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比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

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

(Stock code: 285)

CONTINUING CONNECTED TRANSACTIONS
SHANWEI LEASE AGREEMENT

Reference is made to the announcements of the Company dated 28 April 2017 and 6 November 2015, respectively, in relation to certain continuing connected transactions between the Group with the BYD Group, including, among other things, the Existing Lease Agreements.

The Board announces that on 23 August 2017, the Group entered into the Shanwei Lease Agreement with BYD Group.

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of this announcement, each of BYD and its subsidiaries (being the associates of BYD) is a connected person of the Company. Therefore, the transactions contemplated under the Shanwei Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the annual caps for the Shanwei Lease Agreement and the Existing Lease Agreements (on an aggregate basis) for the two years ending 31 December 2018 exceed 0.1% but do not exceed 5%, the transactions contemplated under the Shanwei Lease Agreement and the Existing Lease Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 28 April 2017 and 6 November 2015, respectively, in relation to certain continuing connected transactions between the Group with the BYD Group, including, among other things, the Existing Lease Agreements.

The Board announces that on 23 August 2017, the Group entered into the Shanwei Lease Agreement with BYD Group.

II. SHANWEI LEASE AGREEMENT

A summary of the principal terms of the Shanwei Lease Agreement is set out below.

Date:	23 August 2017
Parties:	1. BYD Shanwei, a 98.84% subsidiary of BYD 2. Shanwei Electronic, a wholly-owned subsidiary of the Company
Duration:	1 September 2017 to 31 December 2018
Subject:	Pursuant to the Shanwei Lease Agreement, BYD Shanwei has agreed to lease certain factory buildings situated at 汕尾市城區紅草鎮沿河路88號 (88 Yanhe Road, Hongcao County, Shanwei City*) with an aggregate gross floor area of not exceeding 73,409 square meters to Shanwei Electronic at a monthly rental of not exceeding RMB1,158,052
Price determination:	The rental amount was determined based on arm's length negotiations between BYD Shanwei and Shanwei Electronic with reference to the prevailing market price of leases of comparable factories buildings
Payment terms:	Settled on a quarterly basis

Such factory buildings are leased for the manufacturing of the Group.

III. AGGREGATE ANNUAL CAPS OF THE EXISTING LEASE AGREEMENTS AND THE SHANWEI LEASE AGREEMENT

The table below summarises the aggregate annual caps set for the Existing Lease Agreements for the two years ending 31 December 2018 as disclosed in the announcement of the Company dated 28 April 2017:

	Year ending 31 December 2017 RMB	Year ending 31 December 2018 RMB
Existing caps	<u>159,507,000</u>	<u>219,823,000</u>

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2016 (audited) and the six months ended 30 June 2017 (unaudited) under the Existing Lease Agreements (where applicable):

	Year ended 31 December 2015 RMB (approx.)	Year ended 31 December 2016 RMB (approx.)	Six months ended 30 June 2017 RMB (approx.)
Actual transaction amount	<u>40,776,000</u>	<u>39,323,000</u>	<u>39,562,000</u>

Based on (i) the aggregate rental amount paid/payable by the Group under the Existing Lease Agreements for the two years ending 31 December 2018, which is expected not to exceed RMB159,507,000 and RMB219,823,000, respectively; (ii) the rental amount payable by the Group under the Shanwei Lease Agreement for the two years ending 31 December 2018, which is expected not to exceed RMB1,042,000 and RMB13,897,000, respectively; and (iii) the assumption that the rental for each of the Existing Lease Agreements and the Shanwei Lease Agreement will remain unchanged for the two years ending 31 December 2018, the aggregate transaction amounts for the Existing Lease Agreements and the Shanwei Lease Agreement for the two years ending 31 December 2018 are expected not to exceed as RMB160,549,000 and RMB233,720,000, respectively.

Accordingly, such amounts have been set as the New Caps for the two years ending 31 December 2018 for the transactions under the Existing Lease Agreements and the Shanwei Lease Agreement in aggregate.

IV. REASONS FOR ENTERING INTO THE SHANWEI LEASE AGREEMENT

The Group has continuously and actively considered different means to control or minimize its production costs, so as to maintain or enhance its competitiveness. Due to the historical friendly relationship between the Group and BYD Group, the proximity of the factories and premises of the Group and the BYD Group and in line with the expansion of the Group's operations and business, the Directors (including the independent non-executive Directors) considered that it would be commercially beneficial to the Group to rent additional factory premises under the Shanwei Lease Agreement from BYD Group to increase its production capacity in the relevant region, and it is expected that the Group can benefit from the outstanding infrastructure and well-developed supporting facilities available at the Shanwei Factory under the Shanwei Lease Agreement and improve the efficiency in operation and management.

In determining the rental for the Shanwei Lease Agreement above, the Group made reference to market prices of leases of comparable factories and conducted site visits. The Group took into consideration a range of relevant factors (such as location, size, transportation, construction and utility facilities of the properties) to determine whether the properties were suitable for the Group in order to safeguard the interests of the Group. The Directors are of the view that the above mentioned methods and procedures can ensure that the transactions contemplated under the Shanwei Lease Agreement will be conducted on normal commercial terms or better and not prejudicial to the interest of the Company's minority Shareholders.

V. IMPLICATIONS UNDER THE LISTING RULES

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the date of this announcement, each of BYD and its subsidiaries (being the associates of BYD) is a connected person of the Company. Therefore, the transactions contemplated under the Shanwei Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the annual caps for the Shanwei Lease Agreement and the Existing Lease Agreements (on an aggregate basis) for the two years ending 31 December 2018 exceed 0.1% but do not exceed 5%, the transactions contemplated under the Shanwei Lease Agreement and the Existing Lease Agreements are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) considered the transactions contemplated under the Shanwei Lease Agreement are in the ordinary and usual course of business of the Group on normal commercial terms or better.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Shanwei Lease Agreement and the proposed New Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. WANG Chuan-fu, a non-executive Director of the Company, is also an executive director and chairman of the board of directors of BYD and is interested in approximately 18.96% of the total issued share capital of BYD as at the date of this announcement. Mr. WU Jing-sheng, a non-executive Director of the Company, is also the vice president and chief financial officer of BYD and is interested in approximately 0.16% of the total issued share capital of BYD as at the date of this announcement. Accordingly, Mr. WANG Chuan-fu and Mr. WU Jing-sheng, being Directors who may have a material interest, have voluntarily abstained from voting on the board resolution(s) of the Company concerning the Shanwei Lease Agreement and the New Caps.

VI. INFORMATION ON THE GROUP AND BYD GROUP

The Company and its subsidiaries are principally engaged in the business of manufacture and sales of handset components and modules, the provision of handset design and assembly services, and the provision of parts and assembly services of other electronic products.

BYD and its subsidiaries are principally engaged in rechargeable battery and photovoltaic business, handset components and assembly services, as well as automobile business which includes traditional fuel-engined vehicles and new energy vehicles while taking advantage of its technological superiority to actively develop business relating to the area of new energy products.

VII. DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“Board”	the board of Directors;
“BYD”	BYD Company Limited (比亞迪股份有限公司), a company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange;
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group);
“BYD Shanwei”	BYD (Shanwei) Company Limited* (汕尾比亞迪實業有限公司), a company established in the PRC and a 98.84% subsidiary of BYD;
“Company”	BYD Electronic (International) Company Limited (比亞迪電子(國際)有限公司), a company incorporated in Hong Kong with limited liability whose Shares are listed on the Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;
“controlling Shareholder”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Cap(s)”	the new aggregate annual cap(s) for the Existing Lease Agreements and the Shanwei Lease Agreement as set out in this announcement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanwei Electronic”	Shanwei BYD Electronic Co., Limited* (汕尾比亞迪電子有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Shanwei Lease Agreement”	the lease agreement dated 23 August 2017 between Shanwei Electronic and BYD Shanwei;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Existing Lease Agreements”	<p>the lease agreement(s) between the BYD Group and the Group each dated (or supplemented to on) 28 April 2017 as set out under the section headed “II. A. Leasing of factories and premises by BYD Group to the Group” in the announcement of the Company dated 28 April 2017, including (as defined in the said announcement):</p> <ul style="list-style-type: none"> (i) Existing Baolong Lease Agreement (as supplemented by the Supplemental Baolong Lease Agreement); (ii) Existing Huizhou Lease Agreement (as supplemented by the Supplemental Huizhou Lease Agreement); (iii) Existing Beijing Lease Agreement (as supplemented by the Supplemental Beijing Lease Agreement); (iv) Existing Xi’an Lease Agreement (as supplemented by the Supplemental Xi’an Lease Agreement); (v) Existing Xi’an Land Lease Agreement (as supplemented by the Supplemental Xi’an Land Lease Agreement); (vi) Xi’an Additional Lease Agreement;

- (vii) Shanghai Lease Agreement;
 - (viii) Inner-Mongolia Lease Agreement;
 - (ix) Shaoguan Lease Agreement; and
 - (x) Huizhou Additional Lease Agreement;
- and
- “%”
- per cent.

* *For identification purposes only*

By order of the board of directors
BYD Electronic (International) Company Limited
Wang Nian-qiang
Director

Hong Kong, 23 August 2017

As at the date of this announcement, the executive Directors are Mr. WANG Nian-qiang and Mr. WANG Bo; the non-executive Directors are Mr. WANG Chuan-fu and Mr. WU Jing-sheng; and the independent non-executive Directors are Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie.