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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 19 March 2020 (after trading hours), the Company entered into the Supply Framework Agreement with BYD, pursuant to which the Group shall supply surgical masks to the BYD Group in accordance with the terms and conditions thereunder.

On the same date (after trading hours), the Company entered into the Processing Services Framework Agreement with BYD pursuant to which the BYD Group shall provide certain processing services to the Group in relation to the electric intelligent robot project of the 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 each of the Supply Framework Agreement and the Processing Services Framework 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 each of the Supply Framework Agreement and the Processing Services Framework Agreement are more than 0.1% but less than 5%, the transactions under each of the Supply Framework Agreement and the Processing Services Framework Agreement are subject to the reporting 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

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Details of the Supply Framework Agreement and the Processing Services Framework Agreement are set out below:

(1) THE SUPPLY FRAMEWORK AGREEMENT

Parties

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

Date

19 March 2020 (after trading hours)

Duration

19 March 2020 to 31 December 2020

Subject Matter

Pursuant to the Supply Framework Agreement, in light of the influence of the Novel Coronavirus (COVID-19) epidemic, the Group shall supply to the BYD Group surgical masks from 19 March 2020 to 31 December 2020, unless terminated earlier in accordance with the terms of the Supply Framework Agreement.

Principal terms and price determination

The parties shall execute separate orders in accordance with the terms of the Supply Framework Agreement setting out, among others, the specifications and quantity of surgical masks required and delivery schedules, and must comply with the terms of the Listing Rules and applicable laws.

The Group will determine the selling prices of the surgical masks with reference to, and generally shall not be lower than, prices charged by the Group to other independent third party customers of surgical masks of same or similar specifications.

In accordance with the Company's internal policies, the transactions under the Supply Framework 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 on a regular basis, the Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Supply Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment terms

Specific payment terms will be stipulated in the relevant order forms, which is normally payable within 90 days after delivery of the masks.

Annual Cap

The Company estimates that the transaction amounts under the Supply Framework Agreement shall not exceed RMB1,200,000,000 for the year ending 31 December 2020, and such amount has accordingly been set as the proposed Annual Cap. If the total transaction amounts under the Supply Framework Agreement are expected to exceed the Annual Cap, 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.

The Annual Cap was determined based on arm's length negotiations between the Company and BYD having considered, among others, the following factors and assumptions: (i) the expected demand of the surgical masks by the BYD Group; (ii) the estimated costs of production of the required surgical masks; and (iii) the estimate market price of the surgical masks.

(2) THE PROCESSING SERVICES FRAMEWORK AGREEMENT

Parties

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

Date

19 March 2020 (after trading hours)

Duration

19 March 2020 to 31 December 2021

Subject Matter

Pursuant to the Processing Services Framework Agreement, the BYD Group shall provide certain processing services (including but not limited to product design, testing, quality control and processing services) as well as other related services to the Group for the Group's electric intelligent robot project.

Principal terms and price determination

The parties shall execute separate orders in accordance with the terms of the Processing Services Framework Agreement and must comply with the terms of the Listing Rules and applicable laws.

The terms offered to and the service fees payable by the Group in relation to the provision of the processing services by the BYD Group shall be with reference to the costs of the BYD Group in provision of the relevant processing services plus a profit margin to be determined after arm's length negotiation between the Company and BYD, but in any event at terms and prices no less favourable than those offered to the Group by an independent third party for the same or similar type of services in the PRC. Members of the Group shall have the right to engage providers of relevant services, including the BYD Group, through bidding or price comparison process depending on the expected project/production size and/or the specification of the services required.

In accordance with the Company's internal policies, the transactions under the Processing Services Framework 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 on a regular basis, the Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Processing Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Payment terms

Specific payment terms will be stipulated in the relevant order forms, which will generally be payable within 90 days from the date of invoice.

Annual Caps

The Company estimates that the transaction amounts under the Processing Services Framework Agreement shall not exceed RMB84,000,000 for the year ending 31 December 2020 and RMB84,000,000 for the year ending 31 December 2021, and such amounts have accordingly been set as the proposed Annual Caps. If the total transaction amounts under the Processing Services Framework 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.

The Annual Caps were determined based on arm's length negotiations between the Company and BYD with reference to, among others, (i) the development and production plan of the electric intelligent robot project; (ii) the expected content and level of services required by the Group for each stage of the electric intelligent robot project; (iii) the estimated market rate of the processing and related services which the Group may require; and (iv) fluctuations in foreign exchange rates (depending on the actual required service, it may be settled in US\$).

REASONS FOR AND THE BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Supply Framework Agreement

To cope with the continuing influence of the Novel Coronavirus (COVID-19), the Group actively responded to the call, allocates resources and utilizes its research and development and manufacturing advantage to produce surgical masks primarily for use by the employees of the Group and the BYD Group, local and overseas governmental and medical institutions at the frontline of the fight against the epidemic, as well as certain customers and partners in order to prevent and minimise the spread of the epidemic, minimise disruption to the business operation of both the Group and the BYD Group and serve as a reflection of the Group's active performance of public corporate social responsibility.

Given that the BYD Group has many local and overseas customers and partners which it has good relations with, such customers and partners hold high expectation for the supply of anti-epidemic materials by the BYD Group. At the same time, considering the close proximity of the Group and the BYD Group's factories and offices, historical friendly business relationship and common brand effect, and the fact that the parties have also been conducting other continuing connected transactions to mutually support the business operations of each other, the Company believes that it is wise for the Group to supply surgical masks to the BYD Group as it will help to ensure the safe and orderly operation of both parties, enhance the common brand influence, and will not have a material adverse impact on the Group's business operations and / or financial results.

Processing Services Framework Agreement

As the Group is in its launching phase of the electric intelligent robot projects, the Board believes that the processing services to be provided by the BYD Group pursuant to the Processing Services Framework Agreement can enable the Group to enhance product quality and reduce the capital expenditures and time required for developing the required processing services. Given the historical friendly business relationship between the Group and the BYD Group, the proximity of the factories and premises of the Group and the BYD Group, the mutual understanding of the parties' business practice and standard required, the Group believes it is in the commercial interest of the Group to seek processing services and other related services from the BYD Group to boost its electric intelligent robot project and minimise administrative costs in relation to the engagement and/or supervision of the required services.

The Directors (including the independent non-executive Directors) consider that the Supply Framework Agreement and the Processing Services Framework Agreement and the transactions contemplated thereunder are expected to be entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations between the parties, and the terms thereof (including the Annual Cap(s)) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure that transaction prices under the Supply Framework Agreement will be fair and reasonable and on normal commercial terms, the business department of the Group will regularly review its prices charged to independent third parties customers for the supply of surgical masks with same or similar specifications.

To ensure that service fees charged by the BYD Group under the Processing Services Framework Agreement will be fair and reasonable and on normal commercial terms, the business department of the Group will regularly obtain quotations from independent third parties to determine the prevailing price being charged by independent third parties under ordinary course of business for provision of processing services and other related services in connection with electric intelligent robot projects in the PRC.

Furthermore, in addition to 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 Supply Framework Agreement and the Processing Services Framework Agreement do not exceed the respective 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 and/or to be incurred under the Supply Framework Agreement and the Processing Services Framework Agreement for a financial year is expected to reach the relevant Annual Cap(s), 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 Cap(s) 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, 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 Company is incorporated under the laws of Hong Kong with limited liability and whose Shares are listed on the Stock Exchange. Approximately 65.76% of the equity interests of the Company is owned by Golden Link Worldwide Limited, a company incorporated in the British Virgin Island, which is ultimately wholly-owned by BYD. Approximately 6.08% of the equity interests of the Company is owned by Gold Dragonfly Limited (“Gold Dragonfly”), a company incorporated in the British Virgin Islands and wholly-owned by BF Gold Dragon Fly (PTC) Limited as trustee of BF Trust, the beneficiaries of which are 28 employees of BYD, its subsidiaries and the Group. Approximately 0.76% of the equity interests of the Company is owned by Mr. Wang Nian-qiang, the executive Director, in his personal capacity and as beneficiary of BF Trust. Approximately 0.12% of the equity interests of the Company is beneficially owned by Mr. Wang Bo, the non-executive Director, as beneficiary of BF Trust. 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.

BYD is a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shenzhen Stock Exchange. Based on public information available to the Directors, (i) approximately 19.00% of the entire equity interests of BYD is beneficially owned by Mr. Wang Chuan-fu, a non-executive Director and also an executive director and chairman of the board of directors of BYD; (ii) Mr. Lv Xiang-yang (a non-executive director of BYD) is interested in approximately 14.73% of the entire equity interests of BYD in his personal capacity and through Youngy Investment Holding Group Co., Ltd. (融捷投資控股集團有限公司) which is in turn held by Mr. Lv and his spouse; (iii) approximately 3.73% of the entire equity interests of BYD is beneficially owned by Mr. Xia-Zuo quan (non-executive director of BYD); (iv) approximately 0.70% of the entire equity interests of BYD is owned by Mr. Wang Nian-qiang, the executive Director; (v) approximately 8.25% of entire equity interests of BYD is owned by Berkshire Hathaway Energy Company (formerly known as MidAmerican Energy Holdings Company) which is a company controlled by Berkshire Hathaway Inc. (a company listed on the New York Stock Exchange); (vi) Citigroup Inc. (a company listed on the New York Stock Exchange) holds approximately 3.69% interests in BYD (approximately 2.01% as long position, approximately 0.83 % as short position and approximately 0.85% as approved lending agent); and (vii) approximately 2.76% of the entire equity interests of BYD is owned by Himalaya Capital Investors, L.P. (formerly known as LL Investment Partners, L.P.) which is indirectly controlled by Li Lu. 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 each of the Supply Framework Agreement and the Processing Services Framework 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 19.00% of the total issued share capital of BYD as at the date of the Supply Framework Agreement and the Processing Services Framework Agreement. Accordingly, Mr. WANG Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolutions of the Company concerning the Supply Framework Agreement and the Processing Services Framework Agreement.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under each of the Supply Framework Agreement and the Processing Services Framework Agreement are more than 0.1% but less than 5%, the transactions under each of the Supply Framework Agreement and the Processing Services Framework Agreement are subject to the reporting 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 each of the Supply Framework Agreement and the Processing Services Framework 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 Cap(s)”	the annual cap(s) in relation to the transactions contemplated under the Supply Framework Agreement or the Processing Services Framework Agreement (as the case may be)
“Board”	the board of Directors
“BYD”	BYD Company Limited, 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)
“Company”	BYD Electronic (International) Company Limited, 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
“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)
“Supply Framework Agreement”	the agreement dated 19 March 2020 entered into between the Company and BYD in relation to the supply of surgical masks from the Group to the BYD Group

“Processing Services Framework Agreement”	the agreement dated 19 March 2020 entered into between BYD and the Company in relation to the provision of processing services and other related services from the BYD Group to the Group in relation to the electric intelligent robot project of the Group
“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
“US\$”	the lawful currency of the United States of America
“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, 19 March 2020

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