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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)

Website: <http://www.byd-electronic.com>

CONNECTED TRANSACTIONS

On 7 December 2016, the Company entered into the Assets Sale Agreement and the Assets Purchase Agreement with BYD and the Transactions thereunder constitute connected transactions of the Company.

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 Assets Sale Transaction and the Assets Purchase Transaction constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the Assets Sale Transaction (after aggregation with the December 2015 Assets Sale Transaction and the June 2016 Assets Sale Transaction) and the Assets Purchase Transaction (after aggregation with the December 2015 Assets Purchase Transaction and the June 2016 Assets Purchase Transaction), in each case, exceed 0.1% but are less than 5%, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Details of the Assets Sale Agreement and the Assets Purchase Agreement are set out below:

1. THE ASSETS SALE AGREEMENT

Date: 7 December 2016

Parties: BYD as purchaser

The Company as seller

Consideration: The total consideration for the assets which the Group agreed to sell to the BYD Group shall be equal to the unaudited net asset value of the relevant assets as at the day of delivery and shall be payable by the BYD Group to the Group in cash.

As at 31 October 2016, the unaudited net asset value of the assets was approximately RMB5,154,000, which is expected to be subject to a downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.

The consideration was determined after arm's length negotiation between the parties by reference to the unaudited net book value of the assets as at 31 October 2016, depreciation of the assets to be accrued up to delivery, working conditions of the assets and current market value of assets of similar capability.

Since the total consideration payable by the BYD Group under the Assets Sale Agreement shall be equal to the unaudited net asset value of relevant assets as at the day of delivery, there is no significant gain or loss accrued to the Company from the sale. The proceeds from the sale will be used as general working capital of the Group.

Assets sold: Assets sold by the Group to the BYD Group comprise primarily air compressor (空壓機), punching machine (沖床) and other related equipment.

The aggregate original acquisition cost of the said assets paid by the Group was approximately RMB25,818,000.

Delivery: Delivery shall take place by the end of the calendar month immediately after (i) the execution of the Assets Sale Agreement or (ii) the relevant approval (if required) has been obtained from the relevant PRC government authority, including the PRC customs authority (as the case may be).

Payment Term: The consideration shall be paid by the BYD Group in cash within 60 days after delivery of the relevant assets by the Group to the BYD Group.

Completion: Completion for the sale of the said assets will take place upon the payment in respect of such assets by the BYD Group to the Group, subject to the condition that the representations and warranties set forth in the Assets Sale Agreement in relation to due and proper working conditions of the relevant assets remain to be true and accurate at that time.

2. THE ASSETS PURCHASE AGREEMENT

- Date: 7 December 2016
- Parties: The Company as purchaser
BYD as seller
- Consideration: The total consideration for the assets which the BYD Group agreed to sell to the Group shall be equal to the unaudited net asset value of such assets as at the day of delivery and shall be payable by the Group to the BYD Group in cash.
- As at 31 October 2016, the unaudited net asset value of the assets was approximately RMB173,205,000, which is expected to be subject to a downward adjustment as at the day of delivery of the assets due to depreciation accrued up to delivery.
- The consideration was determined after arm's length negotiation between the parties by reference to the unaudited net book value of the assets as at 31 October 2016, depreciation of the assets to be accrued up to delivery, working conditions of the assets and current market value of assets of similar capability.
- The consideration shall be financed by internal resources of the Group.
- Assets acquired: Assets purchased by the Group from the BYD Group comprise primarily vertical machining center (立式加工中心), surface mount machines/system (貼片機), spark machines (火花機) and other related equipment.
- The aggregate original acquisition cost of the said assets paid by the BYD Group was approximately RMB305,545,000.
- Delivery: Delivery shall take place by the end of the calendar month immediately after (i) the execution of the Assets Purchase Agreement or (ii) the relevant approval (if required) has been obtained from the relevant PRC government authority, including the PRC customs authority (as the case may be).
- Payment Term: The consideration shall be paid by the Group in cash within 60 days after delivery of the relevant assets by the BYD Group to the Group.
- Completion: Completion for the purchase of the said assets will take place upon the payment in respect of such assets by the Group to the BYD Group, subject to the condition that the representations and warranties set forth in the Assets Purchase Agreement in relation to due and proper working conditions of the relevant assets remain true and accurate at that time.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The range of applications of metal components in smartphones have been widening and the market penetration of metal components continued to rise. To capitalise on the rapid growth of the metal component industry and effectively boost our revenue from the metal components business, the Group intends to further enhance its production capacity of metal components by purchasing the equipment for production of metal components while disposing of idle equipment to BYD who, to the understanding of the Company, is willing to acquire the assets for its business. The assets purchased by BYD are useful for the BYD Group's business.

In relation to the proposed disposal of assets by the Group to the BYD, it is believed that such disposal of idle assets at reasonable prices would be economical and beneficial to the Group. The Company negotiated with BYD on an arm's length basis and agreed on the transaction, while the assets to be sold under the Assets Sale Agreement are useful to the BYD Group for its business.

In relation to the proposed purchase of assets by the Group from the BYD, it is believed that such purchase of assets from the BYD is the fastest and more cost-effective way to increase the Group's production capacity, reducing additional costs and time. Due to the proximity of the location of the Group and the BYD Group, the Group will benefit from reduced transportation cost and more convenient testing of the assets by purchasing the same from BYD.

INFORMATION ON THE GROUP AND THE 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 business relating to the area of new energy products.

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, each of the Assets Sale Transaction and the Assets Purchase Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Mr. WANG Chuan-fu, being 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 Assets Sale Agreement and the Assets Purchase Agreement. Mr. WU Jing-sheng, who is 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 Assets Sale Agreement and the Assets Purchase 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 Transactions.

As certain of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the Assets Sale Transaction (after aggregation with the December 2015 Assets Sale Transaction and the June 2016 Assets Sale Transaction) and the Assets Purchase Transaction (after aggregation with the December 2015 Assets Purchase Transaction and the June 2016 Assets Purchase Transaction), in each case, exceed 0.1% but less than 5%, the Transactions are subject to the reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement set out in 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, none of the Assets Sale Transaction and the Assets Purchase Transaction constitutes connected transaction for BYD under Chapter 14A of the Listing Rules.

The terms of the Transactions have been negotiated on an arm's length basis. The Directors, including the independent non-executive Directors, believe that the Transactions have been entered into in the ordinary and usual course of the business of the Company on normal commercial terms and the terms of each of the Assets Sale Agreement and Assets Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Assets Purchase Agreement”	the purchase agreement dated 7 December 2016 entered into between the Company and BYD for the purchase of assets by the Group from the BYD Group;
“Assets Purchase Transaction”	the transaction contemplated under the Assets Purchase Agreement;
“Assets Sale Agreement”	the sale agreement dated 7 December 2016 entered into between the Company and BYD for the sale of assets by the Group to the BYD Group;
“Assets Sale Transaction”	the transaction contemplated under the Assets Sale Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors or a duly authorised committee of the board of Directors;

“BYD”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange;
“BYD Group”	BYD and its subsidiaries (excluding except where the context indicates otherwise, the Group);
“Company”	BYD Electronic (International) Company Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on 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;
“December 2015 Assets Purchase Transaction”	the transaction completed under the purchase agreement dated 7 December 2015 entered into between the Company and BYD, details of which were set out in the announcement of the Company dated 7 December 2015;
“December 2015 Assets Sale Transaction”	the transaction completed under the sale agreement dated 7 December 2015 entered into between the Company and BYD, details of which were set out in the announcement of the Company dated 7 December 2015;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“June 2016 Assets Purchase Transaction”	the transaction completed under the purchase agreement dated 22 June 2016 entered into between the Company and BYD, details of which were set out in the announcement of the Company dated 22 June 2016;
“June 2016 Assets Sale Transaction”	the transaction completed under the sale agreement dated 22 June 2016 entered into between the Company and BYD, details of which were set out in the announcement of the Company dated 22 June 2016;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“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);

“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Transactions”	the Assets Sale Transaction and/or the Assets Purchase Transaction (as the case may be);
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

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

Hong Kong, 7 December 2016

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