5 million), respectively.

The Tianjin Subsidiary was incorporated in the PRC with limited liability on 6 June 2006. The Tianjin Subsidiary commenced business operation in October 2006 and is primarily engaged in handset assembly services.

5. Valuation of the Awarded Shares

Pursuant to the Deed of Gift, the Awarded Shares shall represent 9% of the total issued share capital of BYD Electronic, which will solely hold, through Lead Wealth, the business and assets of the Shenzhen Subsidiary and the Tianjin Subsidiary upon completion of the transfer of the Shenzhen Subsidiary and the Tianjin Subsidiary to Lead Wealth.

(i) *Valuation methodology*

We were advised by Savills Valuation and Professional Services Limited (“Savills”), an independent valuer, that for determining the market value of the Awarded Shares, they had considered three accepted appraisal approaches, namely, market approach, cost approach and income approach, and based on the assumption that the transfer of the entire equity interest in the Shenzhen Subsidiary and the Tianjin Subsidiary to Lead Wealth had been completed since 2003.

We noted that in determining the market value of the Awarded Shares, Savills had adopted the market approach after having considered both the income approach and the cost approach not appropriate because (i) no profit forecast of the Company and its Subsidiaries was provided by the Company for adoption of income approach; and (ii) the cost approach ignores the economic benefits of ownership of the business. For the valuation of the Tianjin Subsidiary, in view of the fact that the Tianjin Subsidiary had not commenced business as at the Valuation Date, the market value of the Tianjin Subsidiary as at the Valuation Date was exactly equal to its net asset value, which represents the amount of cash taken to be held by the Tianjin Subsidiary as at the Valuation Date, that is approximately RMB125 million. Whilst for the valuation of the Shenzhen Subsidiary, Savills has adopted the market approach by using the price/earning (“P/E”) multiple methodology and the price/earnings before depreciation, interest, tax and amortisation (“P/EBDITA”) multiple methodology. Under this methodology, the market value of the Shenzhen Subsidiary is determined by multiplying its net income and earnings before depreciation, interest, tax and amortisation to a multiplier, namely, P/E multiple and P/EBDITA multiple, respectively, after giving regard to the risks and nature of the business of the Shenzhen Subsidiary. In estimating the appropriate P/E and P/EBDITA multiples, Savills had made reference to the historical operating results of certain companies of similar business nature and whose ownership interests are publicly traded. As advised by Savills, relevant comparable companies listed on the stock exchanges of other countries were identified based on the selection criteria which are (i) the comparable company’s principal business

must be the manufacture of plastic cover/key pad of mobile phone; and (ii) the information of the comparable company must be publicly available. We noted that the three companies selected by Savills are all engaged in the manufacture of plastic cover and/or key pad of mobile phones which are also the principal handset mechanical parts produced by the Shenzhen Subsidiary. Further, they are all public listed companies with most of their corporate information publicly available. Based on our own research, we concur with Savills' view that there is no Hong Kong listed company whose principal line of business is the manufacture of plastic cover and/or key pad of mobile phones, and that a Hong Kong listed company which does not solely engage in such business may not be good comparables.

We also concur with Savills that (i) the determination of the market value of the Tianjin Subsidiary based on the amount of cash taken to be held by it as at the Valuation Date, that is, the capital contribution amount injected by the equity holder of the Tianjin Subsidiary in July 2006, is reasonable given that the Tianjin Subsidiary did not commence business as at the Valuation Date; (ii) the adoption of the P/E and P/EBDITA multiple methodology for valuation of the Shenzhen Subsidiary serves a better indicator over the other two approaches, namely, the income approach and the cost approach.

(ii) *Bases and assumptions for the valuation*

We were advised by Savills that for the valuation of the Shenzhen Subsidiary, adjustment was made to the P/E and P/EBDITA multiples of comparable companies after taking into account (i) the size of the Shenzhen Subsidiary relative to the comparables; (ii) the nature and potential growth of the Shenzhen Subsidiary relative to the comparables; and (iii) the product diversification of the Shenzhen Subsidiary relative to the comparables. In addition to the adjustment, Savills had also applied a discount to the valuation of the Shenzhen Subsidiary for the lack of marketability of its issued shares after taking into consideration of (i) the operations of the Shenzhen Subsidiary; and (ii) the fierce competition in the market.

We have reviewed industry information in respect of the PRC handset component market on public domain and are of the view that the Shenzhen Subsidiary is expected to benefit from (i) the huge growth potential of the PRC economy in general; and (ii) the intense competitiveness of global handset manufacturers which encourages outsourcing of handset component manufacturing work to quality manufacturers in the PRC. In light of these, we consider that the basis upon which Savills arrived at the P/E and P/EBDITA multiples for the purpose of valuation of the Shenzhen Subsidiary are appropriate.

The valuation is made on the assumptions, amongst others, that (i) the Company's group structure as at the Valuation Date had been in existence since 2003; (ii) the unaudited data contained in the unaudited combined results of the Shenzhen Subsidiary for each of the three years ended 31 December 2005 and for the six months ended 30 June 2006 prepared in accordance with PRC Generally Accepted Accounting Principles will not differ materially from the Accounting Standards adopted by the comparables (which are listed companies in Taiwan and Germany) in the preparation of their respective audited financial statements; (iii) the business of manufacturing handset plastic components had been assumed by the Shenzhen Subsidiary since 2003 and thus the valuation of the Shenzhen Subsidiary had taken into consideration of the unaudited combined results for each of the three years ended 31 December 2005, which showed the unaudited profits after tax of approximately RMB28.9 million, approximately RMB53.3 million and approximately RMB43.9 million,

respectively, and the unaudited earnings before depreciation, interest, tax and amortisation of approximately RMB52 million, RMB82 million and RMB93 million, respectively; (iv) no audited accounts for the six months ended 30 June 2006 was provided by the Company; (v) the unaudited management accounts of the Shenzhen Subsidiary for the six months ended 30 June 2006 (which are subject to adjustments on or after the year end date) provided by the Company showed a significant growth in net profit and Savills cannot preclude the possibility that a significant portion of such increase in profit may not be sustainable for the whole of 2006; and (vi) the market value of the Shenzhen Subsidiary may subject to change if any subsequent audited accounts of the Shenzhen Subsidiary reveal a greater growth in profit than that shown in its management accounts for the six months ended 30 June 2006 provided by the Company.

During our discussions with Savills, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the valuation methodology, and bases and assumptions used in arriving at their valuation.

(iii) *Market value of the Awarded Shares*

As set out in the Letter from the Board, following the Group's restructuring exercise, it is expected that the Awarded Shares, representing 9% of the total issued share capital of BYD Electronic, will have a total cash value of not less than RMB86.0 million (equivalent to approximately HK\$85.1 million) which is determined with reference to the appraised value of the businesses and assets of the Shenzhen Subsidiary and the Tianjin Subsidiary as at the Valuation Date, as reported in the business valuation report issued by Savills. Based on the unaudited management accounts of the Shenzhen Subsidiary as at 30 June 2006 provided by the Company, the unaudited net asset value of the Shenzhen Subsidiary was approximately RMB446.7 million, hence the 9% interest thereof represents a net asset value of approximately RMB40.2 million (equivalent to approximately HK\$39.8 million). The Tianjin Subsidiary had zero net asset value balance as at 30 June 2006 since it had not commenced business as at the Valuation Date. A capital amount of approximately RMB125 million was injected to the Tianjin Subsidiary in July 2006, and hence the 9% interest thereof represents a value of approximately RMB11.3 million (equivalent to approximately HK\$11.2 million).

As stated in the Letter of the Board, the selection of qualified Participants and the determination of their respective entitlement to the Awarded Shares are decided by the Board having regard to their seniority in terms of years of employment with the Group and their contribution to the success of the Group. We noted that these Participants had worked for the Group for an average of eight years. Taking into account the average eight years of employment, the average award per Participant is approximately RMB312,500 per year. Further, we also concur with the Directors' view that it is the Participants' interest to continue to dedicate to the Group and to optimise their performance and efficiency so as to maximise their equity return underlying the Awarded Shares upon expiry of the five-year Lock-up Period. Having considered this extended period, the average award per Participant is approximately RMB192,300 per year.

In light of the above, we concur with the Directors' view that the potential awards underlying the Awarded Shares to be granted to the Participants are reasonable so far as the Company and the Independent Shareholders are concerned.

6. No dilution of Independent Shareholders' holdings in the Company

As no new Shares of the Company will be issued as a result of the Transfer, it will not result in any dilution to Independent Shareholders' holdings in the Company. Nevertheless, the interest in the Shenzhen Subsidiary and the Tianjin Subsidiary attributable to the Company will be reduced by 9% as a result of the Transfer. We consider that this minority interest dilution as a result of the Transfer is identical to all Shareholders. Further, as opined by the Directors, the future growth potential in the Group's handset component manufacturing and assembly business will be greatly enhanced by the continual dedication and support by the Participants, the effect of which will very well compensate the effect of the dilution by minority interests. Accordingly, we are of the view that the Transfer is in the interests of the Company and its Independent Shareholders as a whole.

7. Cash preservation

This share award plan contemplated under the Transfer by way of gift proposed by the Company, unlike any other cash compensation scheme, serves the purpose of preserving cash for the Company. On this basis, we consider that the Transfer is in the interests of the Company and its Independent Shareholders as a whole.

8. Financial impacts of the Transfer on the Group

As advised by the Company, the Awarded Shares to be transferred to the Trustee to hold for and on behalf of the Participants will be taken to be a remuneration in the form of shares to the relevant Participants. Accordingly, the Transfer is treated as share-based payment and to be governed by Hong Kong Financial Reporting Standard 2.

(i) *Profits and losses*

We were advised by the Company that the fair value of the Awarded Shares as at the Grant Date will be recorded as a one-off payment of the Company as wages and salaries for the financial year in which the Awarded Shares are granted and transferred to the Trustee. Thus, the one-off charge of approximately RMB86 million (representing approximately 16.26% of the net profit of the Group based on the audited consolidated accounts of the Company for the year ended 31 December 2005) will increase the Group's wages and salaries expenses in the Group's income statement on the Grant Date based on the assumption that no adjustment to the fair value of the Awarded Shares as at the Valuation Date as stated in the business valuation report issued by Savills is required to be made on the Grant Date.

Furthermore, upon completion of the Transfer, the Group shall, on a consolidated basis, be entitled to account for 91% of the results of the Shenzhen Subsidiary and the Tianjin Subsidiary attributable to BYD Electronic.

(ii) *Net assets*

We were advised by the Company that as at the date the Awarded Shares are granted and transferred to the Trustee and all necessary legal procedures having been completed, the net effect in respect of the net asset position of the Group is an increase in minority interests by its net book value.

Upon completion of the Transfer, the Group shall, on a consolidated basis, be entitled to account for 91% of the assets and liabilities of the Shenzhen Subsidiary and the Tianjin Subsidiary attributable to BYD Electronic.

9. Comparison to other incentive schemes adopted by other H-Share companies listed on the Stock Exchange

In assessing whether the share award plan contemplated under the Deed of Gift is fair and reasonable, we reviewed listed companies on the Stock Exchange and noted that many of these companies adopt conventional share option scheme governed by Chapter 17 of the Listing Rules, which involves the grant of options over new shares or other new securities of the listed issuer or its subsidiaries. However, the implementation of a share option scheme at listed company level of H-Share companies is not practicable taking into account the restrictions under current PRC laws and regulations for H-Share companies and the requirement to obtain PRC approvals for allotment and issue of new shares.

Further, we reviewed all 135 H-Share companies listed on the Stock Exchange and as at 6 December 2006 (being the latest practicable date for the purpose of this analysis), we noted that less than 20% of these companies had indeed adopted share-based incentive scheme, including share option scheme. However, none of those H-Share companies which had adopted share option scheme had been able to grant option to PRC national employees. We also noted that out of the H-Share companies which had adopted share-based incentive scheme, about 64% of which had adopted share appreciation rights scheme (“SARS”). Under this scheme, the recipient of stock appreciation rights is entitled to cash payments for the appreciation when the share price of the listed issuer rises above the exercise price of the stock appreciation rights within a certain period. We are of the view that although the operation of SARS, like the share award plan contemplated under the Deed of Gift, will not create dilutive effect on the shareholding structure of listed issuer, the recipient of stock appreciation rights, however, cannot enjoy the same degree of ownership given the absence of voting rights attached to stock appreciation rights, and also can only realise its economic benefits by exercising the stock appreciation rights, unlike the share award plan contemplated under the Deed of Gift whose economic benefits to the Participants does not involve the exercise on the part of the Participants of any options or other rights but still allows Participants to enjoy the economic benefits from entitlement to receive dividend and other related income and distribution attributable to the Awarded Shares. Furthermore, unlike the share award plan contemplated under the Deed of Gift which can achieve the purpose of cash preservation, the implementation of SARS may result unpredictable cash outflow depending on the prevailing market share price upon exercise, which may not be in the best interests of the Company and the Independent Shareholders as a whole.

CONCLUSION AND RECOMMENDATION

Having considered the Directors' view of (i) the importance to recognise the loyalty and the past performance and contributions of the Participants to the Group; (ii) the existing compensation package of the Participants; (iii) the establishment of a meaningful share award plan to provide long term incentive to retain key senior management members; (iv) the one-off nature of the Transfer pursuant to the Deed of Gift; (v) no alienation of interests among Shareholders as a result of the Transfer; and (vi) no dilution of Independent Shareholders' holdings in the Company, we consider that the terms of the Deed of Gift is fair and reasonable and the Transfer is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that the Independent Board Committee to advise the Independent Shareholders to vote in favour of the respective resolutions relating to the Transfer. We also recommend the Independent Shareholders to vote in favour of the respective resolutions relating to the Transfer at the EGM.

Yours faithfully,
For and on behalf of
Vision Finance (Capital) Limited
Niu Zhongjie
Executive Director

For the purpose of this letter, conversion of RMB into HK dollars is calculated, for the purpose of illustration only, at the exchange rate of HK\$1.00 to RMB1.01.

BUSINESS VALUATION REPORT



The Directors
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15th December, 2006

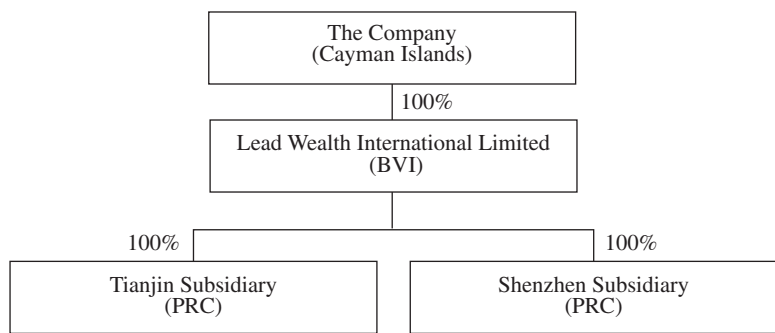
Dear Sirs,

**RE: VALUATION OF A 9% INTEREST IN THE TOTAL ISSUED SHARE CAPITAL OF
BYD ELECTRONIC COMPANY LIMITED**

In accordance with your instructions, we have undertaken a valuation on behalf of BYD Company Limited ("BYD") to determine the Market Value of a 9% interest in the total issued share capital of BYD Electronic Company Limited (the "Company") proposed to be transferred from a wholly-owned subsidiary of BYD to certain employees of BYD and its subsidiaries ("Awarded Shares") as at 30 June 2006 (the "Valuation Date"). The Company is an investment holding company and a wholly-owned subsidiary of BYD.

In our valuation, we have assumed that the Company and its immediate wholly-owned subsidiary — Lead Wealth International Limited has been in existence since 2003 and the transfer of the entire equity interests in, respectively, BYD Precision Manufacture Co., Ltd. ("Shenzhen Subsidiary") and Tianjin BYD Electronics Company Limited ("Tianjin Subsidiary") to Lead Wealth International Limited has been completed since 2003 resulting in the following shareholding structure. As at the Valuation Date, apart from investment in the Tianjin Subsidiary and the Shenzhen Subsidiary, no other assets and liabilities were held by the Company and Lead Wealth International Limited.

BUSINESS VALUATION REPORT



The purpose of this valuation is to express an independent opinion of the Market Value of the Awarded Shares as at the Valuation Date for BYD’s internal reference purpose.

Market Value (“MV”) is defined as “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. The unaudited financial information of the Shenzhen Subsidiary presented in this report refers to the unaudited combined financial information of: (i) the business in relation to the manufacture of handset plastics parts which was assumed by the Shenzhen Subsidiary in late 2005; and (ii) the historical results of the Shenzhen Subsidiary for each of the years 2003, 2004 and 2005 and for the period from 1 January 2006 to 30 June 2006, on the assumption that the business combination afore-mentioned has taken place since 2003.

COMPANY DESCRIPTION

Shenzhen Subsidiary

The business of the Shenzhen Subsidiary mainly comprises plastic components for mobile telephone products, including housings and keypad. The main customers includes Nokia, BenQ, Simens, Kyocera and other domestic handset manufacturers.

Tianjin Subsidiary

The Tianjin Subsidiary was newly established in June 2006. Its target business is to provide surface mount technology accessories. As at the Valuation Date, the Tianjin Subsidiary had not commenced business and is taken to be holding approximately RMB125 million in cash only.

VALUATION METHODOLOGY AND BASIS

Our investigation included discussions with the management of BYD in relation to the history, operations, financial information and prospects of the business of the Company and its subsidiaries. We have also reviewed the management accounts of the Company and its subsidiaries as provided by the management of BYD without further verification.

In arriving at our assessed value, we have considered three accepted approaches. They are market approach, cost approach and income approach.

BUSINESS VALUATION REPORT

In this valuation, the income approach is not adopted as BYD and the Company have not provided us with any profit forecast of the Company and its subsidiaries.

The cost approach is not appropriate as it ignores the economic benefits of ownership of the Company's business. We have therefore relied solely on the market approach in determining our valuation of the Shenzhen Subsidiary.

For the valuation of the Tianjin Subsidiary, in view of the fact that the Tianjin Subsidiary did not have operations as at the Valuation Date, Market Value of the Tianjin Subsidiary as at Valuation Date was exactly equal to its net asset value (which, in turn, equalled to the amount of cash taken to be held by the Tianjin Subsidiary on that day), i.e. approximately RMB125 million as at the Valuation Date.

We have adopted the market approach known as the price/earnings ("P/E") and price/earnings before depreciation, interest, tax and amortization ("P/EBDITA") multiple methodology to assess the Market Value of Shenzhen Subsidiary. Under this methodology, Market Value is determined by multiplying the net income and EBDITA of the Shenzhen Subsidiary to a multiplier called P/E multiple, and P/EBDITA multiple respectively, after giving regard to the risks and nature of the Shenzhen Subsidiary's business. In estimating the appropriate P/E and P/EBDITA multiples, reference has been made to the historical operating results of certain companies of similar business nature and whose ownership interests are publicly traded.

We have considered various research studies to determine the discount applied to the Shenzhen Subsidiary due to the lack of marketability of the issued shares of the Shenzhen Subsidiary. In addition, we have considered specific factors applicable to the Shenzhen Subsidiary to determine the applicable discount to be applied for lack of marketability (i.e., 30%) as follows:

- operations of the Shenzhen Subsidiary; and
- fierce competition in the market.

We have identified relevant comparable companies listed on the stock exchanges of other countries. The selection criteria are: (i) the comparable company's principal business must be the manufacture of plastic cover/key pad of mobile phone; and (ii) the comparable company's information must be publicly available, and we consider that the following comparable companies fulfill these criteria.

The following table lists the details, as at the Valuation Date, of the comparable companies to which we have made reference in the process of our valuation:

Company Name and stock code	Location of Listing	P/E	P/EBDITA
Balda AG (BAD)	Germany	11	5
Taiwan Green Point Enterprises Co., Ltd. (3007)	Taiwan	14	9
Sunrex Technology Corporation (2387)	Taiwan	10	7

* The closing prices, earnings and EBDITAs of the above comparables were quoted from public sources including their respective audited financial statements.

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We have also taken into consideration other pertinent factors affecting operations to adjust for the above multiples of each comparable company, these factors basically include:

- relative size of the Shenzhen Subsidiary and comparables;
- nature and potential growth of the Shenzhen Subsidiary and comparables; and
- diversification of products of the Shenzhen Subsidiary and comparables.

For the purpose of our valuation, we have also derived the Market Value of the equity interest in the Shenzhen Subsidiary on the available information and presently prevailing operating conditions of the business of the Shenzhen Subsidiary and by taking into consideration other pertinent factors, including the following:

- the market and the business risks of the Shenzhen Subsidiary;
- the general economic outlook as well as specific investment environment for the Shenzhen Subsidiary;
- the nature and current financial status of the Shenzhen Subsidiary;
- the historical performance of the Shenzhen Subsidiary;
- the assumptions as stated under “Specific Assumptions” and “General Assumptions” of this report.

Having considered the above, we are of the opinion that the market value of the Shenzhen Subsidiary as at the Valuation Date is approximately RMB830 million representing a P/E of about 19 based on the unaudited combined net profit of the Shenzhen Subsidiary for year 2005 in the sum of approximately RMB43.9 million and the corresponding P/EBDITA ratio of about 9 based on the unaudited combined EBDITA of the Shenzhen Subsidiary for year 2005 in the sum of approximately RMB93 million. Accordingly, based on the net asset value of the Tianjin Subsidiary as at the Valuation Date in the sum of approximately RMB125 million, we are of the opinion that the Market Value of the entire issued share capital of the Company as at the Valuation Date is approximately RMB955 million and 9% thereof represents a value of approximately RMB86 million.

We have been provided with extracts of copies of relevant documents and financial information relating to the Company and its subsidiaries. We have relied upon the aforesaid information in forming our opinion of the Market Value. However, we have not inspected the original of such documents and we have assumed that there have been no changes to the copies made available to us. We have no reason to doubt the truth and accuracy of the said information which is material to our valuation. We

have also been advised by BYD and the Company that no material facts have been omitted which would make the information provided misleading in a material way. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties and any other abrupt changes of external factors.

We have performed on-site inspections and find that the properties and works are in a condition that can perform the required purpose. We did not carry out any structural survey or on-site measurement. We are not able to report that the relevant properties and works are free from rot, infestation or any other structural defects.

Specific Assumptions

In the course of valuation, the following specific assumptions and caveats have been made. We have based our valuation of the Market Value of the equity interest in the Company as at the Valuation Date on the following:

- In applying the market approach, we have been provided with unaudited combined results of the Shenzhen Subsidiary for each of the years from 2003 to 2005 and for the six months ended 30 June 2006 prepared in accordance with PRC Generally Accepted Accounting Principles. We have assumed that the unaudited data will not differ materially from the Accounting Standards adopted by the comparables (which are listed companies in Taiwan and Germany) in the preparation of their respective audited financial statements;
- Operation of the business of manufacturing plastic components within BYD and its subsidiaries was assumed by the Shenzhen Subsidiary in late 2005. In our valuation, we have been provided with unaudited combined results of the Shenzhen Subsidiary for each of the years from 2003 to 2005, which show that the unaudited profits after tax of the Shenzhen Subsidiary were approximately RMB28.9 million, RMB53.3 million and RMB43.9 million respectively, and the unaudited EBDITAs of the Shenzhen Subsidiary were approximately RMB52 million, RMB82 million and RMB93 million respectively. We have therefore assumed that the business of manufacturing handset plastic components had been assumed by the Shenzhen Subsidiary since 2003;
- In our valuation, we have assumed that the Company's group structure as at the Valuation Date has been in existence since 2003;
- Based on the discussion with the management regarding the Shenzhen Subsidiary's strength and potential, we have adjusted the PE and P/EBDITA ratios to reflect the Shenzhen Subsidiary's strength and potential in such industry compared with the comparable companies; and

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- We have not been provided with audited accounts for the period from January to June 2006. However, we have been provided with, and have had discussions with BYD on, the management accounts of the Shenzhen Subsidiary for the same period, which shows significant growth in net profit of the Shenzhen Subsidiary. We cannot preclude the possibility that a significant portion of the increase in profit may not be sustainable for the whole of 2006 and we also note that the management accounts for first half of 2006 has not been audited and are subject to adjustments on or after the year end date. Our conclusion on Market Value of the Shenzhen Subsidiary may change if any subsequent audited accounts of the Shenzhen Subsidiary reveal a greater growth in profit than that shown in the management accounts provided to us.

General Assumptions

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of general assumptions have been made in the preparation of the reported assessed figures. The assumptions are:

- There will be no major changes in existing political, legal, fiscal or economic conditions in the country or jurisdiction where the business is in operation;
- There will be no major changes in the current taxation law in the areas in which the Company carries on its business, that the rate of tax chargeable remains unchanged and that all applicable laws and regulations will be complied with;
- The inflation, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- The Company will retain their key management and technical personnel to maintain their ongoing operations;
- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;
- The Company will remain free from claims and litigation against the business or its customers that will have a material impact on value;
- The Company is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;
- The Company's business is not subject to any unusual or onerous restrictions or encumbrances; and
- Any potential bad debts of the Company will not materially affect its business operations.

Limiting Conditions

We have to a considerable extent relied on the financial data and other related information provided by BYD and the Company. We are not in a position to comment on the lawfulness of the business.

BUSINESS VALUATION REPORT

In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

DISCLAIMER ON POST DATE EVENTS

We assume no responsibility to make enquiries with BYD and the Company on matters which they are aware concerning the Company's financial position after the Valuation Date. We have no responsibility to update this report for events and circumstances occurring after the Valuation Date but will be pleased to discuss further instructions as may be required.

REMARKS

Unless otherwise stated, all money amounts are stated in Renminbi.

This report is issued subject to our Specific Assumptions, General Assumptions and Limiting Conditions as stated hereafter.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of BYD, the Company and us.

OPINION OF THE VALUE

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that the Market Value of Awarded Shares as at the Valuation Date is approximately RMB86 million (RENMINBI EIGHTY-SIX MILLION ONLY).

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS (GP)
Managing Director

Sam K S Lo
BBA CFA CPA
Manager

Note: Mr. Charles Chan is a Chartered Estate Surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer and has about 21 years' experience in the valuation of properties in Hong Kong and has extensive experience in business valuation in Hong Kong and the PRC.

Mr. Sam Lo is a Chartered Financial Analyst and Certified Public Accountant who has assisted Mr. Charles Chan in business valuation in Hong Kong and the PRC.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code of Securities Transactions by Directors of Listed Companies under the Listing Rules to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors) were as follows:

Name	Number of Shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued domestic Shares %
<i>Domestic Shares of RMB1.00 each</i>			
Mr. Wang Chuan-fu	150,169,100 (L)	27.83	38.50
Mr. Lu Xiang-yang	107,755,600 (L) <i>(note 1)</i>	19.97	27.63
Mr. Xia Zuo-quan	32,888,700 (L)	6.10	8.43

(L) - Long Position

Note 1: This includes personal interest of 62,954,900 domestic Shares representing approximately 16.14% of the Company’s total issued domestic Shares held by Mr. Lu and corporate interest held through Guangzhou Rongjie Investment Company Limited. Under the SFO, Mr. Lu is deemed to be interested in 44,800,700 domestic Shares representing approximately 11.49% of the Company’s total issued domestic Shares which are held by Guangzhou Rongjie Investment Company Limited, a company owned as to 84% by Mr. Lu.

Name	Number of Shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued H Shares %
<i>H Shares of RMB1.00 each</i>			
Mr. Wang Chuan-fu	2,941,500 (L) (<i>note 2</i>)	0.55	1.97

Note 2: According to the PRC legal advisers to the Company, Mr. Wang Chuan-fu, being a Director, is not prohibited from purchasing H Shares outside the PRC.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register to be kept by the Company pursuant to Section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors of the Company, the following persons (other than the Directors, supervisors and chief executives of the Company) had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Domestic Shares of RMB1.00 each

Name	Number of Shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued domestic Shares %
Guangzhou Rongjie Investment Company Limited (<i>note 1</i>)	44,800,700 (L)	8.30	11.49
Yang Long-zhong (<i>note 2</i>)	20,717,300 (L)	3.84	5.31

Notes:

1. Mr. Lu Xiang-yang, a Director, is also deemed to be interested in 44,800,700 domestic Shares representing approximately 11.49% of the Company’s total issued domestic Shares which are held by Guangzhou Rongjie Investment Company Limited, a company owned as to 84% by Mr. Lu.
2. Mr Yang Long-zhong is a senior management personnel responsible for sales function of the Group.

H Shares of RMB1.00 each

Name	Number of Shares in which the interested party is deemed to have interests or short positions	Approximate percentage shareholding of total issued share capital %	Approximate percentage shareholding of total issued H Shares %
The Capital Group Companies, Inc. (note 1)	8,570,600 (L)	1.59	5.73
JPMorgan Chase & Co.(note 2)	7,208,300 (L)	1.34	4.82
	5,478,300 (P)	1.02	3.66
FMR Corp (note 3)	10,331,000 (L)	1.91	6.91
Li Lu (note 4)	8,997,500 (L)	1.67	6.02
LL Group, LLC (note 5)	8,997,500 (L)	1.67	6.02
LL Investment Partners, L.P.	8,997,500 (L)	1.67	6.02
Franklin Templeton Investments Corp.	9,153,000 (L)	1.70	6.12
Fidelity International Limited	10,682,000 (L)	1.98	7.15
Templeton Global Advisors Ltd.	9,004,500 (L)	1.67	6.02
Value Partners Limited (note 6)	12,110,000 (L)	2.24	8.10
Cheah Cheng Hye (note 6)	12,110,000 (L)	2.24	8.10
Halbis Capital Management (Hong Kong) Limited	7,755,000 (L)	1.44	5.18

Notes:

- (1) The Capital Group Companies, Inc. is deemed to be interested in 8,570,600 H Shares (L) through Capital International, Inc. and Capital Group International, Inc., both of which are controlled corporations of The Capital Group Companies, Inc.
- (2) JPMorgan Chase & Co. is deemed to be interested in 7,208,300 H Shares (L) and 5,478,300 H Shares (P) through, as the case may be, JPMorgan Chase Bank, N.A., J.P. Morgan Chase International Holdings Limited, J.P. Morgan Securities Ltd., J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc, J.P. Morgan Overseas Capital Corporation, J.P. Morgan Whitefriars Inc., JPMorgan Asset Management (Asia) Inc., JF Asset Management Limited and JPMorgan Asset Management Holdings Inc., all of which are controlled corporations of JPMorgan Chase & Co.

- (3) FMR Corp is deemed to be interested in 10,331,000 H Shares (L) through Fidelity Management & Research Company (as to 10,261,000 H Shares) and Fidelity Management Trust Company (as to 70,000 H Shares), both of which are controlled corporations of FMR Corp.
- (4) Li Lu is deemed to be interested in 8,997,500 H Shares (L) through LL Group, LLC and LL Investment Partners, L.P., both of which are controlled corporations of Li Lu.
- (5) LL Group, LLC is deemed to be interested in 8,997,500 H Shares (L) through LL Investment Partners, L.P., which is a controlled corporation of LL Group, LLC.
- (6) Cheah Cheng Hye is deemed to be interested in 12,110,000 H Shares (L) through Value Partners Limited, which is a controlled corporation of Cheah Cheng Hye.

The total issued share capital of the Company as at the Latest Practicable Date was RMB539,500,000, divided into 390,000,000 domestic Shares of RMB1.00 each and 149,500,000 H Shares of RMB1.00 each, all fully paid up.

(L) - Long Position, (S) - Short Position, (P) - Lending Pool

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person who had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company which did not expire or was not determinable by the Company within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which had since 31st December, 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and entered into by the Group since 31st December, 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, the Directors were not aware that any of the Directors or their respective associates had interest in any business, apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under the Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, no member of the Group was engaged in any litigation or arbitration or claims of material importance and there was no litigation or arbitration or claims of material importance pending or threatened against any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2005, the date to which the latest audited consolidated financial statements of the Group were made up.

7. EXPERTS

- (a) The following is the qualification of the experts which have given opinions or advice which are contained in this circular:

Name	Qualification
Vision Finance (Capital) Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under SFO
Savills Valuation and Professional Services Limited	Independent valuer
Jingtian & Gongcheng	Legal advisers on PRC Laws

- (b) As at the Latest Practicable Date, each of the Independent Financial Adviser, Savills Valuation and Professional Services Limited and Jingtian & Gongcheng did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did either of them have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to the Company or any of its Subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company or any of its Subsidiaries.
- (c) Each of the Independent Financial Adviser, Savills Valuation and Professional Services Limited and Jingtian & Gongcheng has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report or advice and references to its name in the forms and contexts in which they appear.

8. PROCEDURES FOR DEMANDING A POLL AT THE EGM

Pursuant to the Articles of Association, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless a poll is demanded by any of the following persons before (or after) any vote by a show of hand:

- (a) the chairman of the meeting; or
- (b) at least two Shareholders entitled to vote present in person or by proxy; or
- (c) one or more Shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting.

9. GENERAL

- (a) The company secretary and qualified accountant of the Company is Mr. Wu Jing-sheng. Mr. Wu Jing-sheng is assisted by Mr. Chan Wai Leung for a period of three years commencing from 1st January, 2005 in discharging his responsibility as a qualified accountant. Mr. Chan Wai Leung is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.
- (b) The legal address of the Company is at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC.
- (c) The principal place of business of the Company in Hong Kong is at Unit 1712, 17th Floor, Tower 2, Grand Central Plaza, No. 138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong.
- (d) The H Share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The English text of this circular and the accompanying form of proxy and reply slip shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Unit 1712, 17th Floor, Tower 2, Grand Central Plaza, No. 138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong, up to and including 29th December, 2006:

- (a) the Articles of Association;
- (b) the Deed of Gift;

- (c) letter from the Board, the text of which is set out on pages 5 to 15 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 34 of this circular;
- (f) the report of the Savills Valuation and Professional Services Limited, the text of which is set out on pages 35 to 41 of this circular;
- (g) the legal opinion dated 23rd November, 2006 issued by Jingtian & Gongcheng in relation to, among others, the Transfer; and
- (h) the written consent from each of the Independent Financial Adviser, Savills Valuation and Professional Services Limited and Jingtian & Gongcheng referred to in the section headed “Experts” in this appendix.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of BYD Company Limited (the “Company”) will be held at the Company’s Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the People’s Republic of China on 30th January, 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:-

AS ORDINARY RESOLUTIONS

“THAT:

- (a) the deed of gift dated 24th November, 2006 (the “Deed of Gift”) entered into between the Company, Golden Link Worldwide Limited (“Golden Link”) and the attorney of 35 individuals who are members of the senior management and full-time employees of core business divisions of the Company and its subsidiaries (the “Participants”) in relation to the transfer by way of gift of a 9% shareholding interest in BYD Electronic Company Limited to the trustee appointed by the Participants to hold the shares for the benefit of the Participants (the “Transfer”) (a copy of which is produced to the meeting marked “A” and signed by the chairman of the meeting for the purposes of identification) and the terms thereof be and are hereby approved in all respects and all the transactions contemplated thereby be and are hereby approved;
- (b) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents and deed, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Deed of Gift, the Transfer, all other transactions contemplated by the Deed of Gift and all other matter incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating to the Deed of Gift that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Transfer and are in the best interests of the Company; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the appointment of Ernst & Young as auditors of the Company to fill the casual vacancy following the resignation of PricewaterhouseCoopers as auditors of the Company, and to hold office until the conclusion of the next annual general meeting of the Company be and is hereby approved.”

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

Hong Kong, 15th December, 2006

Notes:

- (A) The Company will not process registration of transfers of H Shares from 30th December, 2006 to 30th January, 2007 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited on 30th January, 2007 are entitled to attend and vote at the Meeting following completion of the registration procedures. To qualify for attendance and voting at the Meeting, documents on transfers of H Shares must be lodged with the Company's H Share registrar and transfer office, not later than 4:00 p.m. on 29th December, 2006. The address of the Company's H Share registrar and transfer office is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

- (B) Holders of H Shares and domestic shares of the Company intending to attend the Meeting should complete and return the reply slip for attending the Meeting personally, by facsimile or by post to the Secretary of the Board 20 days before the Meeting, namely, on or before 10th January, 2007. The contact details of the Secretary of the Board are as follows:

Secretary of the Board
Yan An Road
Kuichong
Longgang District
Shenzhen
Guangdong Province
the PRC

- (C) Each holder of H Shares entitled to attend and vote at the Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting on his behalf. A proxy needs not be a shareholder of the Company. With respect to any shareholder of the Company who has appointed more than one proxy, the proxy holders may only vote on a poll.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (D) Holders of H Shares must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing (a “power of attorney”). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the Meeting on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder of the Company or duly signed by its director or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of the Company.
- (E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note (D) above must be delivered to the Company’s H Share registrar and transfer office, Computershare Hong Kong Investor Services Limited (address: Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the Meeting.
- (F) Each holder of domestic Shares (excluding H Shares) who is entitled to attend and vote at the Meeting may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting on his behalf. A proxy needs not be a shareholder of the Company. Notes (C) and (D) above also apply to the holders of domestic shares (excluding H Shares), except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorization (if any) must be delivered to the Secretary of the Board not less than 24 hours before the time appointed for the Meeting. The address of the Secretary of the Board is stated in note (B) above.
- (G) A shareholder of the Company or his proxy should produce proof of identity when attending the Meeting. If a corporate shareholder’s legal representative or any other person authorized by the board of directors or other governing body of such corporate shareholder attends the Meeting, such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative and the valid resolution or authorization document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorization of that legal representative or other person.
- (H) The Meeting is expected to last for half a day. Shareholders who attend the Meeting shall bear their own travelling and accommodation expenses.