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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)

**ANNOUNCEMENT
DISCLOSEABLE TRANSACTION**

The Directors are pleased to announce that on 1 February 2008, BYD Hungary entered into the Agreement with Mirae Industry pursuant to which BYD Hungary agreed to acquire the Interests from Mirae Industry.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Rule 14.06(2) of the Listing Rules.

A circular containing details of the Transaction will be despatched to the Shareholders as soon as practicable. The Directors consider that the Transaction is in the ordinary and usual course of business of the Group and the terms of the Agreement have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

A. THE TRANSACTION

1. Background

On 1 February 2008, BYD Hungary entered into the Agreement with Mirae Industry pursuant to which BYD Hungary agreed to acquire the Interests from Mirae Industry.

2. Principal terms of the Agreement

Date: 1 February 2008

Parties: (1) Mirae Industry as seller
(2) BYD Hungary as purchaser

To the best of the knowledge, information and belief of the Board, and having made all reasonable enquires, Mirae Industry and its ultimate beneficial owners 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.

Interests to be Acquired: Subject to the satisfaction of the conditions precedent specified in the Agreement, Mirae Industry agreed to sell and BYD Hungary agreed to purchase the Interests. Together with the Interests (through Mirae Hungary), BYD Hungary shall acquire all fixed assets of Mirae Hungary (including but not limited to land, building, plant, machinery and vehicles) and all inventories, but not the quick assets (i.e. current assets minus inventories) of Mirae Hungary such as cash and accounts receivables. The reason of excluding the quick assets of Mirae Hungary from the acquisition is to minimize BYD Hungary's administrative costs in collecting accounts receivables and conducting bad debts analysis.

Consideration: EUR2,960,000 (equivalent to approximately HK\$33,826,800) as the consideration for the acquisition of the Interests. In addition thereto, BYD Hungary has agreed to pay certain sum for the settlement of the liabilities of Mirae Hungary as of the Closing Date provided that the total amount payable by BYD Hungary, including the consideration of EUR2,960,000 for the Interests, shall not exceed EUR15,500,000 (equivalent to approximately HK\$177,134,000).

Conditions
Precedent:

The Agreement is conditional upon fulfillment of the conditions precedent specified in the Agreement, including but not limited to the following:

- 1) the termination of all employment agreements and other forms of engagement that Mirae Hungary has with certain of its employees including, but not limited to, those listed in the Agreement and those acting as managing directors of Mirae Hungary at the expense of Mirae Industry;
- 2) the termination of the license agreement dated 15 May 2006 entered into between Mirae Hungary and Mirae Industry regarding the painting automation for injection moulded products of mobile phone covers, the painting equipment and the painting technology development;
- 3) the termination of all agreements, including the closing of all accounts payable, with all associates of Mirae Industry and all other members of the Mirae group; and
- 4) waiver of all the shareholder's loans between Mirae Industry and Mirae Hungary which were in existence as of the date of the Agreement.

BYD Hungary shall be entitled to (but is not obliged to) waive any of the conditions set out in the Agreement by notice to Mirae Industry. If any of the conditions required to be fulfilled by Mirae Industry is not fulfilled by Mirae Industry or is not waived by BYD Hungary, on or before the Long Stop Date, then BYD Hungary shall be entitled to terminate the Agreement by written notice.

Closing:

Closing shall take place on the date which is the fifth Business Day after the date on which the last of the conditions is satisfied or waived, or at such other time and place as is agreed in writing by Mirae Industry and BYD Hungary, provided that such date is no later than the Long Stop Date.

3. Consideration

Total payment EUR15,500,000 (equivalent to approximately HK\$177,134,000) which comprises:

- (1) the consideration of EUR2,960,000 (equivalent to approximately HK\$33,826,800) for the Interests which is determined based on the balance sheet of Mirae Hungary as at 31 October, 2007 taking into account all its then liabilities and shareholders' equity; and
- (2) such amounts for the settlement of certain sum of the liabilities of Mirae Hungary, including bank borrowings and accounts payables.

To the extent the total payment is not sufficient to settle all the liabilities of Mirae Hungary, Mirae Industry shall be responsible for settlement of such remaining liabilities of Mirae Hungary as at the Closing Date.

Value of Interests As at 30 November 2007, the unaudited book value of the Interests is approximately EUR2,587,000 (equivalent to approximately HK\$29,564,000).

Information on Mirae Hungary As at 30 November 2007, the unaudited book value of the total assets of Mirae Hungary is approximately EUR17,875,000 (equivalent to approximately HK\$204,275,000), comprising of:

- (1) fixed assets of approximately EUR15,066,000 (equivalent to approximately HK\$172,174,000);
- (2) quick assets of approximately EUR1,942,000 (equivalent to approximately HK\$22,193,000); and
- (3) inventories of approximately EUR867,000 (equivalent to approximately HK\$9,908,000).

As at 30 November 2007, the unaudited book value of the total liabilities of Mirae Hungary is approximately EUR15,288,000 (equivalent to approximately HK\$174,711,000), comprising of:

- (1) the KDB Loans in the sum of approximately EUR8,422,000 (equivalent to approximately HK\$96,247,000), including the principal sum of approximately EUR8,286,000 (equivalent to approximately HK\$94,692,000) and interests of approximately EUR136,000 (equivalent to approximately HK\$1,554,200);
- (2) shareholder's loans in the sum of approximately EUR5,665,000 (equivalent to approximately HK\$64,740,000) which will be waived as one of the conditions of the Agreement (see "Principal terms of the Agreement — Conditions Precedent" above); and
- (3) other liabilities in the sum of approximately EUR1,201,000 (equivalent to approximately HK\$13,725,000) such as account payables. The KDB Loans are not the only liabilities of Mirae Hungary.

For the financial year ending 31 December 2005, the audited before and after tax net losses attributable to the Interests are approximately EUR1,399,000 (equivalent to approximately HK\$15,988,000) and EUR1,477,000 (equivalent to approximately HK\$16,879,000) respectively.

For the financial year ending 31 December 2006, the audited before and after tax net profits attributable to the Interests are approximately EUR3,463,000 (equivalent to approximately HK\$39,575,000) and EUR3,365,000 (equivalent to approximately HK\$38,455,000).

For the 11 months ended 30 November 2007, the unaudited net losses attributable to the Interests is approximately EUR3,480,000 (equivalent to approximately HK\$39,769,000).

As at 30 November 2007, Mirea Hungary is not involved in any litigation.

The total payment is to be paid in the following manner:

- (a) KDB Repayment Amount: An amount equivalent to the KDB Repayment Amount shall be made available to Mirae Industry for the sole purpose of the repayment of the KDB Loans by BYD Hungary.
- (b) Remaining Amount: The Remaining Amount shall be paid as follows:
 - (i) 30% of the Remaining Amount shall be paid by BYD Hungary within five (5) Business Days of the Closing Date to an escrow account, and the escrow agent may only release and pay out the funds in accordance with the written directions signed by both BYD Hungary and Mirae Industry;
 - (ii) 45% of the Remaining Amount shall be paid to Mirae Industry within thirty (30) Business Days after the Closing Date;
 - (iii) 15% of the Remaining Amount shall be paid within seven (7) Business Days after the expiration of a three month period after the Closing Date provided that Mirae Industry has provided the required level of post-Closing integration assistance in accordance with the Agreement; and

(iv) the Retained Amount being 10% of the Remaining Amount shall be retained by BYD Hungary for the Retained Amount Period for the satisfaction of any indemnification claims of BYD Hungary under the Agreement. Within seven (7) Business Days of the expiration of the Retained Amount Period and provided that BYD Hungary does not have any pending indemnification claims against Mirae Industry under the Agreement, the balance of the Retained Amount shall be released to Mirae Industry; and if BYD Hungary has a pending indemnification claim under the Agreement at the expiration of the Retained Amount Period, the balance of the Retained Amount shall not be released until such claim has been resolved. The objective of this provision is to ensure that Mirae Industry will provide post-Closing integration assistance in accordance with the Agreement, including but without limitation, maintenance and repair of all equipment during the first six months after the Closing.

The total maximum financial commitment payable by the Group will be EUR15,500,000 (equivalent to approximately HK\$177,134,000), being the total payment payable to Mirae Industry and/or its creditors under the Agreement. The consideration was determined after arm's length negotiations and with reference to liabilities and shareholder's equity of Mirae Hungary as at 31 October 2007. The payment of the total payment will be funded by BYD Hungry's internal resources.

4. Reasons for Transaction

Both Parties are principally engaged in the manufacturing of handset components and modules and assembly services for handsets to brand name vendors of handsets. The Directors consider that it is beneficial to the Group to have the opportunity to acquire the entire Interests (i.e. a fully paid-up 100% equity interests in Mirae Hungary) and expands its market share in Hungary.

One of the conditions precedent of the Agreement is the termination of the license agreement dated 15 May 2006 entered into between Mirae Hungary and Mirae Industry regarding the painting automation for injection moulded products of mobile phone covers, the painting equipment and the painting technology development. The reason for such arrangement is that the Group already owns similar technologies and does not require a license from Mirae Industry to use such technologies.

One of the major terms of the Agreement is that Mirae Industry will provide certain post-Closing integration assistance in accordance with the Agreement. Such assistance includes the provision of on-site training and on-site maintenance service by representatives of Mirae Industry to the Company.

Despite the fact that Mirae Hungary was loss-making for the year ended 31 December 2005 and for the 11 months ended 30 November 2007, the Directors, including the independent non-executive Directors, consider the terms of the acquisition of the Interests are fair and reasonable and in the interest of the Group and is in the interests of the Company and its shareholders as a whole. This is because:

- (1) Mirae Hungary possesses advanced technologies, popular and competitive products and an established network of customers and suppliers in Hungary which will help the Group to expedite its globalisation process, and bring the Group closer to its major customers geographically. The Transaction will also deepen the vertically integrated production process, thus enhancing the Group's ability to provide a full range of services to its customers and to control its cost;
- (2) Based on the management accounts of Mirae Hungary as at 31 October 2007, the total unaudited book value of the fixed assets and inventories of Mirae Hungary acquired by the Company is more than the total payment of EUR15,500,000; and
- (3) The Directors are of the view that Mirae Hungary has great potential in generating profits and revenue as evidenced by its financial records for the year ended 31 December 2006.

As such, the Directors are of the view that the Transaction is fair and reasonable. After the acquisition, Mirae Hungary will be consolidated in the financial statement of the Group.

5. Discloseable Transaction

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Rule 14.06(2) of the Listing Rules. As the Transaction constitutes a discloseable transaction for the Company pursuant to Rules 14.08, it is subject to the reporting and announcement requirements under the Listing Rules.

The Directors consider that the terms of the Agreement have been negotiated on an arm's length basis and on normal commercial terms are fair and reasonable and the Transaction is in the interests of the Company and the Shareholders as a whole.

B. GENERAL

A circular containing details of the Transaction will be dispatched to the Shareholders as soon as practicable.

C. DEFINITIONS

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

“Agreement”	means the Quota Purchase Agreement dated 1 February 2008 and entered into between Mirae Industry as the seller and BYD Hungary as the purchaser and all Schedules thereto
“Board”	means the board of Directors
“Business”	means the business of Mirae Hungary as currently conducted on the date of this Agreement and from time to time thereafter
“Business Day(s)”	means any day(s) (other than a Saturday or Sunday) when commercial banks are open for business in Budapest
“BYD Hungary”	means BYD Hungary Kft. (seat: Báthory István utca 10, Komárom 2900, Hungary; registration no.: 11-09-012099)

“Closing”	means completion of the sale and purchase of the Interests as contemplated under the Agreement
“Closing Date”	means the date on which Closing occurs
“Company”	means BYD Electronic (International) Company Limited
“Directors”	means the directors of the Company
“EUR”	means the Euro or any successor currency thereto
“Group”	means the Company and its subsidiaries
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“HUF”	means the Hungarian Forint or any successor currency thereto
“Interests”	means a fully paid-up 100% equity interests in Mirae Hungary with a nominal value of HUF967,890,000
“KDB Bank”	means KDB Bank (Hungary) Zrt. (seat: Bajcsy-Zsilinszky út 42, 1054 Budapest, Hungary)
“KDB Loans”	means all loans between KDB Bank and Mirae Hungary as of the date of the Agreement which amount to approximately EUR8,422,000 (equivalent to approximately HK\$96,247,000) as at 30 November 2007
“KDB Repayment Amount”	the entire outstanding amount of the KDB Loans (including any early repayment charges) to be agreed between KDB Bank, Mirae Industry and BYD Hungary
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Long Stop Date”	means 29 February 2008
“Mirae Hungary”	means Mirae Hungary Ipari Termelő Kft. (in English: Mirae Hungary Industrial Manufacturer Ltd) (seat: Puskás Tivadar út 8, Ipari Park, Komárom 2903, Hungary; registration no.: 11-09-010855)

“Mirae Industry”	means Mirae Industry Co. Ltd. of 21-3 Palyong-dong Changwon-shi, Republic of Korea
“Parties”	BYD Hungary and Mirae Industry
“Remaining Amount”	means the total payment of EUR15,500,000 payable to Mirae Hungary net of the total of the Settlement Amounts and the KDB Repayment Amount
“Retained Amount Period”	means a period of six (6) months from the Closing Date
“Settlement Amount”	means all liabilities of Mirae Hungary other than the KDB Loans and the shareholder loans provided by Mirae Industry to Mirae Hungary
“Shareholder(s)”	means the holder(s) of shares of the Company
“Transaction”	means the transaction contemplated under the Agreement

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

Hong Kong, 1 February 2008

In this announcement amounts denominated in EUR have been translated into HK\$ at the rate of EUR 1.00 = HK\$11.428 for illustration purpose only. No representation is made that any amounts in EUR or HK\$ have been, could have been or could be converted at the above rate or at any other rate or at any other rates or at all.

As at the date of this announcement, the executive Directors are Ms. LI Ke and Mr. SUN Yi-zao; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHAN Yuk-tong, Mr FENG Xu-chu and Mr. Antony Francis MAMPILLY.