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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

On 1 March 2019, the Company entered into the Power Supply Services Agreement with BYD, pursuant to which the Group shall provide power supply services to the BYD Group in accordance with the terms and conditions thereunder.

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. As such, the transactions contemplated under the Power Supply Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Power Supply Services Agreement are more than 0.1% but less than 5%, the transactions under the Power Supply Services Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement as set out under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Details of the Power Supply Services Agreement are set out below:

THE POWER SUPPLY SERVICES AGREEMENT

Parties

- (a) the Company; and
- (b) BYD

Date

1 March 2019

Subject Matter

Pursuant to the Power Supply Services Agreement, the Group shall provide electricity to the BYD Group to satisfy the day-to-day operations and production needs of the BYD Group in the Shenzhen Baolong industrial hub in the PRC.

Terms

Fees payable by BYD Group to the Group in relation to the provision of electricity services will be determined based on usage as measured by the relevant meters and the costs incurred by the Group in the sense that BYD Group has to reimburse the Group for the portion of its electricity costs attributable to the relevant production facilities of BYD Group. No mark-up will be made by the Group and it is purely on a reimbursement basis.

The Price Determination

The fees payable by BYD Group shall be determined on the basis of the usage rate as recorded in the relevant meters with reference to the market price (which is the actual price charged to the Group by local electricity bureaus).

The meter readings will be recorded and monitored by staff of both the Group and BYD Group regularly to ensure proper recording of the BYD Group's usage of electricity. Our accounting personnel will regularly obtain copies of electricity bills charged by the Group by local electricity bureaus to monitor and check the usage rate, assess whether all transactions contemplated under the Power Supply Services Agreement are conducted in accordance with the relevant terms and ensure the transactions contemplated under the Power Supply Services Agreement will also be properly recorded in accordance with the Company's internal policies.

Payment terms

The fees payable by BYD Group shall be satisfied by way of cash and within 45 days after the end of the preceding month.

Annual Caps

The Company estimates that the transaction amounts under the Power Supply Services Agreement shall not exceed RMB90,433,200, RMB95,541,400 and RMB117,658,350 respectively for each of the three years ending 31 December 2021, and such amounts have accordingly been set as the proposed Annual Caps.

The Annual Caps were determined based on arm's length negotiations between the Company and BYD with reference to, among others, (i) the historical electricity cost incurred by the BYD Group at the relevant production facilities of approximately RMB84,026,000 in the Shenzhen Baolong industrial hub in the PRC for the year ended 31 December 2018; (ii) the expected consumption of electricity by the BYD Group having considered the its operational and production needs; (iii) the expected increases in production and production capacity of BYD Group; and (iv) the expected electricity cost to be charged by local electricity bureaus.

If the total transaction amounts under the Power Supply Services Agreement are expected to exceed the Annual Caps, the Company will re-comply with the relevant requirements in accordance with the Listing Rules such as the publication of a further announcement or to seek approval from independent Shareholders, if applicable.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Electricity supplied to the Group at the Shenzhen Baolong industrial hub in the PRC was transmitted from the electricity bureaus through the BYD Group. BYD Precision, an indirect wholly-owned subsidiary of the Company, is an approved High-Technology Enterprise (高新技術企業), and in support of relevant policies of the government, the electricity supply contract entered into between BYD and the relevant electricity bureaus had been novated to BYD Precision. In view of the long-term business relationship and the proximity of the factories and properties of the Group and the BYD Group, the entering into of the Power Supply Services Agreement will effectively reduce the relevant maintenance and repairing costs payable by the Group to BYD under the original arrangement in connection with the utility infrastructure owned by the BYD Group, preserve the existing arrangement with the electricity bureaus and the use of the electricity infrastructure between the Group and the BYD Group and enable both the Group and the BYD Group to continue having a stable and uninterrupted supply of electricity after the contract novation.

Based on the above, the Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Power Supply Services Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

In addition to (i) the regular review and monitoring of the electricity usage rate to be conducted by our accounting personnel as detailed above and (ii) our 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, to ensure the transactions contemplated under the Power Supply Services Agreement do not exceed the Annual Caps, the business department 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 transactions incurred under the Power Supply Services Agreement incurred and to be incurred for a financial year is expected to reach the Annual Caps, the business department 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.

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.

INFORMATION ABOUT 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 and is actively developing the urban rail transportation business segment.

LISTING RULES REQUIREMENTS

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. As such, the transactions contemplated under the Power Supply Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Mr. WANG Chuan-fu, being a non-executive Director, 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 Power Supply Services Agreement. Mr. WU Jing-sheng, who is a non-executive Director, is also the senior vice president of BYD and is interested in approximately 0.14% of the total issued share capital of BYD as at the date of the Power Supply Services Agreement. 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 resolutions of the Company concerning the Power Supply Services Agreement.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Power Supply Services Agreement are more than 0.1% but less than 5%, the transactions under the Power Supply Services Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement as set out under Chapter 14A of the Listing Rules.

The Company, being a non wholly-owned subsidiary of BYD, is not a connected person of BYD under Rule 14A.16(1) of the Listing Rules as, to the best knowledge, information and belief of the Directors after making all reasonable enquiry, (a) none of the connected persons of BYD is or are (individually or together) entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company; and (b) the Company is not an associate of the connected persons of BYD. Accordingly, the transactions contemplated under the Power Supply Services Agreement do not constitute connected transaction for BYD under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the annual caps in relation to the transactions contemplated under the Power Supply Services Agreement for the three years ending 31 December 2021
“Board”	the board of Directors
“BYD”	BYD Company Limited (比亞迪股份有限公司), a 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
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group)
“BYD Precision”	BYD Precision Manufacture Co., Ltd. (比亞迪精密製造有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

“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
“controlling Shareholder”	has the meaning ascribed to it 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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Power Supply Services Agreement”	the agreement dated 1 March 2019 entered into between the Company and BYD in relation to the provision of power supply services from the Group to the BYD Group to satisfy the day-to-day operations and production needs of the BYD Group in the Shenzhen Baolong industrial hub in the PRC
“PRC”	the People’s Republic of China, (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“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.

By Order of the Board
BYD Electronic (International) Company Limited
Wang Nian-qiang
Director

Hong Kong, 1 March 2019

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