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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



First Shanghai Capital Limited

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from First Shanghai Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 23 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People's Republic of China on Friday, 18 January 2019 at 10:00 a.m. is set out on pages 30 to 31 of this circular.

Whether or not you are able to attend and/or vote at the extraordinary general meeting in person, you are requested to complete the enclosed proxy form and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjournment thereof in person should you so wish.

24 December 2018

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BYD”	BYD Company Limited (比亞迪股份有限公司), a joint stock limited company incorporated in the PRC whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange, and the controlling shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company as at the Latest Practicable Date
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group)
“Company”	BYD Electronic (International) Company Limited (比亞迪電子(國際)有限公司), a company incorporated under the laws of Hong Kong, whose Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the announcement of the Company dated 26 November 2018, including the Non-exempt Continuing Connected Transaction
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, inter alia, the New Supply Agreement, the transactions contemplated thereunder and the New Caps

DEFINITIONS

“Existing Cap(s)”	the existing annual cap(s) for the continuing connected transactions of the Group as contemplated under the Existing Supply Agreement, as detailed in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“Existing Supply Agreement”	the supply agreement dated 6 November 2015, as amended and supplemented by the supplemental agreement dated 16 April 2018, between the Company and BYD in relation to the supply of certain products including, among others, plastic components, metal parts and chargers, by the Group to the BYD Group for a term from 1 January 2016 to 31 December 2018
“Golden Link”	Golden Link Worldwide Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of BYD
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, being the independent non-executive Directors
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, and is the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the New Supply Agreement and the relevant New Caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Latest Practicable Date”	20 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Cap(s)”	new annual caps in relation to the transactions contemplated under the New Supply Agreement for the three years ending 31 December 2021, details of which are set out in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“New Supply Agreement”	the supply agreement dated 26 November 2018 between the Company and BYD in relation to the supply of certain products by the Group to the BYD Group
“Non-exempt Continuing Connected Transaction”	being the continuing connected transaction of the Group as contemplated under the New Supply Agreement, for which the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules exceed 5%, and, accordingly, is subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



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)

Board of Directors:

Executive Directors

Mr. WANG Nian-qiang

Mr. WANG Bo

Non-executive Directors

Mr. WANG Chuan-fu

Mr. WU Jing-sheng

Independent Non-executive Directors

Mr. CHUNG Kwok Mo John

Mr. Antony Francis MAMPILLY

Mr. QIAN Jing-jie

Registered Office:

Part of Unit 1712, 17th Floor

Grand Central Plaza, Tower 2

138 Shatin Rural Committee Road

Shatin, New Territories

Hong Kong

***Head Office and Principal Place
of Business in PRC:***

No. 3001, Bao He Road

Baolong, Longgang

Shenzhen, 518116

The PRC

24 December 2018

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

I. INTRODUCTION

Reference is made to the announcement of the Company dated 26 November 2018 regarding, among others, the New Supply Agreement, the transactions contemplated thereunder and the New Caps.

This circular gives you further information in relation to (i) the New Supply Agreement, the transactions contemplated thereunder and the New Caps; (ii) the advice from the Independent Board Committee to the Independent Shareholders in relation to the New Supply Agreement; and (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Supply Agreement and the New Caps.

LETTER FROM THE BOARD

II. RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Reference is made to the announcements of the Company dated 6 November 2015 and 16 April 2018, and the circular of the Company dated 7 December 2015, in relation to, among others, the Existing Supply Agreement for the supply of certain products including, among others, plastic components, metal parts and chargers, by the Group to the BYD Group for a term from 1 January 2016 to 31 December 2018.

Since the term of the Existing Supply Agreement will end on 31 December 2018, and the Company expects the transactions contemplated thereunder will continue thereafter, the Board announces that on 26 November 2018, the Company entered into the New Supply Agreement with BYD.

Details of the New Supply Agreement are as follows:

New Supply Agreement

Date:	26 November 2018
Parties:	1. The Company 2. BYD
Duration:	1 January 2019 to 31 December 2021
Effective Date:	The date on which Independent Shareholders' approval in respect of this agreement is obtained
Subject:	The Group agreed to supply to BYD Group products required for the production of BYD Group's products, such as rotatable display screens, injection molded parts, moulds and certain other products and materials
Price determination:	The Group will determine the selling prices with reference to, and generally shall not be lower than, prices charged to its independent third party customers for similar products, which represents the then prevailing market prices. The Group keeps records of sales to BYD Group and independent third party customers, and regularly keeps track of information regarding market prices of comparable products. Before agreeing on the selling price and other sales terms with BYD Group, the Group will analyse the selling price, credit terms and other sales terms for sale of similar products to independent third party customers to ensure that the products are supplied to BYD Group on terms no less favourable to the Group. In order to safeguard the interests of the Group, the Group will conclude the sale with BYD Group only if it is satisfied that the price and other sales terms with BYD Group are on normal commercial terms and that the Group has sufficient capacity to meet BYD Group's delivery schedule.

LETTER FROM THE BOARD

In accordance with the Company's internal policies, the transactions under the New Supply Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy at least quarterly and the Group will conclude the sale with BYD Group only if it is satisfied that the price and other sales terms with BYD Group are on normal commercial terms and that the Group has sufficient capacity to meet BYD Group's delivery schedule, our Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the New Supply Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders

Payment terms: As stipulated in the relevant order forms, which is normally payable within three months after delivery of the products.

The Existing Caps for the three years ended 31 December 2018 under the Existing Supply Agreement are set out as follows:

	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Caps	767,048	780,942	1,217,614

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2017 (audited) and the nine months ended 30 September 2018 (unaudited) under the Existing Supply Agreement:

	Year ended	Year ended	Nine months
	31 December	31 December	ended
	2016	2017	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
Actual transaction amount	535,945	394,858	524,974

The Company estimates that the transaction amounts under the New Supply Agreement for the three years ending 31 December 2021 will not exceed RMB2,274,779,000, RMB2,823,811,000 and RMB3,451,879,000 respectively, and such amounts have accordingly been set as the proposed New Caps.

LETTER FROM THE BOARD

The proposed New Caps have been prepared by the Company primarily based on:

- (i) the historical transaction amounts. In particular, while the actual transaction amount was approximately RMB525 million for the nine months ended 30 September 2018, the Company expects that the sales amount for the fourth quarter under the Existing Supply Agreement will further increase with reference to the following considerations: (i) the Company continually expands the volume of products portfolio, leading to the overall continuous growth in the scale and portfolio of the products supplied, hence the demands of some products by BYD Group in 2018 further increases comparing with 2017. This is evident from the fact that actual transaction amount for the nine months ended 30 September 2018 was already greater than the actual transaction amount for the entire year ended 31 December 2017; and (ii) the fact that the Group had commenced supply of rotatable display screens, which were primarily used for the production of BYD Group's new energy vehicles, from April 2018. In particular, the sales of rotatable display products increased rapidly since July 2018 and reached approximately RMB192 million as at 30 September 2018. The Company anticipates that the supply of rotatable display screens will continue in the fourth quarter. Accordingly, based on the orders on hand from BYD Group, it was expected that the actual transaction amount with BYD Group under the Existing Supply Agreement for the year ending 31 December 2018 will be around RMB900 million, representing approximately 73.9% of the utilization rate of the annual cap for 2018, and of which sales of rotatable display screens is expected to exceed RMB320 million;

- (ii) the expected increase in demand from the BYD Group for the Group's products (in particular, rotatable display screens which were primarily used for the production of BYD Group's new energy vehicles) for the three years ending 31 December 2021. According to information published by China Association of Automobile Manufacturers (中國汽車工業協會), the new energy vehicle industry maintained rapid growth with the sales volume of the Chinese new energy vehicles increasing by 111.5% year on year to 412,000 units in the first half of 2018. As a leader in the new energy vehicle industry, the sales volume of BYD Group's new energy vehicles continues to rank first around the globe and its market share continues to increase. According to BYD's 2018 interim report, the sales volume of its new energy vehicles increased by 121.06% year on year to 75,800 units in the first half of 2018, and it is expected that new energy vehicles will continue to maintain rapid growth in the future. From June 2018, new models of the dynasty series new energy vehicles manufactured by BYD Group, such as Tang, Qin Pro, Song, etc., successively commenced to be equipped with rotatable display screens, and it is expected that its dynasty series models and new models of vehicles will be gradually equipped with rotatable display screens. In view of the expansion of sales volume of the vehicle business of BYD Group and the improvement of the relevant electronic configurations, the demand for the Group's rotatable display screens for the production of BYD Group's vehicle is expected to grow rapidly. As the growth of the consumer electronics industry slows down, the Group is actively expanding new business and the supply of vehicle electronics to contribute additional income and profit growth to the Group. Therefore, for the three years ending 31 December 2021,

LETTER FROM THE BOARD

it is expected that the Group's sales of products (especially rotatable display screens) to BYD Group will maintain continuing growth. It was expected that rotatable display screens will be one of the major products supplied by the Group to the BYD Group and is expected to account for a transaction amount of approximately RMB1,512 million, RMB2,011 million and RMB2,614 million for each of the three years ending 31 December 2021, representing over 66%, 71% and 76% of the total supply from the Group under the proposed annual caps for each of the three years ending 31 December 2021; and

- (iii) the production and operational capacity of the Group as projected by the Group's management based on the capacity of the Group's existing production facilities, projected capital expenditure and projected transaction volume with other customers of the Group. In view of the growth of BYD's vehicle business, the Group had, since 2018, increased its production capacity by adding production lines for the production of rotatable display screens. As such, the production volume of the Group will continue to increase to satisfy the increasing demand of the BYD Group.

The substantial increase of the proposed annual cap as of 31 December 2019 as compared with the annual cap as of 31 December 2018 was primarily based on the orders on hand, the expected substantial increase in production of the Group (especially for rotatable display screens) in order to fully cope with the business plan and forecast sales volume as provided by and discussed with BYD Group and the unit price of different products to be offered by the Group. We consider that the forecast sales volume as provided by BYD Group is justifiable based on, among others, (i) the discussion with BYD Group; (ii) the historical and expected sales volume of its new energy vehicles; (iii) the substantial growth of the new energy vehicles market with reference to automotive industry information such as the information published by the China Association of Automobile Manufactures (中國汽車工業協會) and the Plan for the Middle and Long-term Development of the Automobile Industry (《汽車產業中長期發展規劃》) (the "Plan") issued by the Ministry of Industry and Information Technology of China, the National Development and Reform Commission and the Ministry of Science and Technology of the PRC; and (iv) the increasing market share of BYD Group. Sales volume of new energy vehicles by BYD Group achieved a record high of approximately 201,000 for the eleven months ended 30 November 2018 as compared with approximately 110,000 for the year ended 31 December 2017 and is expected to increase with more new models of new energy vehicles to be released. Given that a few of BYD Group's new models of the dynasty series only commenced to be equipped with rotatable display screens since June 2018, with the expected substantial increase the production of new energy vehicles of BYD Group and that more models of its new energy vehicles will be gradually equipped with rotatable display screens, the Group expected that the volume of products supplied to the BYD Group will be increased exponentially for the year ended 31 December 2019. The expected transaction amount for the supply of rotatable display screens represented a year-on-year growth rate of 33% and 30% for the two years ending 31 December 2020 and 31 December 2021, respectively, which was determined with reference to and in line with the expected growth of the market for new energy vehicles. According to the information published by the China Association of Automobile Manufactures and the Plan, the sales volume of new energy vehicles in China was

LETTER FROM THE BOARD

770,000 in 2017 and was expected to reach a forecast sales target of 2,000,000 units in 2020. It was expected that the market for new energy vehicles will continue to grow at a compound annual growth rate of approximately 37%.

As a result, in view of the substantial growth of BYD's vehicle business and our Group's increase in production capacity to satisfy BYD Group's production needs, the expected demand for our Group's products will increase substantially for the year ending 31 December 2019.

The above bases and assumptions underlying the projection of the New Caps serve to establish a maximum aggregate annual value for products to be supplied under the New Supply Agreement to satisfy BYD Group's production needs. As such, the expected transaction amount for the year ended 31 December 2018 and the New Caps should not be construed as an assurance or forecast by the Group of its future revenues. It is merely assumed for the purpose of determining the New Caps, and shall not be regarded as any indication directly or indirectly as the Group's revenue, profitability or trading prospects.

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 the New Supply Agreement, BYD is a connected person of the Company. Therefore, the transactions contemplated under the New Supply Agreement constitute continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed New Caps for the transactions contemplated under the New Supply Agreement for the three years ending 31 December 2021 exceed 5%, it constitutes a Non-exempt Continuing Connected Transaction of the Company. This Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. BYD and its associates will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these proposed New Caps and the New Supply Agreement.

As the transactions contemplated under the New Supply Agreement for the three years ending 31 December 2021 constitute Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, the New Supply Agreement is conditional upon the said resolution being passed at the EGM.

III. REASONS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Group had been reinforcing its advantage position in the field of mobile intelligent terminals and expanding its business scope to enhance the development of automotive electronics, smart hardware and smart products of the "Internet of Things". In light of the rapid development of BYD's new energy vehicle business and the improvement and development of its electronic and intelligent devices, its demand for automotive electronics has also increased

LETTER FROM THE BOARD

vigorously. With the slowdown in the industry of consumer electronics, the Group has expanded its supply of automotive electronics products (such as rotatable display screens) to BYD Group which contributes additional income and profit to the Group. In view of the historical friendly business relationship between the Company and BYD and the proximity of the factories of the Group and BYD Group, the entering into the New Supply Agreement to enhance the supply of automotive electronics products from the Group to the BYD Group can help meet BYD Group's customized requirements for producing the new energy vehicles with more electronization and intelligentization and increase the market sales volume and the market share of the Company in supplying automotive electronic products. Therefore, the Directors, including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser, believe that it is beneficial to the Group to continue to carry out the continuing connected transactions for each of three years ending 31 December 2021 to enhance and maximise operational efficiency and business growth of the Company. The purposes of entering into the New Supply Agreement are to renew the Existing Supply Agreement for another three years to 31 December 2021 and to revise the annual caps of the transactions contemplated thereunder, so as to ensure that the Group and BYD Group can continue the existing transactions under the New Supply Agreement.

IV. INTERNAL CONTROL MEASURES

In addition to compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's Continuing Connected Transactions, the Company has set up relevant departments in charge of internal control and risk management to perform internal review and control over the Continuing Connected Transactions of the Company, including reviewing contracts signed between the Company and connected persons, reviewing the performance of procedures prior to signing of contracts as well as the fulfilment of transactions thereunder, regularly inspecting the specific terms of the Company's transactions with connected persons and comparing it with the terms of the same type of transactions of the Company entered into with third parties who are not connected persons, to ensure that the pricing and other contractual terms for the Group's Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the Continuing Connected Transactions are conducted in accordance with the contracts and in compliance with the laws and regulations.

To ensure the Continuing Connected Transactions do not exceed the annual caps, the relevant business departments of the Group shall fill in and submit statistical charts for the Continuing Connected Transactions at least quarterly. In the event that the amount of the Continuing Connected Transactions incurred and to be incurred for a financial year is expected to reach the annual caps, the relevant departments will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual caps is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance of the requirements under the Listing Rules.

LETTER FROM THE BOARD

The Company also arranges compliance trainings for the directors, supervisors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

V. LISTING RULES IMPLICATIONS

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 the New Supply Agreement, it is a connected person of the Company.

Accordingly, the transactions contemplated under the New Supply Agreement as detailed under the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in this letter constitute a continuing connected transaction of the Group under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) have confirmed that the New Supply Agreements and the transactions contemplated thereunder have been subject to arm’s length negotiation between the Company and BYD, and have been entered into by the Company in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the New Supply Agreements, the transactions contemplated thereunder and the 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 the New Supply Agreement. 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 the New Supply Agreement. Accordingly, Mr. WANG Chuan-fu and Mr. WU Jingsheng, being Directors who may have a material interest, have voluntarily abstained from voting on the board resolutions of the Company concerning the New Supply Agreement and the proposed New Caps.

As one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the proposed New Caps for the transactions contemplated under the New Supply Agreement for the three years ending 31 December 2021 referred to in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in this letter exceed 5%, it constitute Non-exempt Continuing Connected Transaction of the Company. The

LETTER FROM THE BOARD

Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. INFORMATION ON THE GROUP AND BYD GROUP

The Group is principally engaged in the business of the manufacture and sales of handset components and modules, the provision of handset design and assembly services, and the provision of parts and assembly services of other electronic products.

The BYD Group is 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 related business such as skyrail business.

VII. EGM

A notice convening the EGM to be held at the conference room of BYD at No. 3009, BYD Road, Pingshan District, Shenzhen, the PRC on Friday, 18 January 2019 at 10:00 a.m. is set out on pages 30 to 31 of this circular. At the EGM, ordinary resolutions will be proposed to consider and, if thought fit, to approve the New Supply Agreement and the transactions contemplated thereunder and the New Caps by way of poll. BYD and its associates are required to abstain from voting of the resolutions at the EGM.

Mr. WANG Nian-qiang and Mr. WU Jing-sheng, the directors of the Company, are the beneficiaries of BF Trust which is an employees' trust of the Company with BF Gold Dragon Fly (PTC) Limited acting as the trustee of the trust. As at the Latest Practicable Date, Mr. WANG Nian-qiang was interested in approximately 0.76% of the total issued share capital of the Company and Mr. WU Jing-sheng was interested in approximately 0.38% of the total issued share capital of the Company through BF Trust. Mr. WANG Nian-qiang, Mr. WU Jing-sheng and Mr. WANG Chuan-fu were also respectively interested in approximately 0.70%, 0.16% and 18.96% of the total issued share capital of BYD as at the Latest Practicable Date. Mr. WANG Nian-qiang and the trustee of BF Trust will abstain from voting of the resolution at the EGM in respect of the interest owned by Mr. WANG Nian-qiang and Mr. WU Jing-sheng.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

VIII. RECOMMENDATION

The Independent Board Committee, after taking into account the advice from the Independent Financial Adviser, considers that the terms of the New Supply Agreement are fair and reasonable and on normal commercial terms and the New Caps are fair and reasonable, and the entering into the New Supply Agreement are in the interest of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Supply Agreement, the transactions contemplated thereunder and the New Caps.

The text of the letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. The text of the letter from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 16 to 23 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular and the notice of the EGM.

By order of the Board of
BYD Electronic (International) Company Limited
WANG Nian-qiang
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the New Supply Agreement, the transactions contemplated thereunder and the New Caps:



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)

24 December 2018

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 24 December 2018 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the New Supply Agreement, the transactions contemplated thereunder and the New Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. First Shanghai has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from First Shanghai which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps as set out on pages 16 to 23 of the Circular.

After taking into consideration the advice from First Shanghai, we concur with the views of First Shanghai and consider that the terms of the New Supply Agreement are fair and reasonable and on normal commercial terms, and the New Caps are fair and reasonable and the entering into the New Supply Agreement are in the interests of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the New Supply Agreement, the transactions contemplated thereunder and the New Caps.

Yours faithfully
Independent Board Committee

CHUNG Kwok Mo John
*Independent non-executive
Director*

Antony Francis MAMPILLY
*Independent non-executive
Director*

QIAN Jing-jie
*Independent non-executive
Director*

LETTER FROM FIRST SHANGHAI

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24 December 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps, the details of which are set out in the circular of the Company to the Shareholders dated 24 December 2018 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The terms of the Existing Supply Agreement will end on 31 December 2018 and the Company expects such transactions will continue thereafter, therefore, on 26 November 2018, the Company and BYD entered into the New Supply Agreement for the period from 1 January 2019 to 31 December 2021. The New Supply Agreement relates to the supply of products by the Group to the BYD Group. BYD is the holding company of the Company and, pursuant to the Listing Rules, is a connected person of the Company. Accordingly, the New Supply Agreement, the transactions contemplated thereunder and the New Caps are subject to, among other requirements, approval by the Independent Shareholders at the EGM.

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The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie, has been established to advise the Independent Shareholders in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from this engagement in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps, we did not have any business relationship with the Company within the past two years from the Latest Practicable Date. We consider ourselves independent to form our opinion in respect of the New Supply Agreement, the transactions contemplated thereunder and the New Caps.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group. We have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the BYD Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the New Supply Agreement, the transactions contemplated thereunder and the New Caps, we have taken into account the following principal factors and reasons:

1. Background of the parties

(a) Background information on the Group

The Group is principally engaged in the business of the 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.

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The following table sets out a summary of the recent financial performance of the Group.

	For the year ended		For the nine months ended	
	31 December		30 September	
	2016	2017	2017	2018
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	36,734	38,774	28,472	29,494
Gross profit	2,800	4,264	3,221	3,259
Profit attributable to owners of the parent	1,233	2,585	1,985	1,802

The financial performance of the Group improved for the year ended 31 December 2017, where revenue and profit attributable to owners of the parent recorded annual growths of approximately 6% and 110%, respectively. The financial results of the Group for the nine months ended 30 September 2018 were generally consistent and did not experience a material change as compared with that for the nine months ended 30 September 2017.

(b) Background information on BYD

BYD is the holding company of the Company with its H shares listed on the Stock Exchange (stock code: 1211 HK) and A shares listed on the Shenzhen Stock Exchange (stock code: 002594 CH).

The BYD Group is 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 related business such as skyrail business.

2. Background and reasons for the New Supply Agreement

We have discussed with and are advised by the management of the Group that:

- (i) back in December 2002, the Group commenced operations as a division of the then BYD Group, which had business and operation with other divisions of the then BYD Group, with a view to serve internal needs of the then BYD Group;

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- (ii) back in December 2007, the Company was spun off and had its shares listed on the Stock Exchange; and
- (iii) since the listing of the Company, the Group has been conducting continuing connected transactions (including the type contemplated under the New Supply Agreement) with the BYD Group for, among other things, the operation stability and logistics efficiency of the Group, in light of the close working relationship between the Group and the BYD Group.

The terms of the Existing Supply Agreement will end on 31 December 2018 and the Company expects such transactions will continue thereafter, therefore, on 26 November 2018, the Company and BYD entered into the New Supply Agreement for the period from 1 January 2019 to 31 December 2021. Pursuant to the New Supply Agreement, the Group agreed to supply to the BYD Group products required for the production of the products of the BYD Group, such as rotatable display screens, injection molded parts, moulds and certain other products and materials. We are advised by the management of the Group that the transactions contemplated under the New Supply Agreement are revenue in nature to the Group.

Taking into account, in particular, (i) the transactions contemplated under the New Supply Agreement are revenue in nature to the Group; (ii) the close business relationship established between the Group and the BYD Group, where such continuing connected transactions have been conducted since the listing of the Company; and (iii) the terms of the New Supply Agreement are fair and reasonable as further discussed below, we are of the view that the entering into of the New Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the New Supply Agreement

In respect of price determination of the transactions under the New Supply Agreement, the Group will determine the selling prices with reference to, and generally shall not be lower than, prices charged to its independent third party customers for similar products, which represents the then prevailing market prices. Accordingly, we have reviewed recent random transaction samples which the Group entered into with the BYD Group (such as invoices) and the corresponding pricing terms with independent third parties, where we noted that the unit prices with the BYD Group were no less favourable than those with independent third parties.

In respect of the payment terms of the transactions under the New Supply Agreement, as stated in the letter from the Board in the Circular, the fees are normally payable within three months after delivery of the products. Accordingly, we have reviewed the latest annual report of the Company, where we noted that (i) the trading terms of the Group with its customers are mainly on credit and the credit period is generally two to three months; and (ii) the aforesaid payments terms of the transactions under the New Supply Agreement of within three months are in line with the general practice of the Group.

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Moreover, in accordance with the Listing Rules, (i) the independent non-executive Directors shall continue to report annually on whether the transactions contemplated under the New Supply Agreement are, among other things, conducted on normal commercial terms; and (ii) the independent auditors of the Company shall also continue to report on the transactions contemplated under the New Supply Agreement. We have further reviewed the two most recent annual reports of the Company and noted that, for each of the years ended 31 December 2016 and 2017, (i) the Directors, including the independent non-executive Directors, had reviewed the continuing connected transactions of the Company, including the categories of transactions contemplated under the New Supply Agreement, and confirmed, among other things, such transactions were conducted on normal commercial terms; and (ii) the independent auditors of the Company had also reported on such transactions. Accordingly, we understand the Group has a positive track record in respect of compliance with the Listing Rules.

Taking into account, in particular, (i) the terms of the transactions contemplated under the New Supply Agreement shall be no less favourable than those with independent third parties; (ii) the internal control measures of the Group in respect of the review of the terms with independent third parties; and (iii) the positive track record of the Group in respect of compliance with the Listing Rules, we are of the view that the terms of the New Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

4. New Caps of the New Supply Agreement

We have discussed with and are advised by the management of the Group that the transactions with the BYD Group under the New Supply Agreement are primarily for the supply of materials, parts and components for the business sector of the BYD Group related to new energy vehicle (“EV”). The following table sets out the historical actual transaction amounts and the New Caps in relation to the New Supply Agreement.

	Historical actual transaction amounts			New Caps	
	For the year ended 31 December 2017 <i>RMB million</i>	For the nine months ended 30 September 2018 <i>RMB million</i>	For the year ending 31 December 2019 <i>RMB million</i>	For the year ending 31 December 2020 <i>RMB million</i>	For the year ending 31 December 2021 <i>RMB million</i>
New Supply Agreement	395	525	2,275	2,824	3,452

Note: The New Caps and their underlying assumptions shall not be construed as an assurance by the Group of its future revenue, profitability or cashflow.

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In respect of the fairness and reasonableness of the New Caps, we have considered several factors:

- we have reviewed the historical actual and the expected upcoming transaction amounts in relation to the New Supply Agreement as mentioned in the letter from the Board in the Circular. We note that (i) the historical actual transaction amount was approximately RMB525 million for the nine months ended 30 September 2018 and, based on transaction records and orders on hand, is expected to be around RMB900 million for the year ending 31 December 2018 (the “**2018 Expected Transaction Amount**”), which represents an annual growth rate of approximately 128% as compared with the actual transaction amount for the year ended 31 December 2017; (ii) the New Cap for the year ending 31 December 2019 represents a growth of approximately 153% as compared with the 2018 Expected Transaction Amount; and (iii) the New Cap for each of the years ending 31 December 2020 and 2021 represents an annual growth of approximately 24% and 22%, respectively. Accordingly, we understand the transaction amount has recently demonstrated a growth trend;
- we have reviewed the financial information of the Group and noted that the revenue of the Group amounted to approximately RMB29,494 million for the nine months ended 30 September 2018 and, on a pro rata basis, amount to approximately RMB39,325 million for the year ending 31 December 2018 (the “**2018 Pro Rata Revenue**”). We note that each of the New Caps represents no more than 10% of the 2018 Pro Rata Revenue. Accordingly, we have discussed and are advised by the management of the Group that the Group is capable of achieving the transaction amounts under the New Caps;
- we have reviewed the breakdown of the calculation of the New Caps and we have discussed with and are advised by the management of the Group that (i) the amounts of the New Caps are determined based on the estimated procurement amount (including the forecast sales volume) which the BYD Group liaised with the Group in view of the upcoming production of the BYD Group; (ii) the higher amounts of the New Caps as compared with the historical actual transaction amounts are mainly attributable to the expected increase in the sales of rotatable display screen (“**RDS**”), which is a component of EV and is a new product that commenced sales in 2018; (iii) the historical actual transaction amount of RDS was nil and approximately RMB192 million for the year ended 31 December 2017 and the nine months ended 30 September 2018, respectively, and, based on transaction records and orders on hand, is expected to exceed RMB320 million for the year ending 31 December 2018; (iv) the transaction amount of RDS under the New Caps is approximately RMB1,512 million, RMB2,011 million and RMB2,614 million, which represents approximately 66%, 71% and 76% of the New Caps, for each of the years ending 31 December 2019, 2020 and 2021, respectively; (v) the fairness and reasonableness of the transaction amount of RDS under the New Caps for the year ending 31 December 2019 can be made reference to the expected unit price and forecast sales volume

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demand of RDS for 2019, where we have reviewed, including but not limited to documents on the recent actual unit price of RDS and the number of vehicles sold by the BYD Group, and considered them to be acceptable for the purpose of determining the New Cap given (a) such expected unit price is in line with the recent actual unit price; (b) RDS is a new vehicle component which commenced sales in 2018; (c) new models of vehicles with RDS are being released, such as the Qin Pro model which was released in September 2018; and (d) such expected volume demand of RDS for 2019 does not exceed the number of vehicles sold by the BYD Group in 2018, along with the fact that the number of vehicles sold by the BYD Group recently demonstrated a growth trend as further elaborated below and in the letter from the Board in the Circular, hence the expected volume demand of RDS for 2019 is expected to be less than the number of vehicles sold by the BYD Group in 2019 if the sales volume of vehicles continues to grow; and (vi) the fairness and reasonableness of the transaction amount of RDS under the New Caps for each of the years ending 31 December 2020 and 2021, which represents annual growth rates of approximately 33% and 30%, can be made reference to 《汽車產業中長期發展規劃》 (Plan for the Middle and Long-term Development of the Automobile Industry) jointly issued by 工業和信息化部 (Ministry of Industry and Information Technology), 國家發展改革委 (National Development and Reform Commission) and 科技部 (Ministry of Science and Technology) of the PRC in 2017, which states the annual sales volume of new energy vehicle is targeted to be two million units in 2020, implying a compound annual growth rate of approximately 37% from 2017. As stated in the letter from the Board in the Circular, the new models of certain vehicles manufactured by the BYD Group, such as Tang, Qin Pro and Song, have been equipped with rotatable display screens and the proportion of vehicles using rotatable display screens will continue to increase in the future. Accordingly, we understand the percentage growth rates represented by the New Caps mentioned previously are primarily driven by the estimated procurement amounts by the BYD Group to satisfy its needs of RDS for production, where such transactions are revenue in nature and on fair and reasonable terms to the Group; and

- we note from the recent financial reports of BYD that (i) the majority of the consolidated revenue of BYD for each of the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018 were derived from automobiles and related products; (ii) BYD proactively pushed forward the EV business, where its sales volume of EVs achieved an annual growth of over 15% in 2017 and achieved a year on year growth of approximately 121% for the six months ended 30 June 2018; and (iii) BYD will seize the opportunities arising from the robust development of the EV industry and further strengthen research and development, enhance product competitiveness and accelerate the launch of new models to satisfy the fast growing market demand. Accordingly, we understand the EV business of the BYD has demonstrated a growth trend and is expected to continue to grow.

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Taking in account, in particular, (i) the transactions contemplated under the New Supply Agreement are revenue in nature and are on fair and reasonable terms; (ii) the New Caps represent no more than 10% of the 2018 Pro Rata Revenue and the Group is capable of achieving the transaction amounts under the New Caps; (iii) the amounts of the New Caps are determined based on the estimated procurement amount, particularly in respect of the new product known as RDS that commenced sales in 2018, which the BYD Group liaised with the Group in view of the upcoming production of the BYD Group; and (iv) the recent growth rates, particularly the 2018 Expected Transaction Amount represents an annual growth rate of approximately 128% as compared with the actual transaction amount for the year ended 31 December 2017 and the EV sales volume recorded by BYD achieved a year on year growth of approximately 121% for the six months ended 30 June 2018, we consider the New Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors, we are of the opinion that the entering into of the New Supply Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. We are also of the opinion that the terms of the New Supply Agreement are on normal commercial terms and, together with the New Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to approve the New Supply Agreement, the transactions contemplated thereunder and the New Caps at the EGM.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited
Allen Wang
Managing Director

Note: Mr. Allen Wang has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. He has participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interest and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) Long position in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of total issued share capital as at the Latest Practicable Date	Note
Mr. WANG Nian-qiang	Beneficial owner and Beneficiary	17,102,000	0.76%	(1)
Mr. WANG Bo	Beneficiary	2,805,000	0.12%	(2)
Mr. WU Jing-sheng	Beneficiary	8,602,000	0.38%	(2)

Notes:

- (1) Of which 8,500,000 shares are held by Mr. Wang Nian-qiang and 8,602,000 shares held by Gold Dragonfly Limited ("Gold Dragonfly"), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited ("BF Trustee") as trustee of BF Trust, the beneficiaries of which include Mr. WANG Nian-qiang.
- (2) The shares are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, of which Mr. WANG Bo and Mr. WU Jing-sheng are beneficiaries.

(ii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director (Note 3)	Capacity	Number of shares held as at the Latest Practicable Date	Percentage of total issued share capital of the relevant associated corporation as at the Latest Practicable Date	Note
BYD	Mr. WANG Nian-qiang	Beneficial owner	19,049,740	0.70%	(1)
	Mr. WU Jing-sheng	Beneficial owner	4,257,580	0.16%	(1)
	Mr. WANG Chuan-fu	Beneficial owner	517,351,520	18.96%	(2)

Notes:

- (1) These are the A shares of BYD held by Mr. WANG Nian-qiang and Mr. Wu Jing-sheng. The total share capital of BYD as at the Latest Practicable Date was RMB2,728,142,855, comprising 1,813,142,855 A shares and 915,000,000 H shares, all were of par value of RMB1 each. The A shares of BYD held by Mr. WANG Nian-qiang and Mr. Wu Jing-sheng represented approximately 1.05% and 0.23% of the total issued A shares of BYD as of the Latest Practicable Date.
- (2) These are the 516,351,520 A shares and 1,000,000 H shares of BYD held by Mr. WANG Chuan-fu, which represented approximately 28.48% and approximately 0.11% of total issued A shares and H shares of BYD as at the Latest Practicable Date, respectively.
- (3) Mr. Wang Chuan-fu is also an executive director and chairman of the board of BYD and Mr. Wu Jing-sheng is also the vice president and chief financial officer of BYD.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Interests of substantial shareholders*(i) Long Position in the Shares*

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than the Directors) having interests in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares	Percentage of total issued share capital as at the Latest Practicable Date	Note
Golden Link	Beneficial interest	1,481,700,000	65.76%	(1)
BYD (H.K.) Co., Limited ("BYD H.K.")	Interest of controlled corporation	1,481,700,000	65.76%	(1)
BYD	Interest of controlled corporation	1,481,700,000	65.76%	(1)
Gold Dragonfly	Beneficial interest	137,081,650	6.08%	(2)
BF Trustee	Trustee	137,081,650	6.08%	(2)

Notes:

- (1) BYD is the sole shareholder of BYD H.K., which in turn is the sole shareholder of Golden Link. As such, both BYD H.K. and BYD were deemed to be interested in the shares of the Company held by Golden Link.
- (2) The 137,081,650 shares of the Company are held by Gold Dragonfly, a company wholly-owned by BF Trustee as trustee of BF Trust, the beneficiaries of which are 28 employees of BYD, its subsidiaries and the Group. As such, BF Trustee was deemed to be interested in the shares of the Company held by Gold Dragonfly.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, other than a Director or chief executive of the Company, there was no person who had an interest or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of the Group or any options in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) save for the acquisition of assets from BYD Group and the disposal of assets to BYD Group as announced by the Company on 27 July 2018, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group. Please refer to paragraph 2(a)(ii) of this appendix for details of the interests of Mr. WANG Nian-qiang, Mr. WU Jing-sheng and Mr. WANG Chuan Fu in BYD; and
- (c) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT

The following sets out the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
First Shanghai Capital Limited	a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, First Shanghai did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, First Shanghai did not have any direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours from the date of this circular up to the date of the EGM (except Saturdays, Sundays and public holidays):

- (a) the New Supply Agreement;
- (b) letter from the Independent Board Committee dated 24 December 2018, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;

- (c) letter from First Shanghai dated 24 December 2018, the text of which is set out in the section headed “Letter from First Shanghai” of this circular;
- (d) the written consent referred to in the paragraph headed “Expert” in this appendix;
and
- (e) this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of BYD Electronic (International) Company Limited (the “Company”) will be held at the conference room of BYD Company Limited at No. 3009, BYD Road, Pingshan District, Shenzhen, the People’s Republic of China on Friday, 18 January 2019 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the new supply agreement referred to in the section headed “II. Renewal of Non-exempt Continuing Connected Transaction” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company of which this notice forms part, the transactions contemplated thereunder and the New Caps (as defined in the Circular) be and are hereby approved.”

By order of the Board of
BYD Electronic (International) Company Limited
WANG Nian-qiang
Director

Hong Kong, 24 December 2018

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered Office:

Part of Unit 1712, 17th Floor
Grand Central Plaza, Tower 2
138 Shatin Rural Committee Road
Shatin, New Territories
Hong Kong

***Head Office and Principal Place
of Business in PRC:***

No. 3001, Bao He Road
Baolong, Longgang
Shenzhen, 518116
The PRC

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote on behalf of him. A proxy need not be a member of the Company.
2. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 15 January 2019 to Friday, 18 January 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's 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 Monday, 14 January 2019.
3. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.