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This circular, for which the directors (“**Directors**”) of BYD Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

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

If you have sold or otherwise transferred all your shares in the Company, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, licensed corporation, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



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)

(A) PROPOSED APPLICATION FOR THE ISSUE OF NOT MORE THAN 261,320,000 A SHARES IN THE PRC (B) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION (C) CLASS MEETINGS AND EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting and the H Shareholders Class Meeting will be held at Company's Conference Room, No. 3009, BYD Road, Pingshan New District, Shenzhen, the People's Republic of China at 9:00 a.m. and 11:00 a.m. on Tuesday, 21 July 2015, respectively. Notices of the Extraordinary General Meeting and H Shareholders Class Meeting setting out the resolutions to be considered and, if thought fit, approved at the Extraordinary General Meeting and the H Shareholders Class Meeting have been despatched by the Company on 4 June 2015. Proxy forms for use at the Extraordinary General Meeting and the H Shareholders Class Meeting and the attendance slips also have been despatched by the Company on 4 June 2015.

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Shareholders Class Meeting, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon and return it as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the Extraordinary General Meeting and/or the H Shareholders Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the Extraordinary General Meeting and/or the H Shareholders Class Meeting or any adjourned Extraordinary General Meeting and/or the H Shareholders Class Meeting should you so wish.

3 July 2015

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DEFINITIONS

In this circular, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

“A Share(s)”	ordinary domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shenzhen Stock Exchange and traded in RMB;
“A Shareholder(s)”	holder(s) of A Shares;
“A Shareholders Class Meeting”	the class meeting of the A Shareholders to be held on Tuesday, 21 July 2015 to consider and, if thought fit, approve, among other things, the Additional A Shares Issue;
“Additional A Shares Issue”	the proposed issue of not more than 261,320,000 new A Shares in the PRC, which shares are proposed to be listed and traded on the Shenzhen Stock Exchange;
“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board”	the board of directors of the Company;
“Company”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting” or “EGM”	the forthcoming extraordinary general meeting of the Company to be held at 9:00 a.m. on Tuesday, 21 July 2015 to consider and, if thought fit, approve, among other things, the Additional A Shares Issue and the proposed amendments to the Articles of Association;
“H Share(s)”	ordinary overseas listed foreign invested share(s) with a nominal value of RMB1.00 each in the share capital of the Company which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollar;

DEFINITIONS

“H Shareholder(s)”	holder(s) of H Shares;
“H Shareholders Class Meeting”	the class meeting of the H Shareholders to be held at 11:00 a.m. on Tuesday, 21 July 2015 (or immediately after the conclusion or adjournment of the A Shareholders Class Meeting) to consider and, if thought fit, approve, among other things, the Additional A Shares Issue;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Latest Practicable Date”	29 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Lock-up Period”	has the meaning as set out in sub-paragraph 1.5 under the paragraph headed “General Information on the A Shares Issue” in this circular;
“PRC”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Price Determination Date”	4 June 2015;
“Price Determination Period”	the period of 20 trading days of A Shares on the Shenzhen Stock Exchange immediately prior to the Price Determination Date;
“Proceeds”	the proceeds raised from the Additional A Shares Issue;
“Projects”	the various projects as described under the paragraph headed “Amount and Use of Proceeds” in this circular to which the Proceeds are intended to be applied;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“Share(s)”	A Share(s) and H Share(s);
“Shareholder(s)”	registered holder(s) of the Shares;
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange of the PRC; and
“%”	per cent.

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)

Website: <http://www.byd.com.cn>

Board of Directors:

Executive Director

Mr. Wang Chuan-fu

Non-executive Directors

Mr. Lv Xiang-yang

Mr. Xia Zuo-quan

Independent Non-executive Directors

Mr. Wang Zi-dong

Mr. Zou Fei

Ms. Zhang Ran

Registered Office:

LEGAL ADDRESS

Yan An Road

Kuichong

Longgang District

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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

3 July 2015

To the Shareholders

Dear Sir or Madam,

**(A) PROPOSED APPLICATION FOR THE ISSUE OF
NOT MORE THAN 261,320,000 A SHARES IN THE PRC
(B) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
(C) CLASS MEETINGS AND EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the announcement of the Company on 4 June 2015.

At the Board meeting held on 3 June 2015, the Board resolved to convene the EGM, the A Shareholders Class Meeting and H Shareholders Class Meeting to obtain the Shareholders' approval for the Additional A Share Issue.

LETTER FROM THE BOARD

The amount of gross Proceeds from the Additional A Shares Issue is expected to be not more than RMB15,000,000,000. The issue price of the new A Shares under the Additional A Shares Issue will be not less than RMB57.40 per A Share, being not less than 90% of the average trading price per A Share as quoted on the Shenzhen Stock Exchange for the Price Determination Period (which is calculated by dividing the total turnover of the A Shares during the Price Determination Period by the total trading volume of the A Shares during the same period). The number of A Shares to be issued under the Additional A Shares Issue shall be calculated by dividing the actual total amount of gross Proceeds by the actual issue price. Based on the minimum issue price, the total number of A Shares to be issued under the Additional A Shares Issue shall not exceed 261,320,000 (rounded to the nearest ten thousand) new A Shares, representing approximately 16.74% of the A Shares and approximately 10.55% of the total issued shares of the Company as at the Latest Practicable Date.

As a result of new A Shares to be issued pursuant to the Additional A Shares Issue, the shareholding structure of the Company will change upon completion of the Additional A Shares Issue and as such, the Articles of Association will need to be amended to reflect the relevant changes.

In addition, in accordance with the Rules for the Shareholders' Meetings of Listed Companies (2014) (《上市公司股東大會規則(2014年)》), the Guidelines on Articles of Association of Listed Companies (2014)《上市公司章程指引(2014)》) and the Listed Companies Regulatory Guidance No.3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC and other relevant laws, rules and regulations, the Board proposed to make certain amendments to the Articles of Association in relation to the rules for convening Shareholders' general meetings, profit distribution and other housekeeping changes.

The purpose of this circular is to provide you with details of, among others, the Additional A Shares Issue and the proposed amendments to the Articles of Association.

II. ADDITIONAL A SHARES ISSUE

The Company proposes to issue not more than 261,320,000 new A Shares, representing approximately 16.74% of the A Shares and approximately 10.55% of the total issued Shares of the Company as at the Latest Practicable Date. The Company will seek a specific mandate in respect of the Additional A Shares Issue from the Shareholders which will be valid for a period of 12 months from the date of passing of the relevant resolution at the Extraordinary General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting. The Additional A Shares Issue is subject to, among other things, the obtaining of the necessary approval from the CSRC. As at the Latest Practicable Date, the Company has not made the relevant application to the CSRC and such formal application to the CSRC can only be made after obtaining the relevant approvals from the Shareholders at the Extraordinary General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting. Specific terms of the Additional A Shares Issue will be determined in accordance with the approval from the CSRC.

LETTER FROM THE BOARD

1. General information on the Additional A Shares Issue

1.1. Number of new A Shares to be issued

The number of A Shares to be issued under the Additional A Shares Issue shall be calculated by dividing the actual total amount of gross Proceeds by the actual issue price. Based on the expected gross Proceeds of not more than RMB15,000,000,000 and the minimum issue price of not less than RMB57.40 per A Share, the total number of A Shares to be issued under the Additional A Shares Issue shall not exceed 261,320,000 (rounded to the nearest ten thousand) new A Shares (with an aggregate nominal value of not more than RMB261,320,000), representing (i) approximately 16.74% of the A Shares of the Company and approximately 10.55% of the total issued Shares of the Company as at the Latest Practicable Date; and (ii) approximately 14.34% of the A Shares of the Company and approximately 9.55% of the total issued Shares of the Company as enlarged by the number of new A Shares to be issued pursuant to the Additional A Shares Issue (assuming the maximum number of 261,320,000 new A Shares are issued and subscribed for). The maximum number of new A Shares to be issued under the Additional A Shares Issue will be adjusted based on the adjusted minimum issue price in cases of ex-rights or ex-dividend matters such as distribution of dividend, bonus issue and capitalisation of reserve during the period from the Price Determination Date to the date of issue of such new A Shares.

The number of A Shares to be issued shall be determined by the Board in accordance with the authorization granted by the Shareholders in consultation with the lead underwriter within the ambit set forth above. The A Shares may be issued within six months of the date of approval of the Additional A Shares Issue by CSRC.

1.2. Price determination date and basis of determination of issue price

The price determination date of the new A Shares under the Additional A Shares Issue is the date of announcement of the Board's resolution passed at the 8th meeting of the 5th session of the Board (i.e. 4 June 2015).

The issue price of the new A Shares under the Additional A Shares Issue will be not less than RMB57.40 per A Share, being not less than 90% of the average trading price per A Share as quoted on the Shenzhen Stock Exchange for the Price Determination Period (which is calculated by dividing the total turnover of the A Shares during the Price Determination Period by the total trading volume of the A Shares during the same period).

LETTER FROM THE BOARD

The minimum issue price will be adjusted in accordance with relevant requirements of the Shenzhen Stock Exchange in cases of ex-rights or ex-dividend matters such as distribution of dividend, bonus issue and capitalisation of reserve during the period from the Price Determination Date to the date of issue of such new A Shares. The actual issue price will be determined by the Board, in accordance with the authorization granted by the Shareholders, with the lead underwriter after the necessary approvals for the Additional A Shares Issue from the CSRC have been obtained and in accordance with the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》). The price for the Additional A Shares Issue will be determined by book-building. The actual issue price will be determined through the issue of invitation for subscription (《認購邀請書》) (the “**Invitation**”) to qualified subscribers, and based on the proposed subscription price and subscription amount as notified to the Company within the prescribed subscription period, and principles of priority in terms of subscription price, subscription amount and timing of subscription (the actual principles in the Invitation shall prevail). The price will also be affected by the Company’s business conditions, market conditions and investors’ recognition of the Company’s value and their view on the Company’s long-term prospects.

The closing price of H Shares on the trading day (being 22 May 2015) immediately prior to the date of suspension of trading of the H Shares on the Hong Kong Stock Exchange (being 26 May 2015) was HK\$54.50 per H Share. The closing price of A Shares on the trading day (being 22 May 2015) immediately prior to the date of suspension of trading of the A Shares on the Shenzhen Stock Exchange (being 25 May 2015) was RMB76 per A Share.

1.3. Target subscribers and method of subscription

The new A Shares to be issued under the Additional A Shares Issue will be issued for subscription by not more than ten specific investors meeting relevant requirements, including securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified domestic investors. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one target subscriber. Trust investment companies may only pay the subscription price with their own funds. The subscription price shall be paid in cash.

The actual subscribers will be determined by the Board and the lead underwriter after the approval for the Additional A Shares Issue from the CSRC pursuant to relevant laws, regulations and requirements of regulatory authority, having regard to the price offered by investors and based on principles such as price priority. Connected persons of the Company will not participate in the subscription of new A Shares under the Additional A Shares Issue.

LETTER FROM THE BOARD

The Company will make a further disclosure in the event the number of subscribers for the Additional A Shares Issue shall be less than 6, whereupon the names of such subscribers shall be disclosed. The Company will ensure that at all times up to and upon completion of the Additional A Shares Issue, the total number of A Shares and H Shares held by the public (as defined in the Listing Rules) will not be less than 25% of the Company's total number of issued shares as enlarged by the new A Shares to be issued.

1.4. Validity period of the resolutions in respect of the Additional A Shares Issue

The resolutions will be valid for 12 months from the date of approval of the proposal for the Additional A Shares Issue at the Extraordinary General Meeting, the H Shareholders Class Meeting and the A Shareholders Class Meeting.

1.5. Lock-up period ("Lock-up Period")

None of the new A Shares subscribed under the Additional A Shares Issue may be transferred within a period of 12 months from the date of issue of such A Shares.

1.6. Amount and use of proceeds

The amount of gross Proceeds from the Additional A Shares Issue is expected to be not more than RMB15,000,000,000. The Company intends to use the Proceeds (after deducting the relevant expenses) for the following purposes:

Intended use of proceeds	Total amount of capital required (RMB million)	Proposed amount of Proceeds to be applied (RMB million)	Implementation entity
1. Expansion project for production of Li-ion ferrous power batteries (鐵動力鋰離子電池擴產項目)	6,022.7436	6,000	深圳市比亞迪鋰電池有限公司 (Shenzhen BYD Lithium Battery Co., Ltd.*), a wholly owned subsidiary of the Company
2. Research and development project of new energy vehicles (新能源汽車研發項目)	5,000	5,000	比亞迪汽車工業有限公司 (BYD Auto Industry Co., Ltd*), a wholly owned subsidiary of the Company

LETTER FROM THE BOARD

Intended use of proceeds	Total amount of capital required <i>(RMB million)</i>	Proposed amount of Proceeds to be applied <i>(RMB million)</i>	Implementation entity
3. Additional working capital and repayment of bank loans (補充流動資金及償還銀行借款)	4,000	4,000	The Company
	_____	_____	
Total	<u>15,022.7436</u>	<u>15,000</u>	

* English translations of the names are provided for ease of reference only and they are not official English names of the companies concerned.

In the event that the actual amount of net Proceeds raised under the Additional A Shares Issue is less than the total amount of Proceeds proposed to be applied to the projects set out above, the Company will use its own resources or seek alternative financing to fund the shortfall. If the Company funds the projects by other resources based on the Company's operation conditions and development plans before the net proceeds from the Additional A Shares Issue are made available, the Company may exchange such funds with the proceeds from the Additional A Shares Issue when they are available.

1.7. Ranking of new A Shares to be issued

The new A Shares to be issued under the Additional A Shares Issue will, when fully paid and issued, rank *pari passu* in all respects with the A Shares in issue at the time of issue of such new A Shares, except that the new A Shares to be issued under the Additional A Shares Issue will be subject to the Lock-up Period of 12 months from the date of issue of such new A Shares as mentioned above.

After completion of the Additional A Shares Issue, both existing and new Shareholders will be entitled to the distributable profits of the Company accumulated but not declared proportionate to their shareholding in the Company after completion of the Additional A Shares Issue.

1.8. Listing of the new A Shares to be issued

The Company will apply to the Shenzhen Stock Exchange for the listing of the new A Shares to be issued pursuant to the Additional A Shares Issue. After the expiry of the Lock-up Period, such A shares may be traded on the Shenzhen Stock Exchange.

LETTER FROM THE BOARD

2. Effect of the Additional A Shares Issue on the Company's Shareholding Structure

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Additional A Shares Issue, assuming that 261,320,000 new A Shares will be issued under the Additional A Shares Issue and no other change to the shareholding structure:

	As at the Latest Practicable Date		Immediately after the completion of the Additional A Shares Issue	
	<i>Number of Shares in issue</i>	<i>% (approx.)</i>	<i>Number of Shares in issue</i>	<i>% (approx.)</i>
A Shares				
– Existing A Shares	1,561,000,000	63.05%	1,561,000,000	57.03%
– New A Shares to be issued	–	–	261,320,000	9.55%
H Shares	<u>915,000,000</u>	<u>36.95%^(Note 1)</u>	<u>915,000,000</u>	<u>33.43%^(Note 2)</u>
Total	<u>2,476,000,000</u>	<u>100%</u>	<u>2,737,320,000</u>	<u>100%</u>

Notes:

- Based on information which is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, approximately 99.84% of the issued H Shares of the Company are held in the hands of public.
- The total number of H Shares held in public hands will remain as 913,500,000 H Shares, representing approximately 33.37% of the total enlarged issued share capital of the Company, compared to approximately 36.89% of the existing issued share capital of the Company before completion of the Additional A Shares Issue.

3. Fund raising in the past 12 months and in the next 12 months from the Latest Practicable Date

The Company has not conducted any fund raising activity involving issue of equity securities in the period of 12 months preceding the Latest Practicable Date. As at the Latest Practicable Date, the Company has not made any plan or decision to conduct any fund raising activity (apart from the Additional A Shares Issue) in the next 12 months from the Latest Practicable Date. Should the Company conduct any other fund raising activity, the Company will comply with the relevant requirements under the Listing Rules.

LETTER FROM THE BOARD

4. Reasons for and benefits of the Additional A Shares Issue

The Directors (including independent non-executive Directors) believe that the Additional A Shares Issue will benefit the Company in respect of its business operation and financial position. With respect to the business operation, the Additional A Shares Issue will facilitate the Company in expanding its production of Li-ion ferrous power batteries and further meet the needs for the new energy vehicle business, which in turn may benefit the Company in maintaining its leading position in the new energy vehicle sector. With respect to the financial position, the Additional A Shares Issue will provide additional working capital, which in turn may benefit the Company in reducing financial risks and optimising its overall financial position. The Additional A Shares Issue may establish a stable and sustainable foundation for the Company's future growth in the long term. Accordingly, the Directors (including independent non-executive Directors) consider that the Additional A Shares Issue and utilisation of the Proceeds in the Projects are in the interest of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) further consider that the Additional A Shares Issue to be fair and reasonable.

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As a result of the issue of new A Shares pursuant to the Additional A Shares Issue, the shareholding structure of the Company will change upon completion of the Additional A Shares Issue and as such, the Articles of Association will need to be amended to reflect the relevant changes. The Board proposes to seek the approval of the Shareholders at the Extraordinary General Meeting to authorize the Board or its authorised representatives to make consequential amendments to relevant provisions in the Articles of Association based on the results of the Additional A Shares Issue.

In addition, in accordance with the Rules for the Shareholders' Meetings of Listed Companies (2014) (《上市公司股東大會規則(2014年)》), the Guidelines on Articles of Association of Listed Companies (2014) (《上市公司章程指引(2014)》) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC and other relevant laws, rules and regulations, the Board proposed to make certain amendments to the Articles of Association in relation to the rules for convening Shareholders' general meetings, profit distribution and other housekeeping changes. The proposed amendments to the Articles of Association will be subject to the approval of the Shareholders at the Extraordinary General Meeting. Further details of the new provisions of the Articles of Association are contained in the notice of the Extraordinary General Meeting despatched to the Shareholders on 4 June 2015 and in Appendix III of this circular.

LETTER FROM THE BOARD

IV. EXTRAORDINARY GENERAL MEETING, A SHAREHOLDERS CLASS MEETING AND H SHAREHOLDERS CLASS MEETING

The Additional A Shares Issue will be subject to, among other things, the approval of the Shareholders at the Extraordinary General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting by way of a special resolution. It is therefore proposed that the Extraordinary General Meeting, the A Shareholders Class Meeting and the H Shareholders Class Meeting be convened and held on 21 July 2015 to consider and, if thought fit, approve, among other things, the Additional A Shares Issue. The proposed amendments to the Articles of Association will also be subject to the approval of the Shareholders at the Extraordinary General Meeting.

Notices convening the Extraordinary General Meeting and the H Shareholders Class Meeting have been despatched to the Shareholders on 4 June 2015. A summary of the resolutions to be proposed at the Extraordinary General Meeting and H Shareholders Class Meeting is set out below:

1. To consider and approve the resolution “The Company satisfies the conditions for non-public issuance of A Shares 《關於公司符合非公開發行A股股票條件的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
2. To consider and approve the “Proposal for the non-public issuance of A Shares by the Company 《關於公司本次非公開發行A股股票方案的議案》”. Further details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
3. To consider and approve the “Plan for the non-public issuance of A Shares by the Company 《關於公司非公開發行A股股票預案的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
4. To consider and approve the “Feasibility report on the use of proceeds raised from the non-public issuance of A Shares by BYD Company Limited 《關於公司本次非公開發行A股股票募集資金使用的可行性分析研究報告的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange. The English translation of the feasibility report is also set out in Appendix I to this circular.
5. To consider and approve the amendments to the Articles of Association of the Company, further details of which are set out in Appendix III to this circular.
6. To consider and approve the “Plan for dividend return to Shareholders (2015-2017) by the Company 《關於制定公司股東分紅回報規劃(2015-2017年)的議案》”.

LETTER FROM THE BOARD

Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange. The English translation of the plan is also set out in Appendix II to this circular.

7. To consider and approve the “Authorization to the Board or its authorized representative(s) at the Shareholders’ meeting to handle all matters relating to the non-public issuance of A Shares 《關於提請股東大會授權公司董事會或董事會授權人士全權辦理公司本次非公開發行A股股票具體事宜的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
8. To consider and approve the “Explanation on the use of the proceeds of the previous fund raising activities 《關於前次募集資金使用情況報告的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
9. To consider and approve the “Amendment of the management policy for fund raising 《關於修改〈募集資金管理制度〉的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.
10. To consider and approve the “Amendment of the rules and procedures of shareholders’ meeting 《關於修改〈股東大會議事規則〉的議案》”. Details of the aforesaid resolution were contained in an overseas regulatory announcement of the Company dated 4 June 2015 and published on the website of the Hong Kong Stock Exchange.

The Extraordinary General Meeting and the H Shareholders Class Meeting will be held at Company’s Conference Room, No. 3009, BYD Road, Pingshan New District, Shenzhen, the People’s Republic of China at 9:00 a.m. and 11:00 a.m. on Tuesday, 21 July 2015, respectively. Notices of the Extraordinary General Meeting and H Shareholders Class Meeting setting out the resolutions to be considered and, if thought fit, approved at the Extraordinary General Meeting and the H Shareholders Class Meeting have been despatched by the Company on 4 June 2015. Proxy forms for use at the Extraordinary General Meeting and the H Shareholders Class Meeting and the attendance slips also have been despatched by the Company on 4 June 2015.

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Shareholders Class Meeting, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon and return it as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the Extraordinary General Meeting and/or the H Shareholders Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending and voting in person at the Extraordinary General Meeting and/or the H Shareholders Class Meeting or any adjourned Extraordinary General Meeting and/or the H Shareholders Class Meeting should you so wish.

LETTER FROM THE BOARD

In order to determine the list of shareholders of the Company who will be entitled to attend and vote at the Extraordinary General Meeting and the H Shareholders Class Meeting, the registers of members of the Company have been closed from Sunday, 21 June 2015 and will remain closed until Tuesday, 21 July 2015, both days inclusive, during which no transfer of H shares will be effected. Holders of H Shares whose names appear on the registers of members of the Company on Tuesday, 21 July 2015 shall be entitled to attend and vote at the Extraordinary General Meeting and the H Shareholders Class Meeting. In order for the holders of H Shares to qualify to attend and vote at the Extraordinary General Meeting and the H Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must have been lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 19 June 2015 for registration.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be passed at the Extraordinary General Meeting and/or the H Shareholders Class Meeting will be voted by poll.

It should be noted that in addition to the approvals being sought from the Shareholders at the Extraordinary General Meeting, the A Shareholders Class Meeting and H Shareholders Class Meeting, the Additional A Shares Issue is also subject to the approval by the CSRC and the relevant PRC authorities. There is no assurance that the Additional A Shares Issue will proceed. Investors are advised to exercise caution in dealing in the H Shares. Further details of the Additional A Shares Issue will be disclosed by the Company when the Additional A Shares Issue materializes.

V. RECOMMENDATION OF THE BOARD

The Board considers that the Additional A Shares Issue is in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions proposed at the EGM and the H Shareholders Class Meeting.

VI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
Wang Chuan-fu
Chairman

**APPENDIX I FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED
FROM THE NON-PUBLIC ISSUANCE OF A SHARES**

The English version of this Appendix is an unofficial translation of its Chinese version prepared for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail.

FEASIBILITY REPORT ON THE USE OF PROCEEDS RAISED FROM THE NON-PUBLIC ISSUANCE OF A SHARES BY BYD COMPANY LIMITED

I. PLAN OF USE OF PROCEEDS

The amount of gross Proceeds shall not exceed RMB15,000,000,000. The Company intends to use the net Proceeds (after deducting the issue expenses) for the following projects. Details of the projects and the amount of intended use of Proceeds are set out below:

Unit: RMB million

Name of project	Total investment amount	Proposed amount of Proceeds to be applied	Implementation entity
Expansion project for production of Li-ion ferrous power batteries	6,022.7436	6,000	Shenzhen BYD Lithium Battery Co., Ltd.*, a wholly owned subsidiary of the Company
Research and development project of new energy vehicles	5,000	5,000	BYD Auto Industry Co., Ltd*, a wholly owned subsidiary of the Company
Additional working capital and repayment of bank loans	4,000	4,000	The Company
Total	15,022.7436	15,000	—

* English translations of the names are provided for ease of reference only and they are not official English names of the companies concerned.

When the Proceeds are available, in the event that the actual amount of net Proceeds raised is less than the total amount of Proceeds proposed to be applied to the projects set out above, the Company will use its own resources or seek alternative financing to fund the shortfall.

The Company may first fund part of the projects by self-raised funds based on the Company's operation conditions and development plans before the Proceeds are made available, which funds shall then be exchanged with the Proceeds when they are available.

II. OVERVIEW OF THE INVESTMENT PROJECTS IN CONNECTION WITH THE PROCEEDS

(1) Expansion project for production of Li-ion ferrous power batteries

1. Overview of the Project

Shenzhen BYD Lithium Battery Company Limited intends to implement the expansion project for production of Li-ion ferrous power batteries with total investment amount of RMB6,022.7436 million. The project, which is located at Kengzi Street, Pingshan New District, Shenzhen, involves the production of power batteries and related raw materials. The construction period will last for 18 months. The project, after completion, will increase the annual production capacity of power batteries by 6Gwh, which will be used to satisfy the needs for production of BYD's new energy vehicles.

2. Necessity of the Project

(i) Satisfy the ancillary demand from the fast growth of new energy vehicles of the Company

New energy vehicles have the advantage of being energy saving and environmentally friendly, which can effectively solve the problems of transport energy consumption and environmental pollution. New energy vehicles have become the key direction for the development of automotive industry and are set to experience exponential growth. In 2014, the new energy vehicle market in China grew rapidly. Sales of new energy vehicles amounted to 74,800 units, representing an increase of 323.8% year on year. It is generally believed amongst industry players that the year of 2014 marked a new era of commercialised development of new energy vehicles in China. The new energy vehicle industry is expected to experience a period of rapid growth.

In the industry chain of new energy vehicles, power batteries are one of the key components affecting the development of the entire industry. From the perspective of the industry, power batteries have become one of the bottlenecks for the development of new energy vehicles. The fast growth of the new energy vehicle industry will result in huge demand for the upstream power batteries and the power batteries are set to experience exponential growth in line with the promotion of new energy vehicles.

The Company is one of the leading companies in the research, development and production of new energy vehicles which utilises the world's advanced power battery technology. Currently, all new energy vehicles manufactured by the Company are equipped with self-manufactured power batteries. Since December 2008, the launch of new energy vehicle models including F3DM, e6, K9 and Qin which are equipped with the power batteries of BYD, has won positive market response, market demand is escalating with fast growing sales. In 2014, sales of new energy vehicles of BYD increased approximately ninefold and revenue therefrom increased approximately sixfold. Looking forward, the new energy vehicles of the Company are expected to maintain fast growth. Despite the Company having stepped up the expansion for production of power batteries, taking into account the future prospects of the new energy vehicle industry and the long-term development layout and plans of the Company, the existing power battery production capacity of the Company is unable to fully satisfy the needs for future development. Upon implementation of the investment project using the Proceeds, the Company will increase the annual production capacity of power batteries by 6Gwh, which can effectively increase the supply of power batteries for new energy vehicles of the Company in the future and ensure that the development plans for the new energy vehicles of the Company can be successfully implemented. This is significant to the development of new energy vehicles of the Company.

(ii) *Technology advancement of Li-ion batteries and cost reduction are important drivers for promoting the future development of the new energy vehicle industry, whereas mass production and vertical integration of industry chain have made possible for cost reduction of Li-ion batteries*

One of the reasons affecting the application of Li-ion batteries in new energy vehicles is the higher cost of such batteries. Over the past years, the price of Li-ion batteries worldwide have shown a downward trend. Based on the statistics released by IEK, the market price of Li-ion batteries during the period from 2010 to 2013 has decreased by 47%. Moving forward, with the gradual technological development and advancement, the price of Li-ion batteries is expected to continue to decrease. This will effectively push ahead downstream demand for Li-ion batteries, which will in turn promote the popularity of new energy vehicle products and the fast growth of the industry.

Mass production and industry chain integration of Li-ion batteries have made possible for its cost reduction. In the industry chain of Li-ion batteries, BYD has tapped into the upstream lithium ore resources and the four key materials including anode, cathode, diaphragm and electrolyte, and mastered the key technologies from raw materials, single battery cells, battery modules to the complete battery system. The initial steps of vertical integration have taken shape. The vertical integration of the industry chain can effectively promote technology advancement and integrated innovation. At the same time, it also enjoys a lower cost of production compared to

procurement on the market. Currently, the Company has in place a large-scale Li-ion battery production base with annual production capacity of approximately 1.6Gwh power batteries, ranking top among the Li-ion battery manufacturers in China. Expansion of production size of a single production base not only can facilitate the centralised management, resource allocation and production arrangement of the Company, but also can effectively reduce the cost of production per battery unit.

The implementation of the project will greatly increase its own production capacity of Li-ion power batteries and is expected to further reduce the cost of production of Li-ion power batteries, which is conducive to increasing sales of new energy vehicles of the Company and its overall market competitiveness.

3. *Feasibility of the Project*

(i) *Compliance with industry policies*

Facing intensifying problems of energy shortages and environmental pollution, the government continuously endeavours to increase its policy efforts to encourage the development of the new energy vehicle industry. The new energy vehicle industry is one of the seven strategic and emerging industries in China and an important means to achieve industry structural transformation and national economic quality and efficiency maximisation. Li-ion power batteries are currently the best choice of power batteries for new energy vehicles and an integral part of the development of new energy vehicles in compliance with the national and local industry policies including the *Planning for the Development of the Energy-Saving and New Energy Automobile Industry (2012-2020)*, *Made in China 2025* and the *Catalogue of Shenzhen for the Adjustment and Optimisation of the Industrial Structure and Industry Guidelines (2013)*.

(ii) *Li-ion power batteries are the best power batteries for new energy vehicles*

As power battery is directly related to the safety, economic efficiency, life cycle and mileage of the new energy vehicles in operation, new energy vehicles have increasingly high requirements on the properties and cost of power batteries. Accordingly, whether breakthroughs can be achieved in terms of properties, cost, safety and environmental friendliness of the power batteries are one of the most important bottlenecks that constrain the development of new energy vehicles.

According to the comparison analysis released by USABC, Li-ion power batteries are the most ideal solution that can satisfy the mid-to long-term development objective of electric vehicles so far. This has been widely acknowledged by the industry. The Company has made significant breakthroughs in terms of the properties and cost of Li-ion power batteries. The Li-ion power batteries developed by the Company enjoy comparative advantages of environmental

friendliness, low cost, good safety, high energy density and long life cycle, representing the most ideal power battery for new energy vehicles. In addition, there are abundant resources for raw materials of Li-ion power batteries developed by the Company, ensuring that any fast growth in its production in the future will not be subject to supply constraints of resources.

(iii) Leading power battery technology

The Company is a leading company in the power battery industry in China. Leverage on its long-term power battery technology research and development experience, the Company has established the quality standards and development procedures of the system, forming an advanced technology development platform with its own features. The Company had begun the research and development of Li-ion batteries since 1996 and the research of high capacity and high performance Li-ion power batteries for battery electric vehicles in 2002. In 2006, BYD developed Li-ion power battery prototype with anode made of lithium ferrous phosphate, marking the beginning of commercialisation of Li-ion power batteries. Currently, the longest service life of e6 pure electric taxis that are being put into operation in Shenzhen by BYD is 670,000km and these taxis have been in operation for more than five years. The stability of complete buildup units and power batteries are well tested.

The Company's long-term research and development experience in Li-ion power battery industry and large-scale commercial operations provide a sound technology basis for the implementation of the project of Li-ion ferrous power batteries.

4. *Benefits of the Project*

Based on the market price, upon completion of the implementation of the project and full commencement of operation, the benefits of RMB1,361.39 million are expected to be achieved, generating sound economic benefits. However, as the power batteries are not directly for external sale and are intended to be used for the production of new energy vehicles of the Company, the project benefits will be ultimately achieved in the production and sales of new energy vehicles of the Company, which cannot be reflected separately in the consolidated statements of the Company.

5. *Project land*

The project land refers to the production base leased from BYD Automobile Industry Co., Ltd.*

(2) Research and development project of new energy vehicles***1. Overview of the Project***

The project has an investment amount of RMB5 billion, which is to be implemented by BYD Automobile Industry Co., Ltd.* and mainly used in the research and development of the dual mode vehicles, pure electric passenger vehicles, pure electric bus, designated electric vehicles and related fundamental platforms. The research and development expenses mainly include expenses for the research and development tools, labour cost, prototype vehicle manufacturing expenses, external development and laboratory expenses (excluding new building projects).

2. Necessity of the Project

- (i) New energy vehicle is the new trend in the development of the global automotive industry and the core strategic direction for sustainable development of the Company*

With the improvement in new energy vehicle technology and development of ancillary facilities, the global new energy vehicles are expected to experience exponential growth. In 2014, sales of global electric vehicles amounted to 353,500 units, representing an increase of 56.78% year on year, and global electric vehicle ownership exceeded 700,000 units. Based on IEA estimates, sales of global electric vehicles will reach 1.1 million units in 2015 and 6.9 million units by 2020 with tremendous market potential.

The Company is one of the world's leading companies in the research and development and production of new energy vehicles. Being the core strategic direction for the future development of the Company, the Company endeavours to capture the golden opportunities arising from the fast growing new energy vehicle market and accelerate the comprehensive layout of new energy vehicle industry chain and downstream niche markets. As to layout planning, the Company will implement the "7+4" layout where the models of new energy vehicles will cover seven major target markets (i.e. private car, public transport, taxi, garbage truck, intercity passenger car, light truck, construction vehicle) and four special purpose vehicles (i.e. designated vehicles for storage, airport, mines and ports) to provide full coverage of transportation. As to vehicle model promotion, the Company plans to introduce more new models in the future and expand from sedans to other models to diversity its portfolio, offering more choices for consumers.

To achieve the above development plans, the Company has to step up its research and development investment in new energy vehicles and continue to introduce various new models that cater for market needs so as to consolidate its leading industry position. Accordingly, the implementation of the project is essential to the smooth execution of the strategic plans of the Company.

- (ii) *Consolidate and enhance the market position and comprehensive competitiveness of the Company in the new energy vehicle market*

Given the fast growth of the new energy vehicle market, automotive manufacturers locally and abroad continues to enter the new energy vehicle market, introducing a variety of new energy vehicle models. In the future, new energy vehicle manufacturers will face fierce competition in terms of research and development, production, sales and marketing. However, the core competitiveness lies in the technology and quality of new energy vehicles.

Adhering to the principles of “technology, quality and responsibility”, the Company endeavours to maintain sustainable core comparative advantages in the areas of technology, quality, cost and management. The Company attaches great importance to technology innovation and product research and development. From 2012 to 2014, the research and development expenses of the Company amounted to RMB2,576 million, RMB2,872 million and RMB3,680 million, accounting for 5.50%, 5.43% and 6.32% of the turnover of the Company in the same period, respectively. The Company’s key research and development efforts focus on new energy vehicles. The application of the Proceeds to the research and development project of new energy vehicles can strengthen the research and development of the new energy vehicle products and technology, which in turn enhance the technology level of new energy vehicles of the Company and diversify its product mix. The Company shall be able to continuously launch new products meeting the consumers’ needs, to enhance its comprehensive competitiveness and to consolidate its leading position in the new energy vehicle industry.

3. *Feasibility of the Project*

- (i) *Vertically integrated operating model*

Capitalising on a highly vertically integrated operating model, the Company’s new energy vehicle business comprises its own research and development, design and manufacturing of the complete buildup units and core parts and components; strong module development and production; and comprehensive inspection of complete buildup units and core parts and components, extending its industry chain from the manufacturing of complete buildup units in the downstream to the manufacturing of batteries, motors and electric control systems in the midstream and the manufacturing of battery materials in the upstream. Such highly vertically integrated operating model can effectively increase the compatibility of the research and development between new technologies and new products, thus reducing the cost of research and development. In addition, the complementarity of the new energy vehicle business and other businesses also generates positive synergies, enhancing the integrated innovation capabilities and research and development efficiency of the Company.

(ii) Strong research and development team and extensive research and development experience

The Company owns a well-established research and development facility and a strong research and development team. At present, the Company has three major research divisions, namely the central research division, the automotive engineering research division and the electric power research division, and further divides these divisions into different research functions in charge of the research and development of various new materials and products, the whole vehicles and parts and components, energy storage and intelligent battery management systems, as well as the application and implementation of specific technologies. As at 31 December 2014, the Company had more than 20,000 technical staff. A strong research and development team and solid research and development capabilities build a firm foundation for the research and development of new vehicle products.

Since its accession to the automotive industry in 2003, the Company successively completed the research and development of over ten traditional vehicle models including F3, S6, Surui and S7 and the research and development of a number of new energy vehicle models including F3DM, e6, K9, Qin and Tang, drawing positive market response and delivering remarkable sales performance. In December 2013, the Company launched the plug-in hybrid electric vehicle – Qin, which was well received by the market and quickly topped the sales chart among the new energy vehicles in China in 2014. As to public transport, the Company mainly focuses on its e6 and K9 models. The Company has successfully applied and promoted the same in a number of cities nationwide such as Shenzhen, Nanjing, Hangzhou, Xi'an and Changsha, and achieved its commercialised operation in over 36 countries and regions worldwide. Upon implementation, the project will fully capitalise the research and development experience of past vehicle models, coupled with the prevailing market demand to ensure smooth development of new vehicle models.

(iii) Accumulation of extensive big data

As of today, BYD has sold more than 30,000 new energy vehicles in aggregate and accumulated more than six years of vehicle movement data. In particular, after years of operation of taxis and coaches in Shenzhen, the Company has accumulated 350 million kilometres of vehicle movement data and more than 670,000 kilometres of vehicle movement data for any single-vehicle. Through analysis of such vehicle movement data and monitoring of the complete buildup units and parts and components, the Company can reliably analyse the issues and deficiencies in the design and usage of new energy vehicles, which provides important references for improving future model designs and properties.

4. *Project benefits*

With smooth implementation of the project, the Company will further enhance the technology level of new energy vehicles of the Company, and on such basis, introduce new energy vehicle products that better suit the market demand to cater for the diversified needs of consumers and the needs of niche markets. In addition, new product launches may further diversify product mix, expand market share and increase future revenue and profits, which will strengthen the core competitiveness of the Company.

(3) *Additional working capital and repayment of bank loans*

To alleviate the liquidity position and reduce the financial burden of the Company, the Company intends to apply no more than RMB4,000 million to replenish working capital and repay bank loans. The new energy vehicle industry in China is growing rapidly with enormous opportunities. With the increasingly favourable policies from the government and well-established ancillary facilities, the Company actively implements the “542 strategy” and the “7+4” layout to consolidate its technological edge in new energy vehicles and its market position. Driven by the fast growing business, the investments made by the Company remain high, resulting in a relatively higher gearing ratio. As at 31 March 2015, the gearing ratio was 68.49%, among which short-to medium-term borrowings amounted to RMB10,997 million and current liabilities due within one year amounted to RMB6,826 million. Current liabilities as a percentage of total liabilities was 81.83%. Current ratio and quick ratio remained relatively low at 0.75 and 0.54 respectively, and the Company faces greater pressure on short-term debt repayment. Compared with other listed peers, the financial leverage and short-term debt repayment of the Company are less than satisfactory:

Project	BYD		Other automotive manufacturers	
	2015-03-31	2014-12-31	2015-03-31	2014-12-31
Gearing ratio (%)	68.49	69.26	45.41	46.99
Current ratio	0.75	0.77	1.88	1.70
Quick ratio	0.54	0.58	1.48	1.33

Source: Wind Info

Through this non-public issuance, the Company will replenish its working capital, optimise capital structure and reduce finance risks of the Company, resulting in a healthier and sound financial structure. At the same time, the repayment of bank loans will effectively reduce the finance costs of the Company and enhance the operating results of the Company, thus maximising Shareholders’ returns. Though this non-public issuance, the Company can further enhance its capital base, providing funding support to achieve the above strategic and development objectives.

III. IMPACTS OF THE NON-PUBLIC ISSUANCE ON THE OPERATING CONDITIONS AND FINANCIAL POSITION OF THE COMPANY

(1) Impacts of the non-public issuance on the operating conditions of the Company

Upon completion of the non-public issuance and implementation of investment projects, the production capacity of the Company's Li-ion power batteries will be expanded quickly to better cater for the needs of new energy vehicles production. The implementation of the research and development project of new energy vehicles is conducive to the research and manufacturing of future vehicle models of the Company, which can increase the competitiveness and sustainability of the Company at large.

Upon completion of the non-public issuance and implementation of investment projects, sustainable development is achieved in terms of overall competitiveness, profitability and sustainability, which helps consolidate its leading position in the new energy vehicle industry.

(2) Impacts of the non-public issuance on the financial position of the Company

Upon completion of the non-public issuance, the liquidity of the Company is replenished, along with an increase in total assets and net assets. As the funding capabilities grow stronger, the capital structure will be optimised, resulting in a lower gearing ratio and improved current ratio and quick ratio. This helps reduce the financial risks of the Company and optimise the overall financial position.

Meanwhile, with the gradual implementation and construction of the projects to be invested with the Proceeds raised, the revenue of the Company will grow steadily, which in turn will further increase its profitability as well as comprehensive competitiveness and risk resistance.

(3) Impacts of the non-public issuance on immediate returns

After the Proceeds raised from the non-public issuance are available, the share capital and net assets of the Company will both increase. As it will take a certain period of time before the completion of construction of the projects and achievement of the target production capacity, indicators of the Company including the earnings per share and return on net assets will decrease in the current period. Accordingly, the immediate returns of the investors will be diluted.

The Company intends to strengthen its management of the Proceeds, accelerate the progress of the projects, step up the expansion of existing businesses, strengthen management potential and implement reasonable cost control measures to enhance asset quality and achieve sustainable development of the Company to compensate for Shareholders' returns.

Based on the foregoing reasons, the non-public issuance by the Company is in the long-term interests of all Shareholders as it would enable the Company to build a solid foundation in maintaining a sound long-term growth momentum, thus generating good returns for the Shareholders.

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In order to improve and refine the scientific, sustainable and stable dividend policies and supervision mechanisms of BYD Company Limited (the “Company”) as well as to actively generate returns for investors, the Board has formulated the plan for dividend return to Shareholders for 2015-2017 (the “Plan”) pursuant to the relevant requirements of “Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (Zheng Jian Fa [2012] No. 37) 《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)” and “Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (Zheng Jian Hui Gong Gao [2013] No. 43) 《上市公司監管指引第3號—上市公司現金分紅》(證監會公告[2013]43號)” and other relevant documents issued by China Securities Regulatory Commission (“CSRC”), details of the Plan which are as follows:

Article 1 Considerations in Formulating the Plan by the Company

The Company is committed to the goal of long-term and sustainable development. It formulates sustainable, stable and scientific return plan and mechanism for its investors after taking into full account, among other things, the Company’s business development plan, its current and future profitability, the cash flow status, the stage of development, the funding requirements of project investment, bank borrowing and the debt financing environment so as to balance the shareholders’ demand for return on investment and the Company’s future development.

Article 2 Principles for Formulating the Plan

The formulation of the Plan is in compliance with the relevant laws and regulations and the provisions relating to profit distribution in the Articles of Association. The Company shall formulate a reasonable plan for dividend return to Shareholders with an emphasis on providing Shareholders with reasonable investment return and maintaining the sustainable development of the Company while managing the short-term interest and long-term development of the Company. The Company’s profit distribution shall not exceed the range of accumulated distributable profits or damage the Company’s ability to continue operations. The profit distribution shall also comply with the relevant laws and regulations and the conditions and procedures as set out in the Articles of Association, so as to maintain the continuity and stability of the profit distribution policy.

Article 3 The Specifications of the Return Plan to the Shareholders for the coming Three Years (2015-2017)

(1) Means of profit distribution

The Company may distribute profits in cash, in shares or a combination of both cash and shares or as otherwise permitted by the laws and regulations. However, cash dividend distribution shall take priority as a form of profit distribution.

(2) Conditions and proportion of profit distribution***1. Conditions and proportion of cash dividend distribution***

Subject to the compliance of the profit distribution principles, the maintenance of the normal operation and the long-term development of the Company, in principle, the Company shall make the cash dividend payment after the convening of each year's annual general meeting. The Board of the Company may propose to pay interim cash dividend in accordance with its profits and funding needs.

Where conditions for cash distribution are met, profits distributed in cash each year shall not be less than 10% of the realized distributable profit for the year, and in any three consecutive years, the Company's accumulated profit for distribution in cash shall not be less than 30% of the average annual realized distributable profit for such three years.

- (i) The distributable profit (i.e. Company's profit after tax net of the loss and contribution of security provident fund) realized by the Company in such year is positive in value, and the cash flow is sufficient, and net cash flow from operating activities in the consolidated statements is positive. The payment of cash dividends will not affect the subsequent continuing operation of the Company;
- (ii) The audit firm issues an unqualified audited financial report of the Company for the year;
- (iii) The Company has no such events as major investment plan or substantial cash expenditure, excluding projects using the Proceeds raised.

2. Differentiated cash dividend policy

The Board of the Company shall distinguish the following circumstances taking into account, among other things, the Company's industry features, development stages, operation model and profitability as well as whether it has any substantial capital expenditure arrangement, and stipulate differentiated cash dividend policy:

Where the Company is at a mature stage of development with no substantial capital expenditure arrangement, cash dividend shall represent at least 80% of the total profit distribution when distributing profits;

Where the Company is at a mature stage of development with substantial capital expenditure arrangement, cash dividend shall represent at least 40% of the total profit distribution when distributing profits;

Where the Company is at a growing stage of development with substantial capital expenditure arrangement, cash dividend shall represent at least 20% of the total profit distribution when distributing profits;

If it is difficult to determine the Company's stage of development but there is a significant capital expenditure plan, profit distribution may be dealt with pursuant to aforesaid requirements.

3. Conditions of dividend distribution

Subject to such cash dividend conditions, the Company shall positively distribute dividend in cash and, in principle, pay dividend in cash once a year. On the premise of ensuring reasonable share capital size and shareholding structure, the Company may distribute dividends in shares when the valuation of its shares is within a reasonable range, in order to provide return to its Shareholders and share its corporate value.

Article 4 Decision-making Mechanism for Adjustment of Profit Distribution Policy

In the event that it is necessary to adjust the profit distribution policy based on the production and operation conditions, investment plans and long-term development needs, a resolution regarding the adjustment of the profit distribution policy shall be submitted to the general meeting of the Company for approval upon the consideration by the Board and shall be passed by over two-thirds of the voting rights held by the Shareholders attending the general meeting. The Company shall also provide an online voting alternative to facilitate minority investors to participate in voting of the general meeting. The independent directors and the supervisory committee of the Company shall express their independent views in this respect, and the adjusted profit distribution policy shall not contravene the relevant requirements of CSRC and the Shenzhen Stock Exchange.

Article 5 The Board of the Company is responsible for the interpretation of the Plan. The matters not expressly set out in the Plan shall be executed in accordance with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association.

Article 6 The Plan shall be effective from the date of its approval at the general meeting of the Company.

The Board proposes the following amendments to the existing Articles of Association:

(i). The “NOTE” on the first page of the original Articles of Association which provides that:

In the margin notes to the provisions of the Articles of Association, the “Company Law” refers to the Company Law of the People’s Republic of China as amended and becoming effective from 1st January 2006, “Securities Law” refers to the Securities Law of the People’s Republic of China as amended and becoming effective from 1st January 2006, the “Mandatory Provisions” refer to the Mandatory Provisions for Articles of Association of Companies Listed Overseas jointly issued by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System, “Guidelines” refer to the Guidelines on Articles of Association of Listed Companies (as amended in 2006) issued by CSRC, “Code of Corporate Governance” refers to Code of Corporate Governance for Listed Companies in China issued by CSRC. “Independent Directors System” refers to Guiding Opinions for Establishment of Independent Directors System of Listed Companies.

is to be revised as follows:

In the margin notes to the provisions of the Articles of Association, the “Company Law” refers to the Company Law of the People’s Republic of China as ~~amended and implemented becoming effective from~~ amended and implemented becoming effective from on 1st January 2006; ~~and amended on 28 December 2013,~~ “Securities Law” refers to the Securities Law of the People’s Republic of China as ~~amended and becoming effective from~~ amended and implemented on 1st January 2006; ~~and amended on 31 August 2014,~~ the “Mandatory Provisions” refer to the Mandatory Provisions for Articles of Association of Companies Listed Overseas jointly issued by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System, “Guidelines” refer to the Guidelines on Articles of Association of Listed Companies (as amended in ~~2006~~2014) issued by CSRC, “Code of Corporate Governance” refers to Code of Corporate Governance for Listed Companies in China issued by CSRC. “Independent Directors System” refers to Guiding Opinions for Establishment of Independent Directors System of Listed Companies.

(ii). Article 28 of the original Articles of Association which provides that:

The Company must prepare a balance sheet and inventory of assets for reduction of registered capital.

The Company shall notify its creditors within ten (10) days from the date of the Company’s resolution on reduction of registered capital and shall publish an announcement at least three (3) times in the newspapers designated by the securities regulatory authority under the State Council (the Company designated “China

Securities News”, “Shanghai Securities News”, “Securities Times” and “Securities Daily” for publication of A-share announcements of the Company and other necessary information disclosure; and designated the website <http://www.cninfo.com.cn> for posting A-share announcements of the Company and other necessary information disclosure) within thirty (30) days from the date of such resolution. A creditor has the right, within thirty (30) days of receiving the notice or, in the case of a creditor who does not receive the notice, within forty-five (45) days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.

The registered share capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

is to be revised as follows:

The Company must prepare a balance sheet and inventory of assets for reduction of registered capital.

The Company shall notify its creditors within ten (10) days from the date of the Company’s resolution on reduction of registered capital and shall publish an announcement at least three (3) times in the newspapers designated by the securities regulatory authority under the State Council ~~(the Company designated “China Securities News”, “Shanghai Securities News”, “Securities Times” and “Securities Daily” for publication of A-share announcements of the Company and other necessary information disclosure; and designated the website <http://www.cninfo.com.cn> for posting A-share announcements of the Company and other necessary information disclosure)~~ within thirty (30) days from the date of such resolution. A creditor has the right, within thirty (30) days of receiving the notice or, in the case of a creditor who does not receive the notice, within forty-five (45) days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.

The registered share capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.

(iii). The first and second paragraphs of Article 63 of the original Articles of Association which provides that:

General meetings of shareholders include annual general meetings of shareholders and extraordinary general meetings of shareholders. A general meeting of shareholders shall be convened by the Board. The annual general meeting of shareholders shall be held once every year within six months after the end of the previous accounting year. The general meeting shall have a venue and be held on-site. The Company may, while assuring legality and effectiveness of the shareholders’ general meeting, through different methods and channels including

methods deploying modern information technology such as the internet voting platform, that provide convenience to shareholders attending the shareholders' general meeting. A shareholder who participates in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting.

Any of the following matters considered at the general meeting shall be arranged through such ways as the trading system of the stock exchange and the online voting system for the convenience of small to medium-sized investors attending the general meeting:

- (1) Material asset restructuring of the Company, where the total price of the assets purchased represents a premium of 20% or above over the audited net carrying amount of the assets purchased;
- (2) The material assets purchased or sold or amount guaranteed by the Company in a year is higher than 30% of the latest audited total assets of the Company;
- (3) Repayment of debts due to the Company by shareholders with the equity or assets in kind of the Company they hold;
- (4) Public listing of a subsidiary that has significant influence over the Company;
- (5) Relevant matters that have a significant impact on the interest of small to medium investors.

is to be revised as follows:

General meetings of shareholders include annual general meetings of shareholders and extraordinary general meetings of shareholders. A general meeting of shareholders shall be convened by the Board. The annual general meeting of shareholders shall be held once every year within six months after the end of the previous accounting year. The general meeting of shareholders shall have a venue and be held on-site. ~~The Company may, while assuring legality and effectiveness of the shareholders' general meeting, and shall, through different methods and channels including methods deploying modern information technology~~ such as the internet voting platform, that provide convenience to shareholders attending the shareholders' general meeting according to laws, administrative regulations, the requirements of China Securities Regulatory Commission and the Articles of Association. A shareholder who participates in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting.

~~Any of the following matters considered at the general meeting shall be arranged through such ways as the trading system of the stock exchange and the online voting system for the convenience of small to medium-sized investors attending the general meeting:~~

- ~~(1) Material asset restructuring of the Company, where the total price of the assets purchased represents a premium of 20% or above over the audited net carrying amount of the assets purchased;~~
- ~~(2) The material assets purchased or sold or amount guaranteed by the Company in a year is higher than 30% of the latest audited total assets of the Company;~~
- ~~(3) Repayment of debts due to the Company by shareholders with the equity or assets in kind of the Company they hold;~~
- ~~(4) Public listing of a subsidiary that has significant influence over the Company;~~
- ~~(5) Relevant matters that have a significant impact on the interest of small to medium investors.~~

(iv). Article 79 of the original Articles of Association which provides that:

A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote, unless otherwise regarding the provision of adopting the use of cumulative voting system in respect of the Directors and supervisors under Articles 83 hereof, each share shall have one vote. During the process of voting, any special privilege or restriction on the voting rights then attaching to any class of shares shall be complied with, as well as the requirements of the relevant applicable laws, regulations and the Articles of Association. If in complying with the "Rules Governing the Listing of Securities of The Hong Kong Stock Exchange Limited" (hereinafter referred to as "Hong Kong Listing Requirements") or the listing rules of other stock exchange(s) on which the shares of the Company are listed, any of its schedules or any listing agreements, other contractual agreements entered into based on the above documents and decisions of The Hong Kong Stock Exchange Limited or other stock exchange(s) on which the shares of the Company are listed, any shareholder is not allowed to exercise his voting rights in respect of any voting, or is under any restriction in respect of the exercise of voting rights, while he has not complied with the relevant requirements, the voting right as exercised by such shareholder shall be deemed as invalid and shall not be accounted.

The shares held by the Company have no voting rights, and that part of the shareholding is not counted as the total number of shares with voting rights held by shareholders attending the meeting.

The Board, Independent Directors and shareholders who are qualified under the relevant conditions may collect from other shareholders the rights to vote. The collection of voting rights from other shareholders of the Company shall be effected in accordance with the provisions of the relevant regulatory bodies and the stock exchange(s) on which the shares of the Company are listed.

is to be revised as follows:

A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote, unless otherwise regarding the provision of adopting the use of cumulative voting system in respect of the Directors and supervisors under Articles 83 hereof, each share shall have one vote. During the process of voting, any special privilege or restriction on the voting rights then attaching to any class of shares shall be complied with, as well as the requirements of the relevant applicable laws, regulations and the Articles of Association. If in complying with the "Rules Governing the Listing of Securities of The Hong Kong Stock Exchange Limited" (hereinafter referred to as "Hong Kong Listing Requirements") or the listing rules of other stock exchange(s) on which the shares of the Company are listed, any of its schedules or any listing agreements, other contractual agreements entered into based on the above documents and decisions of The Hong Kong Stock Exchange Limited or other stock exchange(s) on which the shares of the Company are listed, any shareholder is not allowed to exercise his voting rights in respect of any voting, or is under any restriction in respect of the exercise of voting rights, while he has not complied with the relevant requirements, the voting right as exercised by such shareholder shall be deemed as invalid and shall not be accounted.

When shareholders' general meeting is considering significant issues which would affect the interests of minority investors, the votes from minority investors shall be counted separately. The separate voting results shall be disclosed in time.

The shares held by the Company have no voting rights, and that part of the shareholding is not counted ~~as into~~ the total number of shares with voting rights held by shareholders attending the meeting. The Company's Board, Independent Directors and shareholders who are qualified under the relevant conditions may openly collect from shareholders the rights to vote. When collecting from other shareholders the rights to vote, The, adequate information such as specific voting intention shall be provided to persons whose voting rights are being solicited. The voting rights shall not be solicited on a paid basis or on a covertly paid basis. The Company shall not impose minimum shareholding limit for such solicitation. The collection of voting rights from other shareholders of the Company shall be effected in accordance with the provisions of the relevant regulatory bodies and the stock exchange(s) on which the shares of the Company are listed.

(v). Article 135 of the original Articles of Association which provides that:

The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the secretary to the Board. Where the office of the secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and the secretary to the Board separately, the person who holds the office of Director and secretary to the Board may not perform the act in dual capacity.

is to be revised as follows:

The Directors and other senior management personnel of the Company could concurrently hold the post of the secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not concurrently hold the post of the secretary to the Board. Where the office of the secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and the secretary to the Board separately, the person who holds the office of Director and secretary to the Board may not perform the act in dual capacity.

(vi). Article 147 of the original Articles of Association which provides that:

Meetings of the Supervisory Committee shall be held at least once every six months and convened and chaired by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable to perform or fails to perform his duties, the vice chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee; if the vice chairman of the Supervisory Committee is unable or fails to fulfill the duty thereof, a supervisor nominated by the majority of supervisors shall convene and preside over the Supervisory Committee meetings. Under circumstances with proper reasons, each supervisor is entitled to request the chairman of the Supervisory Committee to convene extraordinary supervisory meeting.

The way of notifying for the meeting of the Supervisory Committee shall be by way of telephone and facsimile. The notice of the meetings shall include the date and venue of the meeting, duration of the meeting, the subject and agenda as well as date of notice. Notice period of the meeting shall be fourteen (14) days and two (2) days in advance for regular meeting of the Supervisory Committee and extraordinary meeting respectively.

is to be revised as follows:

Meetings of the Supervisory Committee shall be held at least once every six months and convened and chaired by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable to perform or fails to perform his duties, the vice chairman of the Supervisory Committee shall convene and preside

over the meetings of the Supervisory Committee; if the vice chairman of the Supervisory Committee is unable or fails to fulfill the duty thereof, a supervisor nominated by the majority of supervisors shall convene and preside over the Supervisory Committee meetings. Under circumstances with proper reasons, each supervisor is entitled to request the chairman of the Supervisory Committee to convene extraordinary supervisory meeting.

The way of notifying for the meeting of the Supervisory Committee shall be by way of writing, telephone and facsimile. The notice of the meetings shall include the date and venue of the meeting, duration of the meeting, the subject and agenda as well as date of notice. Notice period of the meeting shall be fourteen (14) days and two (2) days in advance for regular meeting of the Supervisory Committee and extraordinary meeting respectively.

(vii). Article 189 of the original Articles of Association which provides that:

The Company's profit distribution policy is:

- (I) The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company. The Company's profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations. A sustained and steady profits distribution policy shall be implemented.
- (II) The Company may adopt to distribute profit in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations.
- (III) The Company's profit distribution shall be prepared by the Board of Directors in accordance with the Company's operating conditions and the relevant requirements of CSRC and shall be considered and approved at the shareholders' general meeting.

When considering the specific cash dividends distribution plans, the Board of Directors of the Company shall take full account of the factors, including the Company's business development plan, its current and future profitability, the cash flow status, the stage of development, the funding requirements of project investment, bank borrowing and the debt financing environment, and shall study carefully and discuss in details the matters concerning the Company's dividends distribution, including the right timing and conditions for the distribution, the lowest payout ratio and the conditions for adjustment and the requirements for decision-making procedures. Independent Directors shall express their independent opinions thereon. When the profit distribution plan proposed by the Board of Directors is considered at the shareholders' general

meeting of the Company, a variety of channels, including but not limited to telephones, facsimile, e-mails, interactive platforms, etc., shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard so as to effectively protect the public shareholders' rights to attend the shareholders' general meeting.

After the profit distribution plan is approved at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of the dividends (or shares) within two months after convening of the shareholders' general meeting.

The Company accepts the advice and supervision of all shareholders, Independent Directors, Supervisors and the public shareholder about the Company's distribution plans. The Board of Supervisors shall supervise the implementation of the Company's profit distribution policy, shareholders' return plan and decision-making procedures executed by the Board of Directors and management.

- (IV) The profit distributed by the Company in cash each year shall not be less than 10% of the realized distributable profit for the year provided that the following cash dividend conditions are satisfied and the capital needs for the normal production operation and development of the Company are met. The cumulative profit for distribution in cash for any three consecutive years shall not be less than 30% of the average annual distributable profit for such three years;
- (1) The distributable profit (i.e. the Company's profit after tax net of the loss and contribution of security provident fund) realized by the Company for the year or half year is positive in value and the cash flow is sufficient. The payment of cash dividends will not affect the subsequent continuing operation of the Company;
 - (2) The cumulative distributable profit of the Company is positive in value;
 - (3) The audit firm issues an unqualified audited financial report of the Company for the year.
- (V) The Board of Directors of the Company may propose the Company to make interim cash distribution according to the Company's earnings and capital requirement conditions provided that the cash dividend conditions are satisfied.

- (VI) Depending on the profitability and business growth for the year, the Company may distribute profits by way of shares to match share capital expansion with business growth provided that the minimum cash dividend payout ratio and an optimal share capital base and shareholding structure are maintained.
- (VII) The Company shall disclose the status of the implementation of the profit distribution plan and the cash dividend policy in its annual report and interim report in strict accordance with the relevant provisions. If the Company makes a profit for the year but the Board of Directors does not make a cash dividend plan, the Company shall explain the reasons for not paying cash dividends, the purposes of funds retained by the Company not used for paying cash dividends and the use plan in its periodic reports. The Independent Directors shall express independent opinions on this, which shall be disclosed to the public.
- (VIII) In the event that the Company does need to adjust or change the cash dividend policy as set out in this Article due to significant changes in the external operating environment or its own operating conditions, the Board shall make a resolution after detailed discussion and the Independent Directors and the Supervisory Committee shall express their opinions. The resolution shall be submitted to the general meeting for approval and shall be passed by shareholders holding more than two-thirds of voting rights present at the general meeting. The Company shall also provide an online voting alternative to facilitate minority shareholders to participate in voting of the general meeting. The adjusted profit distribution policy shall not contravene the relevant provisions of CSRC and the Shenzhen Stock Exchange.
- (IX) In the event that any shareholder misappropriates the funds of the Company, the Company shall deduct the cash dividends distributed to the shareholder to repay the funds misappropriated by him.
- (X) The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of domestic shares in Renminbi within the period as prescribed by Article 95 of the Articles of Association. The Company shall calculate and declare dividends and other payments which are payable to holders of overseas-listed foreign shares in Renminbi, and shall pay such amounts in the foreign currency within the period as prescribed by Article 95 of the Articles of Association. The applicable exchange rate shall be the average closing rate for the relevant foreign currency announced by the People's Bank of China of the five (5) working days prior to the announcement of payment of dividend and other amounts. The Company shall pay foreign currencies to holders of overseas-listed foreign shares in accordance with the relevant foreign exchange control regulations of the State. The Board may distribute interim dividend or bonus dividend subject to the approval of shareholders' general meeting.

is to be revised as follows:

The Company's profit distribution policy is:

- (I) The Company's profit distribution shall focus on providing investors with reasonable investment return as well as maintaining the sustainable development of the Company. The Company's profit distribution shall not exceed the range of the accumulated distributable profits or damage the Company's ability to continue operations. A sustained and steady profits distribution policy shall be implemented.
- (II) The Company may adopt to distribute profit in cash, in shares or in a combination of both cash and shares or as otherwise permitted by the laws and regulations. When the conditions for cash dividend are satisfied, cash dividend shall be the priority method of profit distribution.
- (III) The Company's profit distribution shall be prepared by the Board of Directors in accordance with the Company's operating conditions and the relevant requirements of CSRC and shall be considered and approved at the shareholders' general meeting.

When considering the specific cash dividends distribution plans, the Board of Directors of the Company shall take full account of the factors, including the Company's business development plan, its current and future profitability, the cash flow status, the stage of development, the funding requirements of project investment, bank borrowing and the debt financing environment, and shall study carefully and discuss in details the matters concerning the Company's dividends distribution, including the right timing and conditions for the distribution, the lowest payout ratio and the conditions for adjustment and the requirements for decision-making procedures. Independent Directors shall express their independent opinions thereon. Independent directors may solicit opinion of minority shareholders, put forth profit distribution proposal and submit it directly to the Board for consideration and approval. When the profit distribution plan proposed by the Board of Directors is considered at the shareholders' general meeting of the Company, variety of channels, including but not limited to telephones, facsimile, e-mails, interactive platforms, etc., shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and whose concerns shall be replied in a timely manner so as to effectively protect the public shareholders' rights to attend the shareholders' general meeting.

The Company shall strictly implement the cash dividend policy as determined under the Articles of Association and the specific plan for distribution of cash dividends as considered and approved at the general meeting. If the Company needs to adjust or change the cash dividend policy as determined under the Articles of Association, it is required to satisfy the conditions under the Articles of Association and implement corresponding decision-making procedures after detail discussion. The adjustment or changes shall be passed by shareholders present in the shareholders' general meeting representing not less than two-thirds of voting rights.

After the profit distribution plan is approved at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of the dividends (or shares) within two months after convening of the shareholders' general meeting.

The Company accepts the advice and supervision of all shareholders, Independent Directors, Supervisors and the public shareholder about the Company's distribution plans. The Board of Supervisors shall supervise the implementation of the Company's profit distribution policy, shareholders' return plan and decision-making procedures executed by the Board of Directors and management.

- (IV) The profit distributed by the Company in cash each year shall not be less than 10% of the realized distributable profit for the year provided that the following cash dividend conditions are satisfied and the capital needs for the normal production operation and development of the Company are met. The cumulative profit for distribution in cash for any three consecutive years Shall not be less than 30% of the average annual distributable profit for such three years;
- (1) The distributable profit (i.e. the Company's profit after tax net of the loss and contribution of security provident fund) realized by the Company for the year or half year is positive in value and the cash flow is sufficient. The payment of cash dividends will not affect the subsequent continuing operation of the Company;
 - (2) The cumulative distributable profit of the Company is positive in value;
 - (3) The audit firm issues an unqualified audited financial report of the Company for the year.

When conducting profit distribution, the Board shall distinguish the following circumstances taking into account the Company's industry features, development stages, operation model and profitability as well as whether it has any substantial capital expenditure arrangement, and stipulate differentiated cash dividend policy in accordance with the procedures set out in the Articles of Association: (a) Where the Company is in a developed stage with no substantial capital expenditure arrangement, cash dividend shall represent at least 80% of the total profit distribution when distributing profits; (b) Where the Company is in a developed stage with substantial capital expenditure arrangement, cash dividend shall represent at least 40% of the total profit distribution when distributing profits; (c) Where the Company is in a developing stage with substantial capital expenditure arrangement, cash dividend shall represent at least 20% of the total profit distribution when distributing profits. When the Company conducts profit distribution, it should be determined by the Board according to specific circumstances based on the specific stage of the Company. If it is difficult to determine the Company's stage of development but there is a significant capital expenditure plan, profit distribution may be dealt with pursuant to aforesaid requirements.

- (V) The Board of Directors of the Company may propose the Company to make interim cash distribution according to the Company's earnings and capital requirement conditions provided that the cash dividend conditions are satisfied.
- (VI) Depending on the profitability and business growth for the year, the Company may distribute profits by way of shares to match share capital expansion with business growth provided that the minimum cash dividend payout ratio and an optimal share capital base and shareholding structure are maintained.
- (VII) The Company shall disclose the status of the implementation of the profit distribution plan and the cash dividend policy in its annual report and interim report in strict accordance with the relevant provisions, and state the details on the following matters:
 - (1) Whether the policy is in compliance with the provisions of the Articles of Association or the requirements of resolutions passed at the shareholders' general meeting;
 - (2) Whether the basis and ratio of the distribution are specific and clear;
 - (3) Whether the relevant decision-making procedures and system are sound;
 - (4) Whether the Independent Directors have duly performed their duties and played their roles;

- (5) Whether there are sufficient opportunities for the minority shareholders to express their views and requests, and whether their legal interests are sufficiently protected, etc.

If the cash dividend policy is to be adjusted or changed, the Company shall disclose in details such as whether the conditions and procedures for the adjustments or changes are in compliance with the regulations and transparent.

If the Company makes a profit for the year but the Board of Directors does not make a cash dividend plan, the Company shall explain the reasons for not paying cash dividends, the purposes of funds retained by the Company not used for paying cash dividends and the use plan in its periodic reports. The Independent Directors shall express independent opinions on this, which shall be disclosed to the public. The Independent Directors may collect the opinion of minority shareholders and put forth profit distribution proposal and submit it directly to the Board for consideration and approval.

- (VIII) In the event that the Company does need to adjust or change the cash dividend policy as set out in this Article due to significant changes in the external operating environment or its own operating conditions, the Board shall make a resolution after detailed discussion and the Independent Directors and the Supervisory Committee shall express their opinions. The resolution shall be submitted to the general meeting for approval and shall be passed by shareholders holding more than two-thirds of voting rights present at the general meeting. The Company shall also provide an online voting alternative to facilitate minority shareholders to participate in voting of the general meeting. The adjusted profit distribution policy shall not contravene the relevant provisions of CSRC and the Shenzhen Stock Exchange.
- (IX) In the event that any shareholder misappropriates the funds of the Company, the Company shall deduct the cash dividends distributed to the shareholder to repay the funds misappropriated by him.
- (X) The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of domestic shares in Renminbi within the period as prescribed by Article 95 of the Articles of Association. The Company shall calculate and declare dividends and other payments which are payable to holders of overseas-listed foreign shares in Renminbi, and shall pay such amounts in the foreign currency within the period as prescribed by Article 95 of the Articles of Association. The applicable exchange rate shall be the average closing rate for the relevant foreign currency announced by the People's Bank of China of the five (5) working days prior to the announcement of payment of dividend and other amounts. The Company shall pay foreign

currencies to holders of overseas-listed foreign shares in accordance with the relevant foreign exchange control regulations of the State. The Board may distribute interim dividend or bonus dividend subject to the approval of shareholders' general meeting.

(XI) Where there is a change in the Company's control resulting from securities issue, backdoor listing, significant asset restructuring, merger and division or acquisition, the Company shall disclose in detail the cash dividend policy and relevant arrangements after the offering or issuance, restructuring or change in the control, as well as the Board's explanation of the aforesaid in the prospectus or distribution plan, report on significant asset restructuring, report on change in equity or report on acquisition.