
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 BYD Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. In particular, this circular is not an offer of securities for sale in Hong Kong, the United States or elsewhere. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States would be made by means of a prospectus that may be obtained from the issuer or selling security holder and that would contain detailed information about the company and its management, as well as financial statements.

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

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



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)

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

Independent Financial Adviser to
the Independent Board Committee and Shareholders



交銀國際控股有限公司
BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED
(A Wholly Owned subsidiary of Bank of Communications Co., Ltd.)

BOCOM International Holdings Company Limited

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



A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on page 26 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 27 to 40 of this circular.

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

23 May 2007

EXPECTED TIMETABLE

2007

Latest time for return of proxy forms in respect of the EGMs	10:00 a.m. on Wednesday, 13 June
EGMs	starting from 10:00 a.m. on Thursday, 14 June
Last day for dealing in H Shares cum-entitlement to the Preferential Offer.....	Friday, 15 June
First day for dealing in H Shares ex-entitlement to the Preferential Offer	Monday, 18 June
Latest time for lodging transfers of H Shares to qualify for the Preferential Offer	4:30 p.m. on Wednesday, 20 June
Register of members of the Company closes.....	Thursday, 21 June
Record date for Preferential Offer	Thursday, 21 June
Register of members of the Company re-opens.....	Friday, 22 June

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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcements”	the announcement of the Company dated 22 March 2007 and 22 May 2007
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of Qualifying Shareholders to apply for the Reserved Shares under the Preferential Offer to be determined on the basis of shareholdings on the Record Date
“BE Group”	BYD Electronic and its Subsidiaries
“BE Shares”	the ordinary shares of HK\$0.10 each in the share capital of BYD Electronic
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“BYD Electronic”	BYD Electronic Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 24 August 2006 and an indirect wholly-owned Subsidiary of the Company held through BYD H.K. and Golden Link as at the Latest Practicable Date. It is expected that 9% shareholding of BYD Electronic will be transferred from Golden Link to Gold Dragonfly before the bulk-printing of the Prospectus pursuant to the share award scheme approved by the Shareholders on 30 January 2007
“BYD H.K.”	BYD (H.K.) Co., Limited, a company incorporated in Hong Kong with limited liability on 19 February 1999 and a wholly-owned Subsidiary of the Company
“BYD Huizhou”	惠州比亞迪電子有限公司 (BYD (Huizhou) Electronic Company Limited)*, a company incorporated in the PRC with limited liability on 14 February 2007 and is 75% owned by BYD Precision and 25% owned by Lead Wealth
“BYD Hungary”	BYD Hungary Manufacturing, Service and Commerce Limited Liability Company, a company incorporated in Hungary with limited liability on 4 December 2006 and an indirect wholly-owned Subsidiary of BYD Electronic

DEFINITIONS

“BYD India”	BYD Electronics India Private Limited, a company incorporated in India with limited liability on 6 March 2007 and an indirect wholly-owned Subsidiary of BYD Electronic
“BYD Precision”	比亞迪精密製造有限公司 (BYD Precision Manufacture Co., Ltd.)*, a company incorporated in the PRC with limited liability on 10 January 2003 and an indirect wholly-owned Subsidiary of BYD Electronic
“BYD Tianjin”	天津比亞迪電子有限公司 (Tianjin BYD Electronics Company Limited)*, a company incorporated in the PRC with limited liability on 6 June 2006 and an indirect wholly-owned Subsidiary of BYD Electronic
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	比亞迪股份有限公司 (BYD Company Limited)*, a joint stock company incorporated in the PRC with limited liability whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary non-tradable Shares subscribed for and paid up in RMB
“EGMs”	(i) the extraordinary general meeting of the Company for all Shareholders to be held on 14 June 2007 at 10:00 a.m.; (ii) the class meeting for holders of the Domestic Shares to be held on 14 June 2007 at 12:00 p.m.; and (iii) the class meeting for holders of the H Shares to be held on 14 June 2007 at 11:00 a.m., the respective notices of such meetings are set out on pages 48 to 52 of this circular
“Excluded Directors”	directors of BYD Electronic and their associates
“Global Offering”	the Public Offer, the International Placing and the Preferential Offer
“Group”	the Company and its Subsidiaries
“Gold Dragonfly”	Gold Dragonfly Limited, a company incorporated in BVI with limited liability on 31 January 2007 and a wholly-owned Subsidiary of HSBC Trustee (Hong Kong) Limited

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”Golden Link”	Golden Link Worldwide Limited, a company incorporated in BVI with limited liability on 22 April 2005 and an indirect wholly-owned Subsidiary of the Company which holds 100% interest in BYD Electronic as at the Latest Practicable Date. It is expected that Golden Link will transfer 9% of its shareholding interest in BYD Electronic to Gold Dragonfly before the bulk-printing of the Prospectus pursuant to the share award scheme approved by the Shareholders on 30 January 2007
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“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 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 Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable and in the interests of the Company and its Shareholders as a whole
“Independent Financial Adviser”	BOCOM International Holdings Company Limited, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Shareholders how to vote at the EGMs
“International Placing”	the conditional placing of the International Placing Shares with professional, institutional and other investors at the Offer Price as further described in the Prospectus
“International Placing Shares”	the 446,147,000 BE Shares initially being offered by BYD Electronic and Golden Link for subscription and purchase at the Offer Price under the International Placing, subject to adjustment as described in the Prospectus
“International Underwriters”	the several underwriters of the International Placing, led by the Sole Global Coordinator and expected to enter into the International Underwriting Agreement to underwrite the International Placing

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“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing and to be entered into among BYD Electronic, Golden Link, the International Underwriters and the Sole Global Coordinator
“Latest Practicable Date”	18 May 2007, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lead Wealth”	Lead Wealth International Ltd., a company incorporated in BVI with limited liability on 25 August 2006 and a direct wholly-owned Subsidiary of BYD Electronic;
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings in the BE Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Non-Qualifying Shareholders”	Overseas Shareholders, holders of the Domestic Shares and Excluded Directors
“Offer Price”	the final price per BE Share fixed at a HK\$ amount (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which the BE Shares are to be offered pursuant to the Global Offering, as described in the Prospectus
“Over-allotment Option”	the option expected to be granted by BYD Electronic to the Sole Global Coordinator exercisable under the International Underwriting Agreement pursuant to which BYD Electronic may be required by the Sole Global Coordinator to issue up to an aggregate of 82,500,000 additional BE Shares at the Offer Price to, among other things, cover over-allocations in connection with the International Placing, if any
“Overseas Shareholders”	Shareholders whose addresses on the register of members of the Company were outside Hong Kong at the close of business on the Record Date including those who are within the United States (within the meaning of Regulation S under the United States of America Securities Act 1933)
“PRC”	the People’s Republic of China and, except where the context requires and only for the purposes of this circular, references in this circular to the PRC or China do not apply to Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC

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“Preferential Offer”	the preferential offer to the Qualifying Shareholders of the Reserved Shares at the Offer Price, subject to and in accordance with the terms and conditions set out in the Prospectus and the related application form
“Proposed Spin-off”	the proposed spin-off of the interests in the Spin-off Business of the Group for a separate listing on the Main Board of the Stock Exchange
“Prospectus”	the prospectus proposed to be issued by BYD Electronic in relation to the Global Offering
“Public Offer”	the offer for subscription of initially 55,000,000 BE Shares (subject to reallocation as described in the Prospectus) at the Offer Price (plus brokerage fee, SFC transaction levy and the Stock Exchange trading fee) and subject to the terms and conditions described in the Prospectus and the related application forms
“Public Offer Shares”	the 55,000,000 BE Shares (subject to adjustment) being offered for subscription pursuant to the Public Offer
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date (excluding Non-Qualifying Shareholders)
“Record Date”	Thursday, 21 June 2007, the date for ascertaining the Qualifying Shareholders who will be entitled to subscribe for the Reserved Shares on an assured basis under the Preferential Offer
“Remaining Business”	the business of the manufacture and sale of rechargeable batteries, electro-mechanical parts for electronic devices and handsets and automobiles
“Remaining Group”	the Group, excluding the BE Group
“Reserved Shares”	48,853,000 BE Shares, representing approximately 2.2% of the enlarged share capital of BYD Electronic immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), being offered pursuant to the Preferential Offer
“Reorganization”	the reorganization of the businesses and companies of BE Group effected in preparation for the listing of BYD Electronic on the Main Board of the Stock Exchange, as more particularly described in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“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
“Sole Global Coordinator”	the sole global coordinator of the Global Offering
“Spin-off Business”	the business of handset components and modules manufacturing and provision of assembly services carried on by the BE Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Track Record Period”	1 January 2004 to 31 December 2006
“%”	per cent

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

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

LETTER FROM THE BOARD



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

23 May 2007

To the Shareholders

Dear Sir or Madam,

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

1. PROPOSED SPIN-OFF

Introduction

Reference is made to the Announcements in relation to, among other things, the Proposed Spin-off. The Company announced on 22 March 2007 that BYD Electronic had made a formal application on that day to the Stock Exchange for the listing of, and permission to deal in, the BE Shares in issue and to be issued pursuant to the Global Offering.

LETTER FROM THE BOARD

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

The International Placing is expected to include a placing of new and existing BE Shares with professional, institutional and other investors. It is presently expected that 25% of the issued capital of BYD Electronic as enlarged by the Global Offering will initially be made available to the public under the Global Offering (assuming that the Over-allotment Option is not exercised). The allocation of the BE Shares between the Public Offer and the International Placing is subject to reallocation.

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

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

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

Pursuant to the Listing Rules, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares owned by Golden Link in the International Placing and a material dilution of the Company’s interest in BYD Electronic as a major Subsidiary of the Company under Rules 13.36(1) and 19A.38 of the Listing Rules. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules and Shareholders’ approval requirement under Rules 13.36(1) and 19A.38 of the Listing Rules.

The purpose of this circular is:

- (a) to provide the Shareholders with further information in relation to, among other things, the background to, the reasons for, and the benefits and effects of, the Proposed Spin-off and such other information relating to the Proposed Spin-off as is required by the Listing Rules;

LETTER FROM THE BOARD

- (b) to set out the recommendation from the Independent Board Committee to the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable, whether the Proposed Spin-off and the Preferential Offer are in the interests of the Company and the Shareholders as a whole and advising the Shareholders how to vote at the EGMs in relation to the resolutions to approve the Proposed Spin-off and the Preferential Offer;
- (c) to set out a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable and in the interests of the Company and its Shareholders as a whole;
- (d) to seek Shareholders' approval for the Proposed Spin-off and the Preferential Offer and transactions related thereto;
- (e) to give notices convening the EGMs at which resolutions will be proposed for the Shareholders in general meeting and holders of the Domestic Shares and holders of the H Shares in separate class meetings to consider and if thought fit, approve the Proposed Spin-off and the Preferential Offer (as the case may be). The voting at the EGMs will be conducted by way of poll.

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

The Company is required to comply with the requirements under PN15. The Directors confirm that the Company complies with all of the spin-off requirements under PN15, subject to the Shareholders passing special resolutions at the EGMs to approve the Proposed Spin-off and the Preferential Offer (as the case may be).

Overview of the principal businesses and operations of the Group

The Group is principally engaged in the following businesses:

- (a) **Handset components and modules and the provision of handset assembly services** — The Group produces handset components, mainly comprising handset casings, which form the outer covering of handsets, and handset keypads, which are the main input devices. Handset modules are partially completed handsets with certain functions incorporating a number of mechanical components such as handset casings, microphones, connectors and other components. The Group also provides assembly services to customers.
- (b) **Rechargeable batteries** — The business of the manufacture of rechargeable batteries was the initial core business of the Group. The Group produces mainly two types of rechargeable batteries, namely, nickel batteries and lithium-ion batteries (li-ion batteries).

LETTER FROM THE BOARD

- (c) **Automobile** — The Group commenced its automobile business in 2003 initially by way of the acquisition of equity interest in an automobile company. The Group provides both gasoline cars and auto tooling to customers.
- (d) **Electro-mechanical parts** — The Group also produces electro-mechanical parts including LCDs, FPCs and opto-electronic products (such as backlight module and camera module).

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

The BE Group and the Spin-off Business

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

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

Relationship between the Remaining Group and the BE Group

(a) *Clear delineation between Remaining Group's and BE Group's businesses*

Following the Proposed Spin-off, the Remaining Group will be principally engaged in the manufacture and sales of (i) rechargeable batteries; (ii) electro-mechanical parts for electronic devices and handsets; and (iii) automobiles and the BE Group will be principally engaged in the manufacture and sales of handset components and modules and the provision of handset assembly services. The Directors consider that there is a clear delineation between the businesses of the Remaining Group and the BE Group and that there is no competition between the Remaining Business and the business of the BE Group. The businesses of the manufacture and sales of rechargeable batteries and electro-mechanical parts of the Remaining Group and the BE Group can be delineated in terms of, among others, (i) basic materials used in the production process; (ii) technologies and equipment applied in the production process; and (iii) current market segments. The business nature of the automobile industry and the Spin-off Business are inherently different.

LETTER FROM THE BOARD

(b) *Independent from the Remaining Group*

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

Independent operations

(i) *Continuing connected transactions of the BE Group*

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

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

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

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

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

LETTER FROM THE BOARD

(ii) *Common customers between the Remaining Group and the BE Group*

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

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

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

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

(iii) *Directorship and management of the BE Group*

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

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

LETTER FROM THE BOARD

(iv) *Independence of administration*

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

(c) *Non-compete undertaking*

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

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

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

LETTER FROM THE BOARD

Unaudited combined financial information of the BE Group for 2006

The unaudited combined turnover, net profit before and after taxation of the BE Group as if the current BE Group structure has been in existence throughout the Track Record Period were approximately RMB3,044.0 million, approximately RMB727.2 million and approximately RMB728.8 million for the financial year ended 31 December 2006. Total shareholders' equity of BE Group as of 31 December 2006 was approximately RMB858.3 million and the total assets and total liabilities were, respectively, approximately RMB3,198.0 million and RMB2,339.7 million as of 31 December 2006.

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

Structure of the Proposed Spin-off

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

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

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

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

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

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

LETTER FROM THE BOARD

Intended use of proceeds

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

(a) *Net proceeds from the subscription of new BE Shares*

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

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

(b) *Net proceeds from the sale of existing BE Shares*

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

- (i) as to approximately 10% to expand the production capacity of the Remaining Group in the manufacturing of rechargeable batteries;

LETTER FROM THE BOARD

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

Conditions precedent

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

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

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

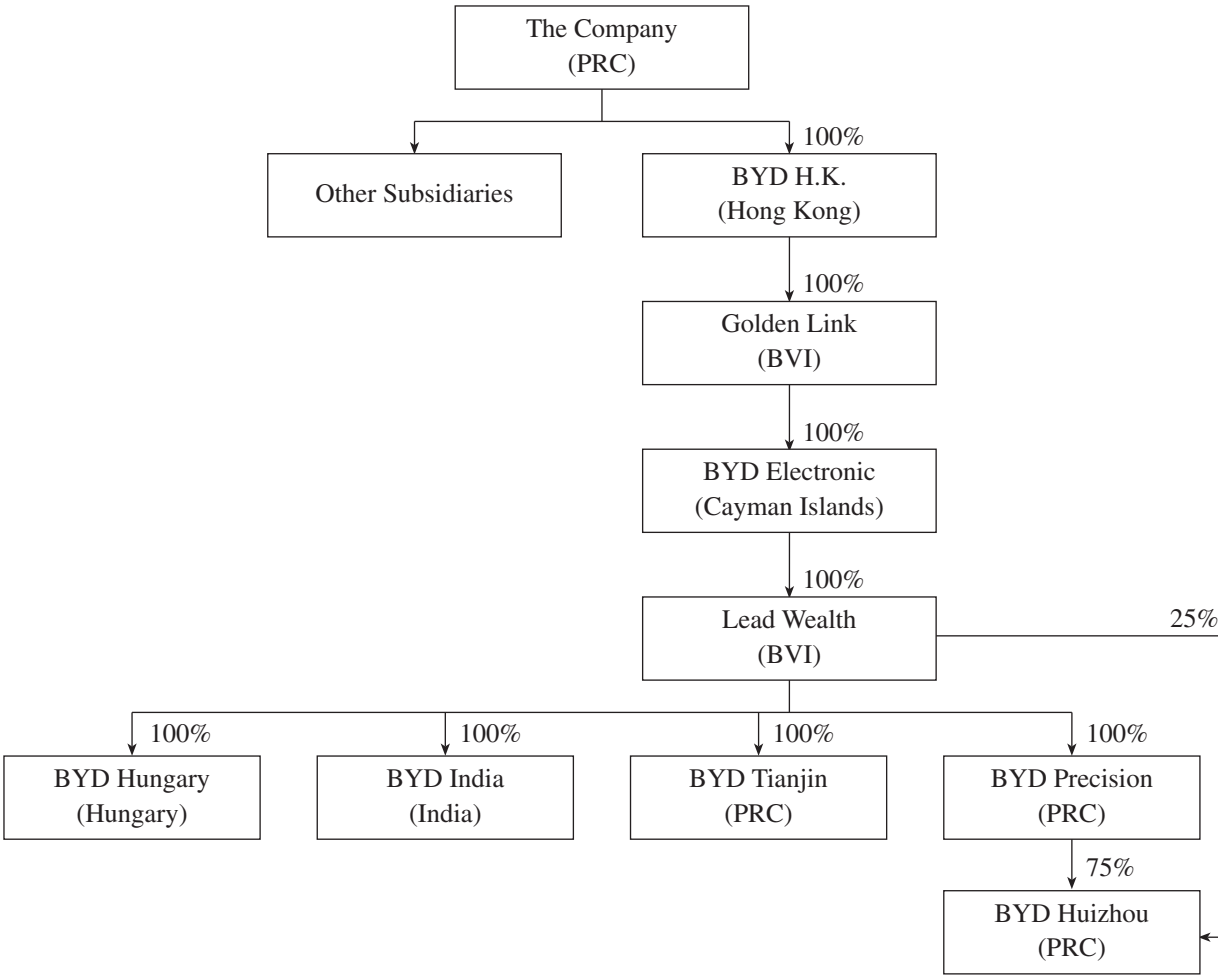
LETTER FROM THE BOARD

The Reorganization and the one-off share award plan of the Company

(a) The Reorganization

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

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

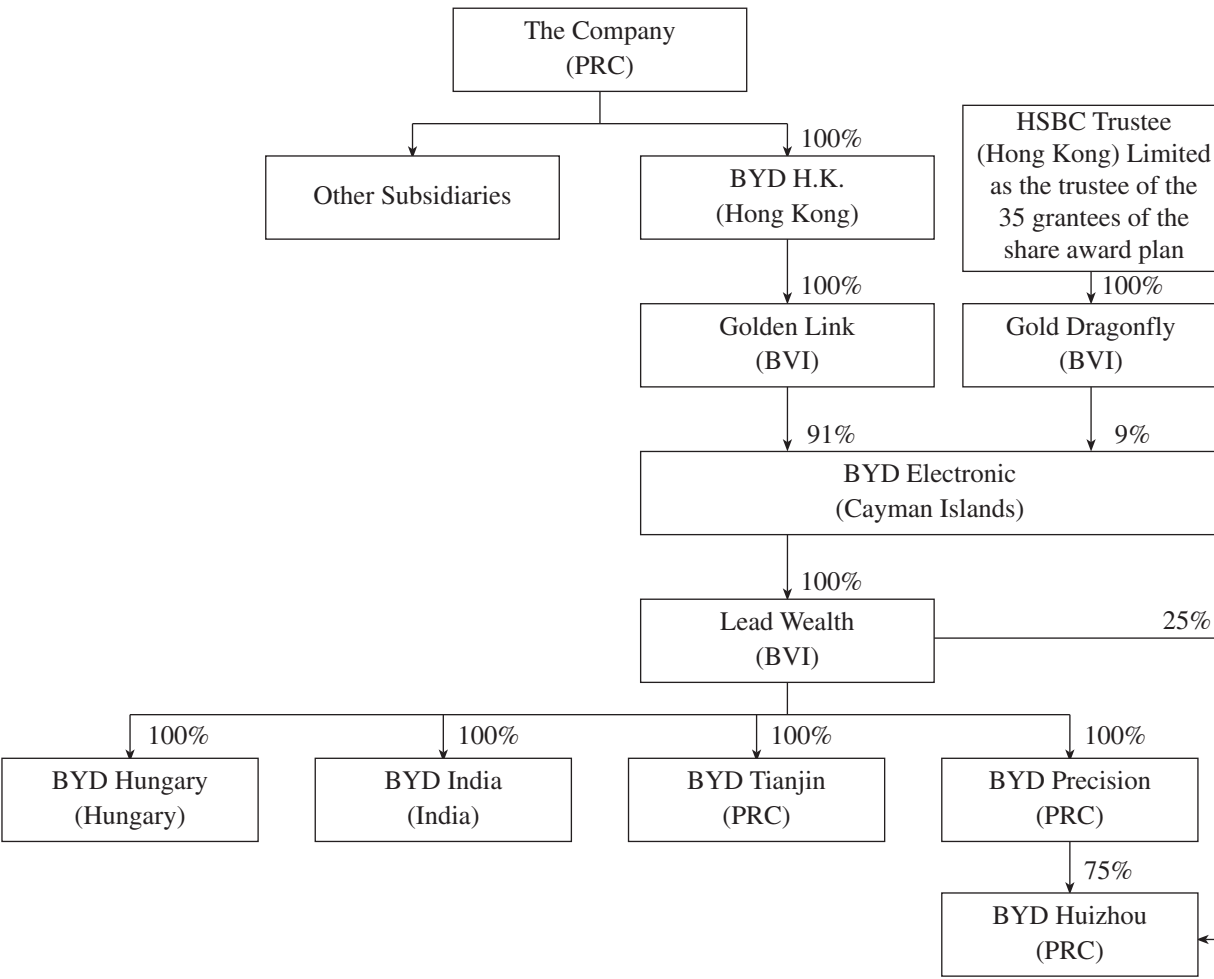


LETTER FROM THE BOARD

(b) *The one-off share award plan of the Company*

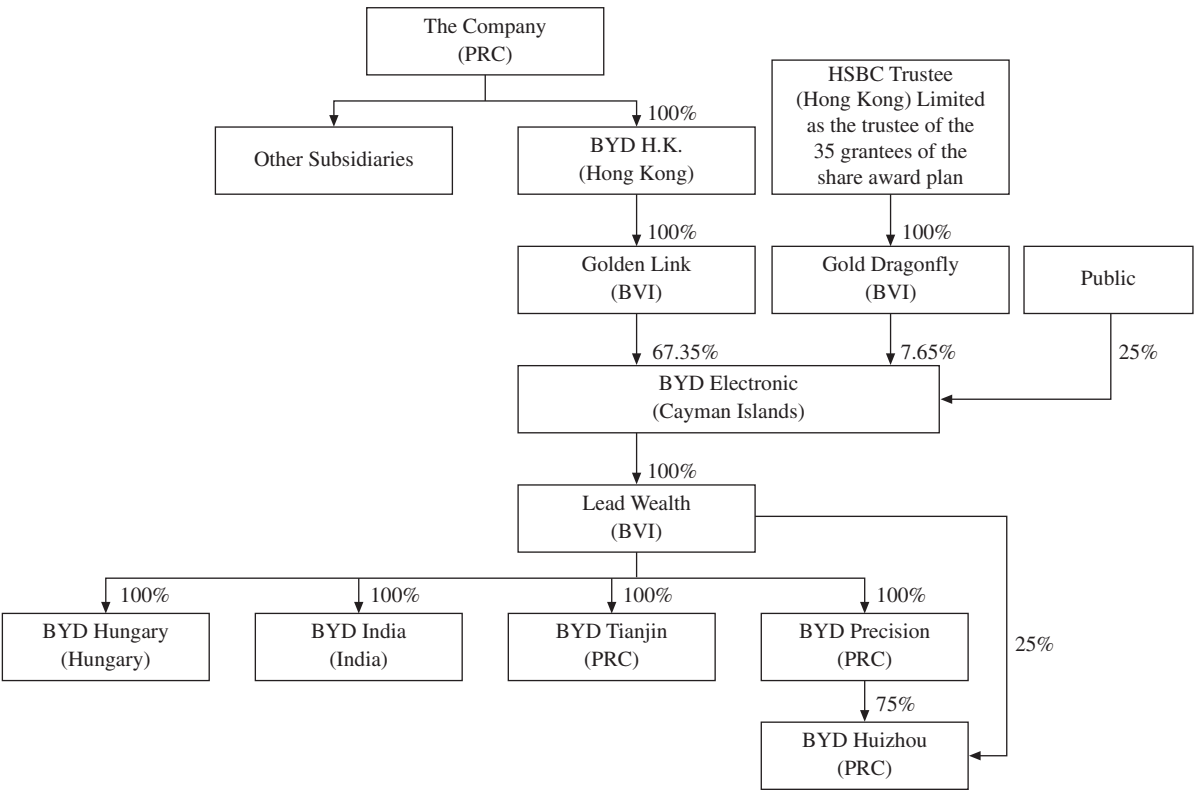
Reference is made to the announcement and circular of the Company respectively dated 24 November 2006 and 15 December 2006. Following the grant of an approval of the Shareholders in general meeting on 30 January 2007, the Company adopted a one-off share award plan pursuant to which a 9% interest in BYD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

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



LETTER FROM THE BOARD

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



(c) Hong Kong tax and stamp duty

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

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

(d) General

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

LETTER FROM THE BOARD

2. REASONS FOR, AND BENEFITS OF, THE PROPOSED SPIN-OFF

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

The Board believes that a separate listing of BYD Electronic will bring a number of benefits to both the Company and BYD Electronic, including the following:

- (a) The listing of the BE Shares provides a direct, immediate and additional means of securing funding for the Remaining Group's short to medium term expansion plan and allows the Remaining Group to capture the anticipated continuing rapid growth potential of the mobile handset industry for the coming years. The expected issue proceeds from the Global Offering would provide for the BE Group's immediate capital requirement, and at the same time reduce the finance costs of the Remaining Group as well as the BE Group.
- (b) The proceeds from the sale of existing BE Shares will also provide the Remaining Group with additional funding to reduce its level of indebtedness and would enhance the cash flow position of the Remaining Group.
- (c) The separate listing of BYD Electronic allows the BE Group to create its own investor base and gives it independent access to both equity and debt capital markets to fund further developments allowing for future growth. This helps diversify the funding resources of the Group as a whole.
- (d) A separate listing of BYD Electronic will increase the operational and financial transparency of the Group which aligns the Spin-off Business into one separate group of legal entities and in turn, enable investors to invest directly in the business independently from the Remaining Business.
- (e) A separate listing of BE Shares will give the Company an additional option for future funding for use by the Group through disposal of its BE Shares for the expansion and development of the Remaining Business. There is no current intention of the Company to dispose of or agree to dispose of any of its interests in BYD Electronic or the BE Group except for the offer for sale of existing BE Shares beneficially owned by the Company and the issue of new BE Shares under the Global Offering.
- (f) With the need to ensure a clear delineation between the Remaining Business and the Spin-off Business, the Proposed Spin-off will improve efficiency in management and operational levels of both the BE Group and the Remaining Group as a result of the specialization by the respective groups of their own businesses, which in turn would consolidate the basis for future development of the groups.
- (g) Upon the listing of BYD Electronic, BE Shares including those beneficially owned by certain executives and employees of the Group (including four employees of the BE Group)

LETTER FROM THE BOARD

pursuant to the one-off share award plan as approved by the Shareholders on 30 January 2007 will become listed and publicly tradable shares. Subject to the applicable lock-up arrangement, liquidity of the BE Shares transferred to the relevant employees of the Group as a result of the share award plan will be enhanced and will serve as an even better incentivize to the relevant employees of the Group.

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

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

3. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF

Net tangible asset value

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

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

Profit attributable to Shareholders

The audited consolidated net profit attributable to the Shareholders for the year ended 31 December 2006 was approximately RMB1,181 million before tax and approximately RMB1,128 million after tax. Following the implementation of the Proposed Spin-off, the Group's earnings attributable to the BE Group will be reduced as the Company's interest in BYD Electronic will be reduced by 23.65% from 91% to approximately 67.35% (assuming the Over-allotment Option is not exercised). Moreover, profit attributable to shareholders of the Company is expected to record an exceptional profit ranging from HK\$1,927.1 million to HK\$6,238.7 million arising from the gain of deemed disposal of BYD Electronic by the Company.

Turnover

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

4. PREFERENTIAL OFFER

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

5. EXTRAORDINARY GENERAL MEETINGS

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

A notice convening the extraordinary general meeting of the Company for all Shareholders to be held on Thursday, 14 June 2007 at 10:00 a.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC is set out on pages 48 to 52 of this circular.

A notice convening the class meeting for holders of the Domestic Shares of the Company to be held on Thursday, 14 June 2007 at 12:00 p.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC is set out on pages 53 to 56 of this circular.

A notice convening the class meeting for holders of the H Shares of the Company to be held on Thursday, 14 June 2007 at 11:00 a.m. at the Company's Conference Room at Yan An Road, Kuichong, Longgang District, Shenzhen, Guangdong Province, the PRC is set out on pages 57 to 59 of this circular.

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

LETTER FROM THE BOARD

6. CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

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

7. PROCEDURES FOR DEMANDING A POLL AT THE EGMS

Pursuant to the Articles of Association, at any general meeting of Shareholders, a resolutions 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% of more of all shares carrying the right to vote at the meeting.

The approvals in relation to the Proposed Spin-off and the Preferential Offer to be sought from the Shareholders at the EGMs will be taken by poll at the EGMs.

8. RECOMMENDATION

The Directors are of the view that the terms of the Proposed Spin off and the Preferential Offer are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the special resolutions to approve the Proposed Spin-off, the Preferential Offer and transactions related thereto as set out in the notices of EGMs on pages 48 to 52 of this circular.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Shareholders how to vote at the EGMs. The Independent Financial Adviser considers that the Proposed Spin-off and the Preferential Offer are fair and reasonable so far as the Shareholders are

LETTER FROM THE BOARD

concerned and that the Proposed Spin-off and the Preferential Offer are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Financial Adviser recommends the Shareholders to vote in favour of the special resolution to be proposed at the EGMs to approve the Proposed Spin-off and the Preferential Offer.

9. GENERAL

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

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

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

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

10. ADDITIONAL INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

In connection with the Global Offering, the price of the Offer Shares may be stabilised in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the SFO will be contained in the Prospectus.

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



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)

23 May 2007

To the Shareholders

Dear Sir or Madam,

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

We have been appointed as members of the Independent Board Committee to advise you in connection with the Proposed Spin-off and the Preferential Offer, details of which are set out in the “Letter from the Board” in a circular dated 23 May 2007 to the Shareholders (the “Circular”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

BOCOM International Holdings Company Limited has been appointed to advise us and the Shareholders on whether the Proposed Spin-off and the Preferential Offer are in the interests of the Company and the Shareholders as a whole and whether the terms of the Proposed Spin-off and the Preferential Offer are fair and reasonable. Details of its advice are set out on pages 27 to 40 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 25 of the Circular.

Having considered the advice and recommendation of BOCOM International Holdings Company Limited, we are of the opinion that the Proposed Spin-off and the Preferential Offer are in the best interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable. We, therefore, recommend the Shareholders to vote in favour of the relevant special resolutions to be proposed at the EGMs to approve the Proposed Spin-off and the Preferential Offer.

Yours faithfully,
Independent Board Committee
Li Guo-xun Kang Dian Lin You-ren
Independent Non-executive Directors

The following is the text of a letter from BOCOM International Holdings Company Limited to the Shareholders and the Independent Board Committee prepared for the purpose of incorporation in this circular:



23 May 2007

*To the Shareholders and the Independent Board Committee of
BYD Company Limited*

Dear Sir/Madam,

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

INTRODUCTION

We refer to the appointment by the Company to advise you in respect of the Proposed Spin-off and the Preferential Offer. Details of the Proposed Spin-off and the Preferential Offer are set out in a circular issued by the Company to its shareholders dated 23 May 2007 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As referred to in the Letter from the Board as set out on pages 7 to 25 of the Circular, the Proposed Spin-off will result in the separate listing of BE Shares on the main board of the Stock Exchange by way of the Global Offering, which will comprise the Public Offer, the International Placing and the Preferential Offer. Immediately after completion of the Proposed Spin-off, the BE Group will have a public float of 25% (taking into no account any BE Shares which maybe issued pursuant to the exercise of the Over-allotment Option). The terms of the Global Offering are subject to finalization and will be contained in the Prospectus.

In recognition of the requirement under the Listing Rules to provide Assured Entitlements to shareholders in connection with spin-off proposals, it is presently intended that the Qualifying Shareholders will be entitled to subscribe at the Offer Price for one Reserved Shares for every whole multiple of 3 existing Shares on an assured basis under the Preferential Offer. After consulting the advice from the PRC legal counsel, the Company considers that the offer of the BE shares to holders

of its Domestic Shares is prohibited under the PRC laws unless such holders of Domestic Shares have complied with certain regulations and obtained approval from governmental regulatory bodies. Accordingly, the Directors consider that it is impractical and unduly burdensome to offer to holders of Domestic Shares any of the BE shares as Assured Entitlement under the Proposed Spin-off. Apart from the Domestic Shareholders, the Directors also advised that the Overseas Shareholders and Excluded Directors will not be entitled to any Reserved Shares. It is not within our terms of reference to advise on whether the Qualifying Shareholders should take up their entitlements of the Reserved Shares under the Preferential Offer. It is also not within our terms of reference to consider or advise on the pricing of the BE Shares in the Global Offering nor on the timing of the making of the Global Offering relative to the prevailing market conditions or at all. In these respects, the Qualifying Shareholders are recommended to consult their own professional advisers and refer to the information contained in the Circular and the Prospectus. We have also not considered the tax consequence of the Proposed Spin-off on the Shareholders since these are particular to individual circumstances. In particular, Shareholders who are subject to overseas taxation on securities dealing should consult their own professional advisers.

After the Reorganization, BYD Electronic will be regarded as a major subsidiary of the Company under the Listing Rules. Upon completion of the Proposed Spin-off, BYD Electronic will remain a non-wholly-owned subsidiary of the Company. The Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares owned by Golden Link in the International Placing and a material dilution of the Company's interest in BYD Electronic as a major subsidiary of the Company under Rules 13.36(1) and 19A.38 of the Listing Rules. As such, the Proposed Spin-off is subject to the disclosure requirement under chapter 14 of the Listing Rules and Shareholders' approval requirement under Rules 13.36(1) and 19A.38 of the Listing Rules. As the interest of all Shareholders (including the single largest Shareholder) in relation to the Proposed Spin-off are not different, and there is no controlling Shareholder, no Shareholder is required to abstain from voting at the EGMs. Accordingly, all Shareholders are entitled to vote on the Proposed Spin-off and the waiver by the Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer.

The Independent Board Committee comprising Messrs Li Guo-xun, Kang Dian and Lin You-ren, being independent non-executive Directors, has been established by the Board to advise the independent Shareholders in relation to the Proposed Spin-off and the Preferential Offer. We, BOCOM International Holdings Company Limited, have been appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether or not the terms of the Proposed Spin-off and the Preferential Offer are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true and correct in all material respects at the time they were made and continued to be so as at the date of EGMs. We have also assumed that all statement of belief,

opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent investigation into the affairs and the business of the Group and the BE Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

As referred to in the Letter from the Board as set out on pages 7 to 25 of the Circular, the Proposed Spin-off, if it proceeds, will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules in respect of the proposed sale of BE Shares owned by Golden Link in the International Placing and a material dilution of the Company's interest in BYD Electronic as a major subsidiary of the Company under Rules 13.35(1) and 19A.38 of the Listing Rules. As such, the Proposed Spin-off is subject to the disclosure requirements under Chapter 14 of the Listing Rules and Shareholders' approval requirement under Rules 13.36(1) and 19A.38 of the Listing Rules. In this letter of advice, we shall formulate our opinion and recommendation in relation to the Proposed Spin-off and the Preferential Offer. In arriving at our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Background to and reasons for the Spin-off

Background of the Group

The Group was founded in 1995 and the Company was listed on the main board of the Stock Exchange in July 2002. The Group is principally engaged in the manufacture of (i) handset components and modules together with the provision of handset assembly services; (ii) rechargeable batteries; (iii) automobile; and (iv) electro-mechanical parts.

(i) *Handset components and modules*

The Group produces handset components, mainly comprising handset casings, which form the outer covering of handsets, and handset keypads, which are the main input devices. Handset modules are partially completed handsets with certain functions incorporating a number of mechanical components such as handset casings, microphones, connectors and other components. The Group also provides assembly services to customers.

(ii) *Rechargeable Batteries*

The business of the manufacture of rechargeable batteries was the initial core business of the Group. The Group produces mainly two types of rechargeable batteries, namely, nickel batteries and lithium-ion batteries (li-ion batteries).

(iii) *Automobile*

The Group commenced its automobile business in 2003 initially by way of the acquisition of equity interest in an automobile company. The Group provides both gasoline cars and auto tooling to customers.

(iv) *Electro-mechanical parts*

The Group also produces electro-mechanical parts including LCDs, FPCs and opto-electronic products (such as backlight module and camera module).

Background of the BE Group

The Spin-off Business comprises the business of (i) the manufacture of handset components and modules; (ii) the provision of PCB assembly services; and (iii) the provision of high-level assembly services.

The BE Group is mainly engaged in the manufacture and sale of handset components and modules. Such key handset components primarily consist of handset casings, which form the outer covering of handsets, and handset keypads, which are the main input devices. Handset modules are partially completed handsets with certain functions incorporating a number of mechanical components such as handset casings, microphones, connectors and other components.

More recently, the BE Group began to offer two types of assembly services to customers. The high-level assembly service produces near completed handsets, with a broader range of functions by integrating mechanical components, handset keypads and electronic components such as LCDs and FPCs. The PCB assembly service utilizes automated assembly lines of the BE Group to produce PCBs by affixing components such as capacitors, resistors and integrated circuits on blank PCBs.

The Proposed Spin-off

On March 22 2007, the Board announced that the BE Group submitted an advanced booking form (Form A1) to the Stock Exchange for the listing of, and permission to deal in, the BE Shares in issue and to be issued under the Global Offering on the main board of the Stock Exchange. It is noted that the exact structure of the Proposed Spin-off and the Global Offering will be decided subsequently by the Directors, the directors of BYD Electronic and the Sole Global Coordinator. The exact size of the Global Offering and the terms of the underwriting agreement are yet to be finalized. The allocation of the BE Shares between the Public Offer and the International Placing is subject to reallocation. In connection with the Proposed Spin-off, it is proposed that, subject to certain conditions, Qualifying Shareholders are invited to participate in the Global Offering at the Offer Price on assured basis under the Preferential Offer. Immediately after completion of the Proposed Spin-off, the BE Group will have a public float of 25% (taking into no account any BE Shares which maybe issued pursuant to the exercise of the Over-allotment Option).

Reasons and benefits

The BE Group aims to capture the anticipated continuing rapid growth potential of the handset manufacturing and distribution industry for the coming few years. Under this objective, the Directors consider that the listing of BE Shares will enable the Remaining Group and BE Group to have separate identities and financing sources which will reflect the different business models, corporate missions and revenue stream of these businesses. The Directors are of the view that such clear delineation between the Remaining Group and BE Group will improve efficiency in management and operational levels of both the two companies. The management of the BE Group will also be able to focus on specific opportunities arising in the handset manufacturing and distribution industry. Furthermore, the Directors expect that the Proposed Spin-off could enhance profile of the BE Group and the decision-making process for the BE Group and the Remaining Group.

The Directors also consider that a separate listing of BE Shares will give the Company an additional option for future funding for use by the Group through disposal of its BE Shares for the expansion and development of the Remaining Business. It is presently intended that 40% of the Global Offering will be sale of existing BE Shares by Golden Link while 60% will then be offer of new BE Shares by BE Electronic. As stated in the sub-section headed “Intended use of proceeds” under the section headed “Proposed Spin-off” in the Letter from the Board of the Circular, the Group intends to apply the net proceeds from the sale of existing BE Shares under the Global Offering (after deduction of underwriting commission and estimated expenses) as follows:

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

In addition, listing of the BE Group allows itself to create its own investor base and gives it independent access to both equity and debt market which provide a direct, immediate and additional means of securing funding for the BE Group’s short to medium term expansion plan. As stated in the sub-section headed “Intended use of proceeds” under the section headed “Proposed Spin-off” in the Letter from the Board of the Circular, the BE Group currently intends to use the net proceeds from the offer of new BE Shares under the Global Offering (on the assumption that the Over-allotment is not exercised and after deduction of underwriting commission and estimated expenses) as follows:

- approximately 35% to expand the capacities in the design and manufacturing of handset components and modules, including handset casings and handset keypads, and the majority of such proceeds will be utilized to purchase or develop machineries or equipment such as injection machines, spray painting lines and heat drying machines;

- approximately 30% to expand the capacities in the design and manufacturing of molds used in the production of plastic and metallic components, as the majority of such proceeds will be utilized to purchase machineries and equipment such as computerized numeric centers, wire electric discharge machines, grinding machines, welding machines and coordinated measuring machines to enhance the capacities in manufacturing molds used in the production of plastic components;
- approximately 15% to expand the capacities in the design and manufacturing of metallic components, and the majority of such proceeds will be utilized to purchase equipment such as press machines, three-dimensional measuring machines, PVD machines and Surface Mount Technology (SMT) automatic packaging machines;
- approximately 10% to repay bank borrowings; and
- any remaining balance for working capital and other general corporate purposes.

After all, the Directors consider that separate listing of the BE Group will enable investors to appraise and assess the potential and performance of the BE Group separately and distinctly from the Remaining Group. At the same time, the Company will remain the majority shareholder of the BE Group after the Proposed Spin-off and will be able to enjoy the benefits of the development of the BE Group's business. In addition, upon listing of the BE Group, the BE Shares including those beneficially owned by certain executives and employees of the Group pursuant to the one-off share award plan as approved by the Shareholders on 30 January 2007 will become listed and publicly tradable shares. Subject to the applicable lock-up arrangement, the Directors consider that liquidity of the shares transferred to the relevant employees of the Group as a result of the share award plan will serve the purpose to provide incentive for the relevant employees of the Group.

Based on the above, we consider that the Proposed Spin-off will enable the Remaining Group and the BE Group to focus on their respective development and to finance their respective existing operations and future operations.

2. Effects of the Proposed Spin-off on the Group

Effect on the net tangible asset value of the Group

The audited consolidated net tangible asset value of the Group as at 31 December 2006 was RMB4,896.6 million and the unaudited net tangible asset value of the BE Group as at that date was RMB852.3 million. Based on the assumptions that (i) the Global Offering was completed on 31 December 2006; (ii) the Over-allotment option was not exercised; (iii) the Reorganization and the one-off share award plan of the Company was completed on or before 31 December 2006; and (iv) the anticipated net proceeds from the Global Offering would amount to approximately HK\$2,132.0 million from sales of 220 million existing BE Shares and approximately HK\$3,198.0 million from issue of 330 million new shares, subject to adjustments at a time

closer to the Listing Date taking into account the then market conditions), the pro forma adjusted consolidated net tangible asset value of the Group as at 31 December 2006 would increase by approximately HK\$4,082.9 million from RMB4,896.6 million to approximately RMB8,979.5 million.

BYD Electronic will remain an indirect subsidiary of the Group upon completion of the Proposed Spin-off and the Global Offering, and the financial position of the BE Group will continue to be consolidated into the accounts of the Group. Immediately following the Global Offering, the consolidated net tangible asset value of the Group would be increased as a result of the issue of BE Shares at a price over the Group's attributable interest in the net tangible asset of the BE Group. On this basis, we are of the view that the Group will benefit from the improvement in its net tangible asset value resulting from the Proposed Spin-off.

Effect on the earnings of the Group

For the year ended 31 December 2006, the audited consolidated net profit of the Group was approximately RMB1,128.1 million after tax (representing approximately RMB2.07 per Share); and for the 3 months ended 31 March 2007, the unaudited combined net profit after taxation of the BE Group attributable to the Group was approximately RMB173.0 million (representing approximately RMB0.32 per Share). For the year ended 31 December 2006, the unaudited combined net profit after taxation of the BE Group attributable to the Group was approximately RMB728.8 million (representing approximately RMB1.35 per Share). As stated in the Letter from the Board, it is estimated that the Group would record a gain of approximately HK\$4,082.9 million on deemed disposal of its interests in the BE Group based on the assumptions that (i) the Global Offering was completed on 31 December 2006, (ii) the Over-allotment Option was not exercised; and (iii) the anticipated net proceeds from the Global Offering would amount to approximately HK\$5,330.0 million, subject to adjustments at a time closer to the Listing Date taking into account of the then market conditions). Accordingly, it is estimated that the pro forma combined profit of the Group attributable to Shareholders would increase by approximately HK\$4,082.9 million (representing approximately HK\$7.57 per Share) to approximately HK\$5,211.0 million (representing approximately HK\$9.66 per Share) for the year ended 31 December 2006 on the same basis. In addition, it is estimated that the exceptional profit of the Group would range from approximately HK\$1,927.1 million to approximately HK\$6,238.7 million arising from the gain of deemed disposal of the BE Group by the Company. However, the actual amount of gain of the Group is subject to the final Offer Price and the structure of the Global Offering.

It is further noted that such increase in the pro forma net profit of the Group attributable to Shareholders is attributable to a one-off gain on deemed disposal of interests in the BE Group. This gain shall be reflected in the profit and loss account of the Group for the year ending 31 December 2007 if the Global Offering takes place therein. It should be noted that this gain is non-recurring in nature and is calculated by reference to the financial position of the BE Group at the time of completion of the Global Offering. If not taking into account the one-off gain on deemed disposal of interests in the BE Group, it is expected that the net profit of the BE Group attributable to the Group upon completion of the Global Offering should be decreased by

23.65%. In view of the reasons and benefits of the Proposed Spin-off as discussed above and the fact that the Group would benefit from an exceptional gain on deemed disposal of interests in the BE Group upon completion of the Global Offering, we consider that this decrease in the net profit of the BE Group attributable to the Group is acceptable.

Effect on working capital and gearing of the Group

The audited consolidated bank and cash balance and bank borrowings and advance of the Group as at 31 December 2006 were approximately RMB1,617.3 million and approximately RMB6,523.9 million respectively. It is noted that the aggregate net proceeds of the Global Offering (assuming the Over-allotment Option will not be exercised) are anticipated to be approximately HK\$5,330.0 million, subject to adjustments at a time closer to the Listing Date taking into account of the then market conditions). Of the Global Offering (assuming the Over-allotment Option will not be exercised), 40% will be sale of existing BE Shares by the Group, representing an estimated net proceeds of approximately HK\$2,132.0 million. As stated in the sub-section headed “Intended use of proceeds” under the section headed “Proposed Spin-off” in the Letter from the Board of the Circular, the Group intends to apply the net proceeds from the sale of existing BE Shares under the Global Offering (after deduction of underwriting commission and estimated expenses) as follows:

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

Based on the assumptions that (i) the Global Offering was completed on or before 31 December 2006; (ii) the Over-allotment option was not exercised; and (iii) the Company repaid the bank borrowings in accordance with its plan, the Group’s gearing (net bank borrowings divided by total equity) as at 31 December 2006 would improve to a net cash position from 0.91. In view of the fact that fresh capital will be raised from the Global Offering and BYD Electronic will remain an indirect subsidiary of the Group upon completion of the Global Offering, we are of the view that the working capital position and gearing of the Group would be further improved as a result of the Global Offering, which is in the interests of the Company and the Shareholders as a whole.

Business of the Group

For the year ended 31 December 2006, the unaudited combined net profit after taxation of the BE Group attributable to the Group was approximately RMB728.8 million, representing approximately 64.6% of the net profit of the Group during the year. As at 31 December 2006, the unaudited combined net tangible asset value of the BE Group attributable to the Group was approximately RMB852.3 million, representing approximately 17.4% of the net tangible asset value of the Group at that time. Following the Reorganization, the BE Group is engaged in the

business of the manufacture of handset components and modules and the provision of assembly services whereas the Remaining Group is engaged in the business of (i) the manufacture of rechargeable batteries; (ii) the manufacture of automobiles; and (iii) the manufacture of electro-mechanical parts.

The Directors confirm that the Remaining Business and the Spin-off Business are independently operated by, respectively, the Remaining Group and the BE Group and each of the Remaining Group and the BE Group is not engaged in the principal business activities of the other.

However, it is noted that the customers of the BE Group may also be the customers of the Remaining Group in respect of the business of the manufacture of rechargeable batteries and electronic and electro-mechanical products. The Directors advise that the mobile handset is not a business segment of the Spin-off Business and the Remaining Business, but rather a market segment of both the Spin-off Business and the Remaining Business (as regards of the manufacture of rechargeable batteries and electronic and electro-mechanical products). Neither the Spin-off Business and Remaining Business is a so-call original equipment manufacturer (OEM) of mobile handset. Although customers of the BE Group may also be customers of the Remaining Group in respect of the business of the manufacture of rechargeable batteries and electronic and electro-mechanical products, the Spin-off Business is different from the Remaining Business. Even though there are common customers or there exists common market segment between the Spin-off Business and the business of the manufacture of rechargeable batteries and electronic and electro-mechanical products (as part of the Remaining Business), products produced by the BE Group cannot be substituted by those produced by the Remaining Group and vice versa. It is also noted that there are a limited number of renowned international market players in the handset industry, which are the high-end and sophisticated customers available for the Remaining Group and the BE Group.

The Directors also confirm that historically, the Group developed the Spin-off Business on the basis of its established relationship with certain international market players in the handset industry; products of, respectively, the Spin-off Business and the business of the manufacture of rechargeable batteries and electronic and electro-mechanical products are widely used in the handset industry. The increasing market penetration of mobile handsets has given rise to an increasing demand for rechargeable batteries, handset components including plastic casings, keypads and electronic or electro-mechanical components (e.g. LCD, opto-electronic products) for handsets in the last couple of years and it is expected that such trend phenomenon will continue for the coming few years. Therefore, to the extent the Remaining Group and the BE Group are engaged in, or any other companies proposing to engaged in, the business of the manufacture of rechargeable batteries, handset components including plastic casings, keypads and electronic or electro-mechanical components, the existence of common customers is inevitable. This is particularly the case where the mobile handset industry is dominated by only a few market players and that it is the strategy of both the BE Group and the Remaining Group to serve high-end and sophisticated customers in the industry (in addition to other electronic device manufacturers). To the best knowledge of the Company, such common customers have

different legal entities or business units and personnel for different types of products and services, and dealings with different product suppliers and services providers. Given the above, we concur with the Director's view that the existence of common ultimate customers should not give rise to issues on competition.

As disclosed in the sub-section headed "Non-compete undertakings" under the section headed "Proposed Spin-off", the Non-competition Covenantors propose to enter into the Non-competition Deed in favour of BYD Electronic (for itself and as trustee for the benefit of its Subsidiaries from time to time) for listing of the BE Group. Pursuant to the proposed Non-compete Deed to be entered into, the Non-competition Covenantors have jointly and severally undertaken with BYD Electronic that they will not, and will procure that the respective associates not to, amongst others, either on their/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise) in the Restricted Activity. It is noted that the Relevant Business refers to the businesses of the manufacturing of handset components and modules, provision of assembly services for handsets or other 3C (i.e. computer, communications and consumer electronics) products, and any such other businesses which are disclosed in the Prospectus as to be participated, invested or developed by the BE Group, save and except the manufacturing of components or modules for automobiles or those used in the automobile manufacturing process which are not and will not be manufactured by the BE Group. Such Non-compete deed will cease to have effect on the Company when BE Shares are no longer listed and traded on the Stock Exchange or other recognised stock exchanges or the BE Group ceases to engage in the business afore-mentioned.

The Directors consider that there is no competition between the BE Group and the Remaining Group before and after listing of the BE Group. The Directors also confirm that the principal business operations of the BE Group are managed by employees of the BE Group and functioned independently from the Remaining Group in every material respect. Furthermore, it should be noted that BYD Electronic will remain an indirect subsidiary of the Group and the Group will continue to enjoy the growth and results of the business of the BE Group. In view of the above, we consider that the non-compete undertaking given by the Non-competition Covenantors in favour of BYD Electronic would not adversely affect the Group.

It is noted that the board of directors of BYD Electronic will comprise a total of seven directors, of which two will be executive directors. Such proposed executive directors are existing members of the senior management of the BE Group, both of whom have been actively engaged in the management of the business of the BE Group for the last three years. The Directors consider that the day-to-day management and operation functions of each of the Remaining Group and the BE Group have been and are expected to continue to be carried out by two separate teams of management personnel.

It is noted that the members of the Group have entered into and will continue to carry out a number of transactions with the members of the BE Group after listing of the BE Shares on the Stock Exchange. These transactions include (i) the purchase of products, such as battery cases and tooling by the Remaining Group from the BE Group and the supply of miscellaneous spare

parts such as LCD and FPC from the Remaining Group to the BE Group; (ii) certain processing arrangement where the Remaining Group provides to the BE Group exclusively processing services for the manufacture of mobile phone casings and keypads and at the same time the BE Group provides to the Remaining Group exclusive processing services for the manufacture of products of the Remaining Business, such as lithium-ion batteries and FPCs; (iii) the leasing of factory and office premises by the Company to the BE Group; (iv) the sharing of ancillary services, the provision of utilities connection and/ or utilities by the Remaining Group to the BE Group; and (v) the licensing of trademarks by the Company to the BE Group (the “Transactions”). The Transactions are not expected to be connected transactions of the Company under the Listing Rules but they will constitute continuing connected transactions of the BE Group upon the listing of the BE Group on the Main Board of the Stock Exchange. The Directors consider that the Transactions are necessary for the listing of the BE Group and are in the interest of the Shareholders as a whole. Details of the Transactions will be disclosed in the Prospectus.

Hong Kong tax and stamp duty

As disclosed in the sub-section headed “Hong Kong tax and stamp duty” under the section headed “Proposed Spin-off”, under current legislation in Hong Kong, the implementation of the Proposed Spin-off is, of itself, not expected to have any adverse Hong Kong tax consequence for Shareholders, except that those persons who carry on a trade or business in Hong Kong and are or will be treated for tax purposes as trading in BE Shares may be subject to profits tax in respect of any gain resulting from dealings in BE Shares pursuant to the Proposed Spin-off. However, dealings in BE Shares registered on BYD Electronic’s register of members in Hong Kong will be subject to Hong Kong stamp duty.

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the Proposed Spin-off.

3. Effect of the Global Offering on the Shareholders

Preferential Offer

Under paragraph 3(f) of PN15 of the Listing Rules, the Shareholders should be offered an Assured Entitlement to BE Shares, either by way of a distribution in specie of existing BE Shares or by way of preferred application in any offering of existing or new BE Shares. In this regard, it is proposed that, subject to the Stock Exchange granting listing of, and permission to deal in, the BE Shares on the Stock Exchange, approximately 48.85 million Reserved Shares will be available for subscription by Qualifying Shareholders at the Offer Price under the Preferential Offer. The Directors advise that Non-Qualifying Shareholders, which are Domestic Shareholders, Oversea Shareholders and Excluded Directors, will not be entitled to any Reserved Shares.

The Directors advise that the Company has received legal advice from its PRC legal advisers that the offer of BE Shares to holders of its domestic shares is prohibited under PRC law unless the Domestic Shareholders have attended to the approval or registration procedures with the PRC State Administrations on Foreign Exchange, the Ministry of Commerce (for corporate shareholder) and National Development and Reform Commission. Further, it is

uncertain whether such offer will constitute a public offer in the PRC. In light of the above regulatory concern, the Company considers that it is impractical and unduly burdensome to offer to holders of its domestic shares any of the BE Shares as Assured Entitlement under the Proposed Spin-off. We concur with the Company's view that it is impracticable and burdensome to offer to the Domestic Shareholders any of the BE Shares. Accordingly, we consider that exclusion of the Domestic Shareholders from the Preferential Offer is an acceptable arrangement. Furthermore, the Shareholders and the holders of Domestic Shares, in each case, will pass special resolution at the respective EGMs to approve the waiver by Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer. As at the date of this submission, holders of the domestic shares of the Company are in aggregate interested in approximately 72.29% of the total issued shares of the Company.

On this basis, Qualifying Shareholders will be invited to participate in the Proposed Spin-off by applying for the Reserved Shares and will be entitled to subscribe on an assured basis at the Offer Price for one Reserved Share for every whole multiple of 3 existing Shares held by them on the Record Date. Qualifying Shareholders holding less than 3 Shares will not be entitled to subscribe for any Reserved Shares on an assured basis. Qualifying Shareholders may, in addition to applying for the Reserved Shares, also apply for other BE Shares under the Public Offer. The Sole Global Coordinator, on behalf of the Underwriters, will allocate any Assured Entitlements not taken up by Qualifying Shareholders first to satisfy the excess applications for the Reserved Shares from the Qualifying Shareholders on a fair and reasonable basis and thereafter, at the discretion of the Sole Global Coordinator, to other investors in the International Placing or the Public Offer. In this regard, we are of the view that the arrangement of excess applications is in line with the market practice.

It is proposed that the number of BE Shares available under the Preferential Offer will represent approximately 8.9% of the Global Offering and approximately 2.2% of the enlarged issued share capital of the BE Group upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). As all Shareholders who are not going to receive the Assured Entitlement are given the opportunity and right, by resolution in general meeting, to resolve whether to waive their owned Assured Entitlement, we consider that all Shareholders under the Assured Entitlement are treated equally pursuant to paragraph 3(f) of PN15 is reasonable and is in the interest of the Shareholders as a whole. Further details on the Preferential Offer are set out in the section headed "Preferential Offering" in the Letter from the Board of the Circular.

Dilutive effect

The table below sets out the dilutive effect of the Global Offering on Golden Link’s beneficial shareholding interests in BYD Electronic based on the current expected structure of the Global Offering:

	Beneficial Shareholding interest of Golden Link in the share capital of BYD Electronic as enlarged by the Global Offering and the BE Shares to be issued
Before the Global Offering	91%
Immediately after the Global Offering (assuming the Over- allotment Option is not exercised)	67.35%

After taking into account the fact that Golden Link is an indirect wholly-owned subsidiary of the Company, the Company’s beneficial shareholding interests in BYD Electronics will be diluted from approximately 91% to approximately 67.35% immediately after the Global Offering (assuming the Over-allotment Option will not be exercised). Accordingly, BYD Electronic will remain a subsidiary of the Company upon completion of the Global Offering, and the financial results of the BE Group will still be consolidated into the accounts of the Group.

We are of the view that such dilution, albeit not immaterial, would be acceptable to the Shareholders taking into account the benefits and effects of the Proposed Spin-off on the Group as discussed in the sub-section headed “Reasons and benefits”, under the section headed “Background to and reasons for the Spin-off” and under the section headed “Effects of the Proposed Spin-off on the Group”.

4. **Conditions of the Global Offering**

The Proposed Spin-off and the Global Offering will be conditional upon, among other things, the following:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the BE Shares in issue and to be issued pursuant to the Global Offering (including the BE Shares to be issued upon the exercise of the Over-allotment Option);
- (ii) the Shareholders, the holders of Domestic Shares and holders of H Shares, in each case, passing a special resolution at the respective EGMs to approve the Proposed Spin-off and the Shareholders and the holders of Domestic Shares, in each case, passing special resolution at the respective EGMs to approve the waiver by Non-Qualifying Shareholders of the Assured Entitlement for Reserved Shares to be issued under the Preferential Offer;

- (iii) the Offer Price having been agreed between BYD Electronic, Golden Link and the Sole Global Coordinator (on behalf of the underwriters) and the due execution and delivery of the underwriting agreements; and
- (iv) the obligations of the underwriters under the underwriting agreements to be entered into among BYD Electronic and the underwriters in respect of the Global Offering becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein.

If the above conditions and other applicable conditions are not fulfilled or, save for condition precedent (i) and (ii) above, waived prior to the dates and times to be specified, the Proposed Spin-off will not proceed. Details of the conditions are set out in the sub-section headed “Conditions Precedent” under the section headed “Proposed Spin-off” in the Letter from the Board of the Circular.

Recommendation

Having taken into account the principal factors and reasons as set out above in the sub-section headed “Reasons and benefits”, under the section headed “Background to and reasons for the Spin-off” and under the section headed “Effects of the Proposed Spin-off on the Group” and under the section headed “Effect of the Global Offering on the Shareholders”, we are of the view that the Proposed Spin-off and the Preferential Offer is fair and reasonable so far as the Shareholders are concerned and that the Proposed Spin-off and the Preferential Offer is in the interests of the Company and its Shareholders as a whole. Accordingly, we would recommend the Shareholders to vote in favour of the special resolutions to be proposed at the EGM to approve the Proposed Spin-off and the Preferential Offer.

Yours faithfully,

For and on behalf of

BOCOM International Holdings Company Limited

Liu Qiang
Chief Executive

Steve Wong
*Director, Corporate Finance
Investment Banking Division*

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) ^(note 1)	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) ^(note 2)	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 ^(note 1)	44,800,700 (L)	8.30	11.49
Yang Long-zhong ^(note 2)	20,717,300 (L)	3.84	5.31

Notes:

- 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.
- 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. <i>(note 1)</i>	8,570,600 (L)	1.59	5.73
JPMorgan Chase & Co. <i>(note 2)</i>	7,208,300 (L)	1.34	4.82
	5,478,300 (P)	1.02	3.66
Li Lu <i>(note 3)</i>	8,997,500 (L)	1.67	6.02
LL Group, LLC <i>(note 4)</i>	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	7,527,500 (L)	1.40	5.04
Templeton Global Advisors Ltd.	9,004,500 (L)	1.67	6.02
Value Partners Limited <i>(note 5)</i>	12,110,000 (L)	2.24	8.10
Cheah Cheng Hye <i>(note 5)</i>	12,110,000 (L)	2.24	8.10
Halbis Capital Management (Hong Kong) Limited	7,755,000 (L)	1.44	5.18
Northern Trust Fiduciary Services (Ireland) Limited	9,145,000 (L)	1.70	6.12
Baring Asset Management Limited	9,073,000 (L)	1.68	6.07

Notes:

- 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.
- 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) 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.
- (4) 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.
- (5) 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 31 December 2006, 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 at the Latest Practicable Date and entered into by the Group since 31 December 2006, 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 31 December 2006, 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
BOCOM International Holdings Company Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO
Jingtian and Gongcheng	Legal advisers on PRC Laws

- (b) As at the Latest Practicable Date, each of the Independent Financial Adviser and Jingtian and 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 and Jingtian and 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 1 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) letter from the Board, the text of which is set out on pages 7 to 25 of this circular;

- (c) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders, the text of which is set out on pages 27 to 40 of this circular;
- (e) the legal advice from Jingtian and Gongcheng; and
- (f) the written consent from each of the Independent Financial Adviser and Jingtian and Gongcheng referred to in the section headed “Experts” in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The following is a reproduction of the notice of the Extraordinary General Meeting dated 23 April 2007



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 OF EXTRAORDINARY GENERAL MEETING

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 14 June 2007 at 10:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

AS SPECIAL RESOLUTIONS

1. “**THAT** the Proposed Spin-off (as defined below), which constitutes a material dilution (for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**” respectively) of the Company’s interest in BYD Electronic Company Limited (“**BE**”) and its subsidiaries and a discloseable transaction (for the purposes of the Listing Rules), subject to and conditional upon (among other things): (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the shares of HK\$0.10 each in the share capital of BE (“**BE Shares**”) in issue and to be issued pursuant to the Proposed Spin-off (including the BE Shares to be issued upon the exercise of the Over-allotment option); (ii) the shareholders of the Company, the holders of domestic shares of the Company and the holders of H shares of the Company, in each case, passing a special resolution at the respective general meetings to approve the Proposed Spin-off; (iii) the offer price (the “**Offer Price**”) in relation to the offer of the BE Shares pursuant to the Proposed Spin-off having been agreed between BE, Golden Link Worldwide Limited and UBS AG (on behalf of the underwriters of the Proposed Spin-off (the “**Underwriters**”)) and the due execution and delivery of the underwriting agreements; and (iv) the obligations of the Underwriters under the underwriting agreements to be entered into among BE and the Underwriters in respect of the Proposed Spin-off becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein, be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Proposed Spin-off and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-off as they shall think fit.”

For the purpose of this resolution,

NOTICE OF EXTRAORDINARY GENERAL MEETING

“**Proposed Spin-off**” means the offer of the BE Shares to the public for subscription, the preferential offer of the BE Shares to certain qualifying shareholders of the Company and the offer of BE Shares to certain professional, institutional and other investors for sale or subscription, as more particularly described in the prospectus to be issued by BE in relation to the Proposed Spin-off (the “**Prospectus**”), subject to any variations or changes which are considered by the Company’s directors not to be material.

2. “**THAT** the exclusion of: (a) shareholders of the Company whose addresses on the register of members of the Company were outside Hong Kong at the close of business on the record date including those who are within the United States (within the meaning of Regulation S under the United States of America Securities Act 1933) for Preferential Offer (as defined below) (the “**Overseas Shareholders**”); (b) holder of domestic shares of the Company (the “**Domestic Shareholders**”); and (c) directors of BE and their associates (as such terms defined under the Listing Rules) (the “**Excluded Directors**”) from applying for the BE Shares under the Preferential Offer be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Preferential Offer and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Preferential Offer as they shall think fit.”

For the purpose of this resolutions,

“**Preferential Offer**” means the proposed preferential offer to the shareholders of the Company (other than the Overseas Shareholders, the Domestic Shareholders and the Excluded Directors) whose names appear on the register of members of the Company at the close of business on the record date for Preferential Offer for subscription of certain number of BE Shares at the Offer Price on and subject to the terms and conditions as described in the Prospectus and the related application form.

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

Hong Kong, 23 April 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (A) The Company will not process registration of transfers of H Shares from 10 May 2007 to 14 June 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 after 4:30 p.m. on 9 May 2007 are entitled to attend and vote at the Meeting (or any adjournment thereof) following completion of the registration procedures. To qualify for attendance and voting at the Meeting (or any adjournment thereof), documents on transfers of H Shares must be lodged with the Company's H Share Registrar and Transfer office, not later than 4:30 p.m. on 9 May 2007. 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
Hong Kong

The Company will not process registration of transfers of Domestic Shares from 10 May 2007 to 14 June 2007 (both days inclusive). Holders of Domestic Shares whose names appear on the register of Shares of the Company after 4:30 p.m. on 9 May 2007 are entitled to attend and vote at the Meeting (or any adjournment thereof) following completion of the registration procedures. Holders of Domestic Shares should contact the secretary to the board ("**Secretary to the Board**") of directors of the Company (whose contact details are set out in note (B) below) for details concerning registration of transfers of Domestic Shares.

- (B) Holders of H Shares and Domestic Shares intending to attend the Meeting (or any adjournment thereof) should complete and return the reply slip for attending the Meeting (or any adjournment thereof) personally, by facsimile or by post.

Holders of H Shares should complete and return the reply slip to the Company's H-Share Registrar and Transfer Office by facsimile at (852) 2865 0990 or by post to (or by depositing it at) Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong such that the reply slip shall be received by the Company's H-Share Registrar and Transfer Office 20 days before the Meeting (i.e. on or before 25 May 2007).

Holders of Domestic Shares should complete and return the reply slip, by personal delivery, by facsimile or by post, to the Secretary to the Board such that the reply slip shall be received by the Secretary to the Board 20 days before the Meeting (i.e. on or before 25 May 2007).

NOTICE OF EXTRAORDINARY GENERAL MEETING

The contact details of the Secretary to the Board are as follows:

Secretary to 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 (or any adjournment thereof) may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting (or any adjournment thereof) 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.
- (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 (or any adjournment thereof) 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 1806-07, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the Meeting (or any adjournment thereof).
- (F) Each holder of Domestic Shares who is entitled to attend and vote at the Meeting (or any adjournment thereof) may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting (or any adjournment thereof) 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, 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 to the Board not less than 24 hours before the time appointed for the Meeting (or any adjournment thereof). The address of the Secretary to the Board is stated in note (B) above.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (G) A shareholder of the Company or his proxy should produce proof of identity when attending the Meeting (or any adjournment thereof). 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 (or any adjournment thereof), 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 (or any adjournment thereof) is expected to last for half a day. Shareholders who attend the Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

NOTICE OF DOMESTIC SHARES CLASS MEETING

The following is a reproduction of the notice of the Domestic Shares Class Meeting dated 23 April 2007



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 OF DOMESTIC SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that a Domestic Shares class 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 14 June 2007 at 12:00 noon (or as soon as the H Share class meeting of the Company shall have been concluded or adjourned) or any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

AS SPECIAL RESOLUTIONS

1. “**THAT** the Proposed Spin-off (as defined below), which constitutes a material dilution (for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**” respectively) of the Company’s interest in BYD Electronic Company Limited (“**BE**”) and its subsidiaries and a discloseable transaction (for the purposes of the Listing Rules), subject to and conditional upon (among other things): (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the shares of HK\$0.10 each in the share capital of BE (“**BE Shares**”) in issue and to be issued pursuant to the Proposed Spin-off (including the BE Shares to be issued upon the exercise of the Over-allotment Option); (ii) the shareholders of the Company, the holders of domestic shares of the Company and the holders of H shares of the Company, in each case, passing a special resolution at the respective general meetings to approve the Proposed Spin-off; (iii) the offer price (the “**Offer Price**”) in relation to the offer of the BE Shares pursuant to the Proposed Spin-off having been agreed between BE, Golden Link Worldwide Limited and UBS AG (on behalf of the underwriters of the Proposed Spin-off (the “**Underwriters**”)) and the due execution and delivery of the underwriting agreements; and (iv) the obligations of the Underwriters under the underwriting agreements to be entered into among BE and the Underwriters in respect of the Proposed Spin-off becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein, be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Proposed Spin-off and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-off as they shall think fit.”

For the purpose of this resolution,

NOTICE OF DOMESTIC SHARES CLASS MEETING

“**Proposed Spin-off**” means the offer of the BE Shares to the public for subscription, the preferential offer of the BE Shares to certain qualifying shareholders of the Company and the offer of BE Shares to certain professional, institutional and other investors for sale or subscription, as more particularly described in the prospectus to be issued by BE in relation to the Proposed Spin-off (the “**Prospectus**”), subject to any variations or changes which are considered by the Company’s directors not to be material.

2. “**THAT** the exclusion of: (a) shareholders of the Company whose addresses on the register of members of the Company were outside Hong Kong at the close of business on the record date including those who are within the United States (within the meaning of Regulation S under the United States of America Securities Act 1933) for Preferential Offer (as defined below) (the “**Overseas Shareholders**”); (b) holder of domestic shares of the Company (the “**Domestic Shareholders**”); and (c) directors of BE and their associates (as such terms defined under the Listing Rules) (the “**Excluded Directors**”) from applying for the BE Shares under the Preferential Offer be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Preferential Offer and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Preferential Offer as they shall think fit.”

For the purpose of this resolutions,

“**Preferential Offer**” means the proposed preferential offer to the shareholders of the Company (other than the Overseas Shareholders, the Domestic Shareholders and the Excluded Directors) whose names appear on the register of members of the Company at the close of business on the record date for Preferential Offer for subscription of certain number of BE Shares at the Offer Price on and subject to the terms and conditions as described in the Prospectus and the related application form.

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

Hong Kong, 23 April 2007

NOTICE OF DOMESTIC SHARES CLASS MEETING

Notes:

- (A) The Company will not process registration of transfers of Domestic Shares from 10 May 2007 to 14 June 2007 (both days inclusive). Holders of Domestic Shares whose names appear on the register of Shares of the Company after 4:30 p.m. on 9 May 2007 are entitled to attend and vote at the Meeting (or any adjournment thereof) following completion of the registration procedures.

Holders of Domestic Shares should contact the secretary to the board (“**Secretary to the Board**”) of directors of the Company (whose contact details are set out in note (B) below) for details concerning registration of transfers of Domestic Shares.

- (B) Holders of Domestic Shares intending to attend the Meeting (or any adjournment thereof) should complete and return the reply slip for attending the Meeting (or any adjournment thereof) personally, by facsimile or by post, to the Secretary to the Board such that the reply slip shall be received by the Secretary to the Board 20 days before the Meeting (i.e. on or before 25 May 2007).

The contact details of the Secretary to the Board are as follows:

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

- (C) Each holder of Domestic Shares who is entitled to attend and vote at the Meeting (or any adjournment thereof) may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting (or any adjournment thereof) 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.
- (D) Holders of Domestic 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 (or any adjournment thereof) 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.

NOTICE OF DOMESTIC SHARES CLASS MEETING

- (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 Secretary to the Board not less than 24 hours before the time appointed for the Meeting (or any adjournment thereof). The address of the Secretary to the Board is stated in note (B) above.
- (F) A shareholder of the Company or his proxy should produce proof of identity when attending the Meeting (or any adjournment thereof). 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 (or any adjournment thereof), 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.
- (G) The Meeting (or any adjournment thereof) is expected to last for half a day. Shareholders who attend the Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.

NOTICE OF H SHARES CLASS MEETING

The following is a reproduction of the notice of the H Shares Class Meeting dated 23 April 2007



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 OF H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that an H Shares class 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 14 June 2007 at 11:00 a.m. (or as soon as the extraordinary general meeting of the Company shall have been concluded or adjourned) or any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution:

AS SPECIAL RESOLUTION

“**THAT** the Proposed Spin-off (as defined below), which constitutes a material dilution (for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Stock Exchange**” respectively) of the Company’s interest in BYD Electronic Company Limited (“**BE**”) and its subsidiaries and a discloseable transaction (for the purposes of the Listing Rules), subject to and conditional upon (among other things): (i) the Listing Committee granting approval for the listing of, and permission to deal in, all the shares of HK\$0.10 each in the share capital of BE (“**BE Shares**”) in issue and to be issued pursuant to the Proposed Spin-off (including the BE Shares to be issued upon the exercise of the Over-allotment Option); (ii) the shareholders of the Company, the holders of domestic shares of the Company and the holders of H shares of the Company, in each case, passing a special resolution at the respective general meetings to approve the Proposed Spin-off; (iii) the offer price (the “**Offer Price**”) in relation to the offer of the BE Shares pursuant to the Proposed Spin-off having been agreed between BE, Golden Link Worldwide Limited and UBS AG (on behalf of the underwriters of the Proposed Spin-off (the “**Underwriters**”)) and the due execution and delivery of the underwriting agreements; and (iv) the obligations of the Underwriters under the underwriting agreements to be entered into among BE and the Underwriters in respect of the Proposed Spin-off becoming unconditional and the underwriting agreements not being terminated in accordance with their respective terms, on or before the dates and times to be specified therein, be and is hereby approved and the board of directors of the Company be and is hereby authorised on behalf of the Company to approve and implement the Proposed Spin-off and all incidental matters and to take all actions in connection therewith or arising therefrom relating to the Proposed Spin-off as they shall think fit.”

NOTICE OF H SHARES CLASS MEETING

For the purpose of this resolution,

“**Proposed Spin-off**” means the offer of the BE Shares to the public for subscription, the preferential offer of the BE Shares to certain qualifying shareholders of the Company and the offer of BE Shares to certain professional, institutional and other investors for sale or subscription, as more particularly described in the prospectus to be issued by BE in relation to the Proposed Spin-off (the “**Prospectus**”), subject to any variations or changes which are considered by the Company’s directors not to be material.

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

Hong Kong, 23 April 2007

Notes:

- (A) The Company will not process registration of transfers of H Shares from 10 May 2007 to 14 June 2007 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares of the Company at Computershare Hong Kong Investor Services Limited after 4:30 p.m. on 9 May 2007 are entitled to attend and vote at the Meeting (or any adjournment thereof) following completion of the registration procedures. To qualify for attendance and voting at the Meeting (or any adjournment thereof), documents on transfers of H Shares must be lodged with the Company’s H Share registrar and transfer office, not later than 4:30 p.m. on 9 May 2007. 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
Hong Kong

- (B) Holders of H Shares intending to attend the Meeting (or any adjournment thereof) should complete and return the reply slip for attending the Meeting (or any adjournment thereof) personally, by facsimile or by post, to the Company’s H-Share Registrar and Transfer Office by facsimile at (852) 2865 0990 or by post to (or by depositing it at) Shops 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong such that the reply slip shall be received by the Company’s H-Share Registrar and Transfer Office 20 days before the Meeting (i.e. on or before 25 May 2007).
- (C) Each holder of H Shares who is entitled to attend and vote at the Meeting (or any adjournment thereof) may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Meeting (or any adjournment thereof) 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 H SHARES CLASS 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 (or any adjournment thereof) 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 1806-07, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the Meeting (or any adjournment thereof).
- (F) A shareholder of the Company or his proxy should produce proof of identity when attending the Meeting (or any adjournment thereof). 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 (or any adjournment thereof), 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.
- (G) The Meeting (or any adjournment thereof) is expected to last for half a day. Shareholders who attend the Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.