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比亞迪電子(國際)有限公司

BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

website : <http://www.byd-electronic.com>

**ANNOUNCEMENT
CONNECTED AND DISCLOSEABLE TRANSACTION
IN RELATION TO
PROVISION OF ENTRUSTED LOANS BY BYD PRECISION
MANUFACTURE CO., LTD.* TO BYD COMPANY LIMITED**

On 9 September 2011, BYD Precision (as lender), a wholly-owned subsidiary of the Company entered into the Memorandum of Understanding with BYD (as borrower) pursuant to which BYD Precision will, subject to the fulfilment of the Conditions, provide the Entrusted Loans in a total principal amount of RMB1 billion to BYD through the Banks (as entrusted lending agents).

As at the date of this announcement, BYD is the controlling shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company. Therefore, BYD is a connected person of the Company and the provision of the Entrusted Loans constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Entrusted Loans exceed 5%, the provision of the Entrusted Loans as connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, based on the applicable percentage ratios calculations under the Listing Rules, the provision of the Entrusted Loans also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

PROVISION OF THE ENTRUSTED LOANS

(1) Date and Parties

On 9 September 2011, BYD Precision (as lender), a wholly-owned subsidiary of the Company entered into the Memorandum of Understanding with BYD (as borrower) pursuant to which BYD Precision will, subject to the fulfilment of the Conditions, provide the Entrusted Loans in a total principal amount of RMB1 billion to BYD through the Banks (as entrusted lending agents) in order to satisfy the need for further working capital of BYD.

BYD Precision and BYD propose to enter into the Entrusted Loan Agreements with each of the Banks within two (2) business days (or such other day as may be agreed between the parties) after the fulfilment of the Conditions pursuant to which BYD Precision shall, as principal, entrust the Banks to arrange the Entrusted Loans be lent to BYD. The terms of each of the Entrusted Loan Agreements will be substantially the same. The principal terms of the Entrusted Loans are summarized in this announcement.

(2) Conditions

The provision of the Entrusted Loans by BYD Precision to BYD is conditional upon fulfilment of the following Conditions:

- (a) the Independent Shareholders having approved by way of poll at the EGM of the provision of the Entrusted Loans by BYD Precision to BYD contemplated under the Memorandum of Understanding and the Entrusted Loan Agreements; and
- (b) the Deed of Undertaking having been signed by BYD, BYD HK and Golden Link in favour of the Company and BYD Precision.

(3) Total principal amount of the Entrusted Loans

RMB1 billion, to be lent by BYD Precision to BYD through the Banks as entrusted lending agents.

(4) Term

The term for the Entrusted Loans is 36 months commencing from the date of drawdown of the Entrusted Loans.

(5) Interest rate

At a floating interest rate equivalent to the RMB benchmark interest rate for 3-year term loans effective on the date when each batch of borrowing is drawn down as announced by the People's Bank of China, and to be adjusted every three months after drawdown. The adjustment date is the first date of each of the three-month period after drawdown. The adjusted interest rate will be the prevailing RMB benchmark lending rate for 3-year term on the adjustment date as announced by the People's Bank of China.

(6) Repayment schedule of the principal of the Entrusted Loans

One-off repayment of the principal by BYD upon maturity of the Entrusted Loans, subject to early repayment as demanded by BYD Precision or opted by BYD.

(7) Payment schedule of interests of the Entrusted Loans

Interests for the Entrusted Loans shall be settled by BYD on the twentieth (20th) day of each month after drawdown.

(8) Repayment upon demand by BYD Precision or early repayment opted by BYD

BYD Precision shall have the right to require BYD to repay all or part of the outstanding principal amount of the Entrusted Loans and all the accrued interests before maturity of the Entrusted Loans by serving a written notice on BYD. BYD shall repay such sum within three (3) months after receiving the written notice from BYD Precision (the “**Repayment Demand Notice**”).

BYD shall have the right to repay all or part of the outstanding principal amount of the Entrusted Loans and all the accrued interests before maturity of the entrusted Loans after serving three (3) months' prior written notice and having obtained the consent to early repayment from BYD Precision.

(9) Handling charge

The handling charge for arranging the Entrusted Loans under the Entrusted Loan Agreements is calculated at 0.03% of the total principal amount of the Entrusted Loans. BYD Precision shall pay the handling charge on a one-time basis to the Banks when the Entrusted Loans are released to BYD.

(10) Deed of Undertaking

As one of the Conditions for the provision of the Entrusted Loans, BYD, BYD HK and Golden Link would give undertakings in favour of the Company and BYD Precision under the Deed of Undertaking, the principal terms of which are as below:

Non-disposal undertaking

- (a) BYD undertakes that as long as any part of the Entrusted Loans and/or any interest accrued thereto remains outstanding (the “**Relevant Period**”), it will maintain holding at least 25% interest in the total issued share capital of the Company from time to time (the “**Relevant Interests**”), and Golden Link undertakes that it shall not (and BYD shall procure Golden Link not to), within the Relevant Period sell, transfer or dispose of, nor enter into any agreement to sell, transfer or dispose of or otherwise create any options, rights, interests, pledge, lien, trust arrangement or encumbrances (the “**Restricted Acts**”) in respect of the Relevant Interests;
- (b) Within the Relevant Period, (i) BYD shall not conduct any Restricted Acts in respect of its interest in BYD HK and (ii) BYD HK shall not conduct any Restricted Acts in respect of its interest in Golden Link, which would lead to BYD ceasing to have the Relevant Interests in the Company; and
- (c) The undertakings given by each of BYD, BYD HK and Golden Link in (a) and (b) above are irrevocable and absolute unless otherwise waived in writing by the Company and BYD Precision after taking into account that such waiver is justifiable and beneficial to the Group and the Independent Shareholders as a whole and such waiver must be endorsed by all the independent non-executive Directors of the Company and approved by the Independent Shareholders.

Right of disposal and indemnity

- (a) BYD grants a right to the Company that if BYD fails to repay any part of the principal amount of the Entrusted Loans and/or any interest accrued thereto at the maturity of the term of the Entrusted Loans or upon expiry of the Repayment Demand Notice, the Company shall be entitled to dispose up to 25% of total issued shares of the Company for and on behalf of Golden Link (as registered and beneficial shareholder) at the sole discretion of the Company as settlement of the Entrusted Loans with reference to the prevailing market condition on the prerequisite that the terms and conditions of such disposal shall be subject to all applicable laws and regulations and shall be, in the opinion of the Directors of the Company (including the independent non-executive Directors of the Company), beneficial to the Group and the Independent Shareholders as a whole

(the “**Right of Disposal**”). In the event of any deficiency in the proceeds raised from the exercise of the Right of Disposal against any outstanding loan amount, BYD shall indemnify the Company and BYD Precision to the effect that any deficiency would be paid by BYD in full as final settlement of the Entrusted Loans;

- (B) Golden Link shall provide all necessary assistance to the Company if it exercises the Right of Disposal; and
- (C) BYD and Golden Link agree to fully indemnify the Company on demand against and hold it free and harmless from all liabilities, losses, damages, costs, taxes and expenses incurred by it arising out of or in connection with the exercise of the Right of Disposal.

For reference purposes only, based on the average closing prices of the 5 trading days quoted on the Stock Exchange immediately prior to the date of this announcement, the market value of the 25% shares in the Company amounted to approximately HK\$1.27 billion (equivalent to RMB1.04 billion).

REASONS FOR AND BENEFITS OF THE TRANSACTION

As at 30 June 2011, the Group had cash and bank balances of approximately RMB2,471 million, of which approximately RMB1,897 million was held by BYD Precision. The prevailing interest rate for 3-year term loans announced by the People’s Bank of China, being 6.65% per annum, is substantially higher than the RMB deposit rates generally available to BYD Precision. Therefore, the provision of the Entrusted Loans will enable the Group to enhance the return on its surplus cash resources.

The Directors (excluding the independent non-executive Directors of the Company whose opinion will be formed after considering the advice of the Independent Financial Adviser) are of the view that the provision of the Entrusted Loans and the Entrusted Loan Agreements have been reached upon arm’s length negotiation between BYD Precision, BYD and the Banks, and the Memorandum of Understanding and Entrusted Loan Agreements are on normal commercial terms which are fair and are reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP AND BYD GROUP

The Group is principally engaged in the business of the manufacture and sales of handset components and modules and the provision of handset assembly services.

The BYD Group is principally engaged in the manufacture and sale of (a) rechargeable batteries, (b) electro-mechanical parts for electronic devices and handsets; and (c) automobiles.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BYD is the controlling shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company. Therefore, BYD is a connected person of the Company and the provision of the Entrusted Loans constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the provision of the Entrusted Loans exceed 5%, the provision of the Entrusted Loans as connected transaction is subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. Further, based on the applicable percentage ratio calculations under the Listing Rules, the provision of the Entrusted Loans also constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The Company, being a non wholly-owned subsidiary of BYD, is not a connected person of BYD under Rule 14A.11(5) of the Listing Rules as, to the best knowledge, information and belief of the Directors after making all reasonable enquiry, (a) none of the connected persons of BYD is or are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company; and (b) the Company is not an associate of the connected persons of BYD. Accordingly, the obtaining of the Entrusted Loans does not constitute connected transaction for BYD under Chapter 14A of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) further details of the provision of the Entrusted Loans; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the provision of the Entrusted Loans; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of the Entrusted Loans; and (iv) a notice convening the EGM and a proxy form, will be despatched to the Shareholders on or around 22 September 2011.

DEFINITIONS

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

“Banks”	licensed banks in the PRC entrusted by BYD as lending agents to make the Entrusted Loans, which to the best of the knowledge, information and belief of the Board, and having made all reasonable enquires, are independent third parties who are independent of and not connected with the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Board”	the board of directors of the Company
“BYD”	BYD Company Limited (比亞迪股份有限公司), a joint stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on Shenzhen Stock Exchange, and the controlling shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of this announcement
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group)
“BYD HK”	BYD (H.K.) Co., Limited, a direct wholly owned subsidiary of BYD and the holding company of Golden Link
“BYD Precision”	BYD Precision Manufacture Co., Ltd.* (比亞迪精密製造有限公司), an indirect wholly owned subsidiary of the Company incorporated in the PRC
“Company”	BYD Electronic (International) Company Limited (比亞迪電子(國際)有限公司), a company incorporated under the laws of Hong Kong, whose shares are listed on the Main Board of the Stock Exchange

“Conditions”	the conditions precedent for the provision of the Entrusted Loans by BYD Precision to BYD under the Memorandum of Understanding as detailed in the paragraph headed “Conditions” under the section headed “Provision of the Entrusted Loans” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deed of Undertaking”	the deed of undertaking proposed to be given by BYD, BYD HK and Golden Link in favour of the Company and BYD Precision, the form and substance of which were agreed among the parties thereto as at the date of the Memorandum of Understanding
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, the provision of the Entrusted Loans
“Entrusted Loans”	the entrusted loans of a total principal amount of RMB 1 billion proposed to be provided by BYD Precision as lender to BYD as borrower through the Banks as entrusted lending agents
“Entrusted Loan Agreements”	the agreements proposed to be made by BYD Precision (as lender) and BYD (as borrower) with each of the Banks (as entrusted lending agents) in relation to BYD Precision entrusting the Banks to arrange the Entrusted Loans to BYD after the fulfilment of the Conditions, the form and substance of which were agreed among BYD Precision, BYD and the Banks as at the date of the Memorandum of Understanding

“Golden Link”	Golden Link Worldwide Limited, a direct wholly owned subsidiary of BYD HK incorporated in the British Virgin Islands and is directly interested in approximately 65.76% interest in the Company as at the date of this announcement. BYD HK is in turn directly wholly owned by BYD and as such BYD is indirectly interested in approximately 65.76% interest in the Company through Golden Link
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising Mr. CHAN Yuk-tong, Mr. Antony Francis MAMPILLY and Mr. LIANG Ping, being the independent non-executive directors of the Company
“Independent Financial Adviser”	the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of the Entrusted Loans
“Independent Shareholders”	shareholders of the Company (other than BYD and its associates) who are not required to abstain from voting at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Understanding”	the legally binding Memorandum of Understanding dated 9 September 2011 made between BYD as borrower and BYD Precision as lender in relation to the Entrusted Loans
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

**for identification purpose only*

By order of the board of
BYD Electronic (International)
Company Limited
Li Ke
Executive Director

Hong Kong, 9 September 2011

As at the date of this announcement, the Board comprises Ms. LI Ke and Mr. SUN Yi-zao being the executive Directors, Mr. WANG Chuan-fu and Mr. WU Jing-sheng being the non-executive Directors, and Mr. CHAN Yuk-tong, Mr. Antony Francis MAMPILLY and Mr. LIANG Ping being the independent non-executive Directors.

For the purposes of this announcement and illustration only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.0000 to HK\$1.2196. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.