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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 27 November 2019 (after trading hours), the Company entered into the Construction Services Framework Agreement with BYD, pursuant to which the BYD Group shall provide construction services in relation to the Group's plants and production facilities to 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 the Construction 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 the Construction Services Framework Agreement are more than 0.1% but less than 5%, the transactions under the Construction 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

Details of the Construction Services Framework Agreement are set out below:

THE CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Parties

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

Date

27 November 2019 (after trading hours)

Subject Matter

Pursuant to the Construction Services Framework Agreement, the BYD Group shall provide construction services in relation to the Group's plants and production facilities (whether existing or to be opened in future) to the Group in the PRC from 27 November 2019 to 31 December 2019, unless terminated earlier in accordance with the terms of the Construction Services Framework Agreement.

Principal terms and price determination

The parties or their respective subsidiaries shall enter into separate implementation agreements in accordance with the terms of the Construction Services Framework Agreement. Each implementation agreements shall set out, amongst others, the specifications for the particular transaction including but not limited to the location of the relevant plants and/or production facilities, the actual type(s) and/or specification(s) of construction services required, the quality and/or building materials required and/or if any defects liability period is required, and must comply with the terms of the Construction Services Framework Agreement, the Listing Rules and applicable laws.

The terms offered to and the service fees payable by the Group in relation to the provision of construction services by the BYD Group shall be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market rates of the required services, 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 construction services, including the BYD Group, through bidding or price comparison process depending on the expected project size and/or the specification of the construction services required.

Payment terms

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

Annual Cap

The Company estimates that the transaction amounts under the Construction Services Framework Agreement shall not exceed RMB51,600,000 for the year ending 31 December 2019, and such amount has accordingly been set as the proposed Annual Cap. If the total transaction amounts under the Construction Services 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 by 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) as affected by the China-US trade disputes, some customers have adjusted their supply chain. In order to respond to customers' needs promptly, the Group needs to increase its production capacity rapidly; (ii) the expected construction plan for the Group's plants and production facilities (whether existing or to be opened in future) by reference to the Group's operational and production needs; and (iii) the estimated market rate of the construction services which the Group may require. For the year ended 31 December 2018, the Group incurred approximately RMB114,705,950 for the construction of its plants and production facilities.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

In recent years, as the Group has continuously strengthened its strategic cooperation with its customers, its assembly business has expanded smoothly, which has brought demand for capacity expansion. At the same time, affected by the China-US trade disputes, some customers have adjusted their supply chain. In order to respond to customers' needs promptly, the Group will meet future production needs through constructing its plants and supporting facilities. As BYD Group had obtained the construction enterprise qualification certificate (建築業企業資質證書) in the PRC and 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 and production practices and standard required, and in line with the expansion of the Group's operations and business, the Directors (including the independent non-executive Directors) considered that it is in the interest of the Company to enter into the Construction Services Framework Agreement with BYD for the proposed construction of the Group's plants and production facilities in the PRC to minimize administration costs in relation to the engagement and/or supervision of the required services.

The Directors (including the independent non-executive Directors) consider that the Construction 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) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure that the service fees charged by the BYD Group 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 providing the required construction services 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 Construction Services Framework Agreement do not exceed the Annual Cap, 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 Construction Services Framework Agreement incurred and to be incurred for a financial year is expected to reach the Annual Cap, 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 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 Construction 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 Construction 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 Construction Services Framework Agreement.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Construction Services Framework Agreement are more than 0.1% but less than 5%, the transactions under the Construction 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 the Construction Services Framework Agreement do not constitute connected transactions 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”	the annual cap in relation to the transactions contemplated under the Construction Services Framework Agreement for the year ending 31 December 2019
“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)
“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
“Construction Services Framework Agreement”	the agreement dated 27 November 2019 entered into between the Company and BYD in relation to the provision of construction services from the BYD Group to the Group
“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)
“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, 27 November 2019

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.